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EXTEND THE FOOD AND AGRICULTURE ACT OF 1965

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HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

NINETIETH CONGRESS

SECOND SESSION

MARCH 18, 19, APRIL 22, 23, 24, 25, MAY 1, 2, AND 3, 1968

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CONTENTS

STATEMENTS

EXTEND THE FOOD AND AGRICULTURE ACT OF 1965

MONDAY, MARCH 18, 1968

House of Representatives,
Committee on Agriculture,
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m., in room 1301, Longworth House Office Building, Hon. E. C. Gathings presiding.

Present: Representatives Gathings, Abernethy, Jones of Missouri, Nichols, Belcher, Teague of California, Mrs. May, Dole, Hansen, Goodling, Miller, Burke, Mayne, Zwach, Kleppe, and Price.

Also present: Martha Hannah, subcommittee clerk; William Black, general counsel; Hyde H. Murray, assistant counsel; L. T. Easley, staff consultant; and Fowler C. West, assistant staff consultant.

Mr. Gathings (presiding). The committee will come to order.

The chairman had to go to Texas and will not be present this morning for the opening of the hearings on the General Farm Extension Act. We are pleased to have with us Mr. L. C. Carpenter, vice president of the Midcontinent Farmers Association. We will be delighted to hear from you—we are pleased to have you with us this morning, Mr. Carpenter. You will be our leadoff witness.

STATEMENT OF F. V. HEINKEL, PRESIDENT, MIDCONTINENT FARMERS ASSOCIATION, COLUMBIA, MO.; PRESENTED BY VICE PRESIDENT L. C. CARPENTER

Mr. Carpenter. Thank you, Mr. Chairman and members of the committee.

As you will notice, this statement is one prepared by Mr. F. V. Heinkel, who is the president of the Midcontinent Farmers Association and the Missouri Farmers Association, and because of his activity on the Feed Grains Committee and various other committees this will be presented in his name. And with your permission, I would like to read the statement; and I will then be subject to any inquiries that you may have.

Mr. Gathings. We will be glad to have you do so. Proceed in your own way.

Mr. Carpenter. Thank you very kindly.

My name is F. V. Heinkel, and I am president of the Midcontinent Farmers Association and the Missouri Farmers Association, both of which are headquartered at Columbia, Mo. The membership of the Midcontinent Farmers Association is over 157,000 with membership

in the State of Missouri, and a sizable number of members in Illinois, Iowa, Nebraska, Kansas, Arkansas, and surrounding States.

I am appearing here as president of the Midcontinent Farmers Association which represents the educational, organizational, and legislative activities of the MFA. It is indeed interesting how history has a habit of repeating itself. I look back at my testimony in support of the Food and Agriculture Act of 1965 given in June 1965. I opened my statement by brief review of a meeting which was held at Kansas City, Mo., on April 13, 1965.

It seems most appropriate that I make a similar reference today to a meeting of farm leaders which was held in Kansas City, Mo., on February 8, 1968. Once again there was some 350 farm leaders in attendance, and not just from the Midwest, but from the majority of the States in the United States, including one farm leader from Canada. These leaders represented all of the major farm organizations and there was representation from virtually all of the commodities, including wheat, corn, grain sorghum, milk, cotton, wool, and soybeans.

This informal organization was first activated on January 31, 1962, immediately prior to the enactment of the Agriculture Act of 1962. I have served as informal chairman since that time and by resolution of the participants have been authorized to call such a meeting when the need arose and conditions seemed desirable for this group to get together.

Secretary Freeman was with us again and spoke to the group on the subject of "Agriculture 1968 and Beyond." Also participating on the program were two of your colleagues, the Honorable Richard Bolling, Democratic Congressman from Missouri, representing the urban sector of our economy, and the Honorable Mark Andrews, Republican, North Dakota, representing the rural segment. I refer to this meeting to point out to you. Mr. Chairman and members of the committee, that we were again attempting to get a consensus of opinion over the United States in a strictly bipartisan fashion to consider legislation recommendations and administrative actions that will serve to improve net farm income for the future.

Before I read the resolution, I would like to respectfully suggest that you might look at the back page,[1] which is an appendage which represents the program which was carried out during this period.

I call to your particular attention the fact that the list shows the makeup of the resolutions committee. You will notice that the chairman was from the State of Iowa. There were members from the States of Illinois, Texas, Washington, Washington, D.C.; Mr. Harry L. Graham, representing the National Grange, who is also on this committee; the State of Colorado, Don Hill, representing the M.F.A., Mr. Hughes of Nebraska; also the States of New Mexico, California, Oklahoma; and Mr. Johnson, representing the National Farmers Union.

So I point out that I think there was a pretty good representation and a wide distribution of interest.

In the panel discussions, you will notice that there was a good representation there, too. I point this out in order that you may know who made these resolutions.

With your permission, I would like to quote below the resolutions adopted at this meeting:

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[1] See p. 7.

1. It is our strong position that adequate prices of farm products cannot be obtained without reasonable management of the supplies of farm commodities, and we urge support of and participation by all farmers in the year 1968 in the wheat, feed grains, cotton, rice and tobacco programs.

2. To safeguard the national interest and to provide for the availability of adequate supplies of food and fiber in the event of a national emergency, we urge the passage of an act providing for a strategic reserve of agricultural commodities, utilizing the principles of extended loans, purchased stocks by Commodity Credit Corporation and farmer-contracted storage, and released only at 100 percent of parity less certificates and payments, but available to consumers in the event of a national emergency.

And this is the subject to which we address ourselves.

3. We support the extension of the Agricultural Act of 1965, by this session of the United States Congress, for not less than four years.

4. The continuation of the principle of non-recourse loans is vital to the success of farm programs and we will most strongly resist any and all efforts to change this concept.

5. We question the stand of any organization or individual in their effort to abolish all farm programs and suggest that their stated positions are not representative of the views of working farmers in America.

6. We urge the ratification by the United States Senate of the Trade Expansion Act, including particularly the International Grains Arrangement.

7. We urge that for farm commodities used in international aid programs, farmers should receive therefor not less than 100 percent of parity prices adjusted by the amount of any certificates and payments.

8. Recognizing that the preservation of the family farm is essential to our American way of life, we point out that it is necessary that large, moneyed business corporations be restricted in their use of losses from farming operations to offset gains from other operations, and we urge the Congress and the Internal Revenue Service to institute an immediate study of the adverse effect of these practices upon the operations of bona fide farmers, and we likewise urge strict enforcement of the tax laws relating to "hobby" farming.

9. To supplement existing farm programs, we urge the adoption of legislation to insure the right of farmers to organize and bargain collectively.

Adopted unanimously this 8th day of February, 1968.

FRED LUDWIG, *Chairman.*

Attached herewith [1] is a copy of the program of the meeting, which I have just referred to, which I think will convince you of the bipartisanship and our sincere desire to get an expression of opinion of nationwide significance. I am honored to serve as chairman of this informal group and highly pleased as I review past meetings that the National Congress has enacted into law farm legislation we have recommended. I hope we can continue this fine record.

Mr. Chairman, I apologize for taking up this much time concerning the Kansas City meeting, but I think it is of vital importance that you and the members of this committee be informed of the consensus of opinion of the farm leaders who attended this meeting.

With your permission, I will adress myself to the subject at hand—the extension of the Food and Agriculture Act of 1965. United States farm programs have been in effect for 35 years, starting with the depression-ridden "terrible thirties." Such programs have been an acceptable way for yesterday's agriculture and are just as acceptable for today and tomorrow's agriculture. Farm programs have benefited both the consumer and the Nation in general, as well as the farmer for whom they were designed. It is of utmost importance that the Food and Agriculture Act be re-enacted in this session of Congress.

Abundance, stability, conservation, and security have been continu-

[1] See p. 7.

ing farm program aims since the first national legislation dealing with price support, and Product Adjustment Act was passed in 1933. The original program has been added to and revised many times in several respects to keep pace with changing conditions and needs. None of the programs have been the complete answer; however, the Food and Agriculture Act of 1965, the 4-year law which expires in 1969, is, we believe, the best of all of the programs to date.

It has offered a good measure of security, price stability, flexibility, a 4-year base for planning by farmers, plus freedom of decision by the individual family farmer of America. It has enabled hundreds of thousands of our family farmers to remain on the land—a distinct advantage and asset to the Nation in many important respects.

It has allowed abundant production of food and fiber for our consumers at the lowest cost to them in the world, while at the same time, it has provided ample food and fiber for world export, including donations to underdeveloped countries and nations with acute food shortages.

We compliment you, Mr. Chairman and members of the committee, for your good judgment and timely action in calling these hearings. As you well know, your farmer friends down in Texas start planting wheat in July and, also, Mr. Belcher, your friends in Oklahoma will start their wheat planting preparations soon thereafter.

If you fail to enact this legislation in the 90th Congress, time will indeed be short in the 91st Congress to pass such legislation and for the Nation's farmers to adjust and execute their cropping plans within such a short period of time. Both myself and the organizations I represent have always attempted to adopt a positive and forward thinking policy; however, I cannot help but point out that there is still pending a lot of "antifarm bills" to do away with all of the grain programs, as well as some which will kill off the cotton and tobacco programs.

This is indeed disturbing and agonizing to every thinking farmer in the United States who wonders how and when they might have their economic throat slashed by such reckless action.

Our most respected economists in and out of government agree that if the Agriculture Act of 1965 is not continued, farm income will decline drastically. In fact, some estimate as much at 35 to 50 percent if no programs are available.

It is of utmost importance to the farmers of America and the Nation itself that we enact permanent legislation now similar to the Agriculture Act of 1965. This act was evolved out of the highly successful feed grain program of 1961 and the wheat program of 1962. Both programs were highly successful. There should be no fear in making this permanent legislation because it is highly flexible, farmer participation is entirely voluntary, annual adjustments can easily be made, and effective administrative decisions can be carried out, especially if a strategic commodity reserve is made companion legislation this year. The Agriculture Act of 1965 clearly accomplished a number of significant objectives.

It has cut extremely burdensome oversupplies of commodities. Wheat stocks have been reduced by more than 60 percent below the mountainous level of 1.4 billion bushels we had laying around in 1961

requiring major storage costs and requiring a great deal of public funds to pay the interest on the investment needed to cover Government acquisition costs.

Feed grain oversupplies have been cut by 50 percent below the 85 million tons which had been piled up in this country by 1961.

Cotton stocks, with an unexpected and not necessarily wanted assist from the weather, have been brought down nearly 60 percent from the peak carryover of 17.6 million bales in 1966. The 1965 act and its diversion program made this possible for the first time in the cotton industry.

It has been substantially responsible for keeping our export prices competitive in the world markets. Wheat at 100 percent of parity for domestic food use portion of production; balance at loan level near world price, with export subsidy to adjust to competition as necessary. Feed grains already at competitive world prices.

It has helped to maintain farm income. Gross annual returns climbing. Farm programs are not responsible for increasing costs of production; however, additional action is needed to increase net income of farmers.

It has been extremely popular with the farmers.

Feed grain signup around 1¼ million farms annually.

Nearly a million wheat farms annually.

Most of the cotton farms annually.

Again, to face reality, let's evaluate the farmer's plight if this legislation is not extended and then old, out-moded programs would automatically take effect. America's greatest single resource, agriculture, which regenerates itself annually with new wealth from the land, will wither and die.

Wheat—if marketing quotas were proclaimed and were approved by two-thirds of the farmers voting in referendum, marketing quotas would be in effect; land-use penalties would apply for failure to make mandatory diversion; wheat marketing certificates would be in effect, but with loan value could not be less than 65 nor more than 90 percent of parity, and processors would have to pay the full value of domestic certificates.

If quotas were rejected, there would be no marketing quotas, no land-use penalty, no wheat certificates, no diversion payments, but there would be price support at 50 percent of parity only to producers who comply with their allotments. If quotas were not proclaimed, the same conditions all would prevail, except for price support, which would be from 75 to 90 percent of parity with the maximum, depending on the supply percentage.

Feed grains: Prevailing old statutes make no provision for diversion or price-support payments. Price support for corn would be from 50 to 90 percent of parity, the maximum level being set at that point when it will not result in increasing CCC stocks of corn—for other feed trains at a level which is fair and reasonable in relation to the level of corn.

Cotton: If marketing quotas were proclaimed and approved by two-thirds of the producers voting, the quotas would be in effect; there would be no diversion or price support payments; price support would be from 65 to 90 percent of parity, as determined by the Secretary of

Agriculture, and there would be no authority to make cotton available to domestic mills at the world market price if such price were lower than the legal minimum price for unrestricted use.

If quotas were disapproved, there would be no marketing quotas, no diversion or price-support payments and price support at 50 percent of parity would be available only to those who comply with their allotments. If quotas were not proclaimed, the same conditions would apply except that price support would be at 65 to 90 percent of parity for those complying with their allotments. Additionally, there would be no authority to sell, lease, or transfer cotton allotments.

U.S. farmers, especially those in the Midwest, the "breadbasket" of the Nation, are already in trouble. They are presently caught between the millstones of grievously depressed prices for their production and eternally soaring production costs. Their plight could only be worse if they had no Federal farm programs. Net farm income of U.S. farmers was 12 percent less in 1967 than in 1966. The income for an average farm declined almost $500. Outlook for 1968 at this time appears no better. But, their situation is not hopeless if present programs are kept in force and judiciously administered to maintain farm income.

In conclusion, I would like to make the following suggestions:

1. This program must be more nearly designed to permit farmers to receive at or near parity prices for farm commodities used domestically and for Public Law 480 exports.

2. Companion legislation providing for national commodity reserve is of utmost importance if any supply management-price support program is to be administered effectively.

3. We would like to see enabling legislation to permit farmer-owned and operated cooperatives to more effectively bargain for higher farm prices for farm commodities.

Mr. Chairman, may I conclude, again by reminding you of the consensus of opinion at our Kansas City meeting, and resolutions developed therefrom, and although in this testimony I have referred to some deplorable conditions that could exist if the 1965 act is not extended, I want to again take the affirmative and positive stand that the future in agriculture can be bright and promising with production matched to demand, with agricultural exports bringing an increased flow of billions of dollars to help our national economy, and with farm commodities in ample supply to meet domestic demand at fair and reasonable prices.

I realize I have not gone into specifics on program operations, but we will be glad to provide this committee with certain specific recommendations on commodity programs if you so desire. We, as farmers of America, have a huge responsibility and a big stake in our economy. You, as special representatives on the congressional agricultural committees, I am sure feel your responsibility in assuming your share of this mammoth task. The choices we make today will dictate what the tomorrows will bring.

The Agriculture Act of 1965 must be extended and it should be extended in this session of the 90th Congress.

(The document entitled, "Farm Leaders Conference," above referred to, follows:)

Farm Leaders Conference—President Hotel, Kansas City, Mo., February 8, 1968, General Chairman, F. V. Heinkel

9:25 a.m.: Call to Order.
9:30 a.m.: Welcome—Mayor Illus Davis, Mayor of Kansas City.
9:40 a.m.: "Why We Are Meeting Today"—F. V. Heinkel.
10:10 a.m.: Address: "Agriculture 1968 and Beyond", Honorable Orville Freeman, Secretary of Agriculture.
11:00 a.m.: Coffee Break.
11:15 a.m.: Address: "The City Congressman's Responsibility in the Future of American Agriculture," Honorable Richard Bolling—Democrat-Missouri, Member of Congress.
11:45 a.m.: Lunch—Compliments of Midcontinent Farmers Association.
1:00 p.m.: Address: "The Rural Congressman's Responsibility in the Future of American Agriculture," Honorable Mark Andrews—Republican-North Dakota, Member of Congress.
1:30 p.m.: "Bird's-Eye View of 1968 Program Applicable to the 1965 Agricultural Act"—Ed Jaenke, Assoc. Administrator, ASCA.
1:45 p.m.: Panel Discussion: "Value of Supply Management Programs; and, What Action is Necessary to Keep these Programs and, If Necessary, Improve Them":
James Dean, Kansas, Wheat.
Henry Van Tuyle, Illinois, Corn.
D. G. "Bill" Nelson, Texas, Grain Sorghum.
Lloyd Godley, Arkansas, Cotton.
Laurel Meade, Indiana, Soybeans.
Smith Broadbent, Jr., Kentucky, Tobacco.
James Reeves, Misouri, Milk.
2:30 p.m.: "Importance of Farm Export—Import Policies As They Affect American Agriculture"—Lauren Soth, Managing Editor, *Des Moines Register Tribune.*
3:00 p.m.: Report Resolutions Committee—Fred Ludwig, Chairman, Iowa:
John W. Curry, Illinois.
Roy Davis, Texas.
Harold O. Edwards, Washington.
Harry Graham, Washington, D.C.
E. L. "Shug" Hatcher, Colorado.
Don Hill, Missouri.
Herbert Hughes, Nebraska.
Albert Matlock, New Mexico.
Thomas Mezger, California.
H. J. Shaw, Oklahoma.
Reuben Johnson, N. Carolina.
W. W. Beckett, Columbia, Mo., Secretary.
3:15 p.m.: Concluding remarks—"Let's Accept Our Responsibility and Go to Work"—F. V. Heinkel.

Mr. Gathings. Thank you so much, Mr. Carpenter. You have given your reasons, as you see them, for the extension of the Farm Act of 1965, and have shown what would be the result if quotas were voted down in respect to these commodities.

Mr. Carpenter. Yes, sir.

Mr. Gathings. Now, I would like, if you would, Mr. Carpenter, a little brief rundown of the history of the Midcontinent organization. It is quite new; it was started in 1961; is that right?

Mr. Carpenter. The Midcontinent Farmers Association was started in 1964. The Missouri Farmers Association and Midcontinent, both of which are one and the same thing, date back 53 years, to be exact. I will explain this very hurriedly.

The Midcontinent Farmers Association is the organizational educational and legislative branch of the Missouri Farmers Association. It is completely separated from the business branch. The Missouri Farm-

ers Association, Inc., in the business branch, which is one of the largest regional cooperatives operating in the Midwest, and it has its membership, Mr. Chairman, in Missouri alone, because membership is required by patronage, to represent it at the respective farmers exchanges, the feed mills, slaughter plants, or what-have-you.

So Midcontinent membership consists of any member of the Missouri Farmers Association, Inc., who is a patron and who is a member by virtue of their patronage, which automatically makes them a member of the Midcontinent Farmers Association, whereas our out-of-State membership is comprised of a group membership, represented by a $2 payment, or an individual membership is represented by a $10 payment.

And I would say at the moment that we have some 10,000 or 12,000 members outside of the State of Missouri. The remainder are in the State of Missouri.

May I also say, Mr. Chairman, that the officers and directors are one and the same, of the two organizations. This is in accordance with the bylaws.

Mr. Gathings. I believe you mentioned that you have a membership in the State of Arkansas.

Mr. Carpenter. We have some membership in that State. We have some facilities in Arkansas; that is, we have several facilities. We have grain distribution facilities in almost the entire Arkansas area. We have, I believe, five locations in northwest Arkansas, adjacent to the Springfield area.

Mr. Gathings. And you have quite a membership in the Missouri Boot Heel area?

Mr. Carpenter. Yes, sir.

Mr. Gathings. I would like to ask you another question.

Mr. Carpenter. We have a very capable director down there in Mr. Hilton Bracey, whom you know.

Mr. Gathings. Mr. Carpenter, this statement is all-embracing. I would like to ask you specifically as to that part of your statement which emphasizes the need for the farmers to organize to bargain.

Would you give us some of your views in detail as to what you mean by "bargaining collectively"?

Mr. Carpenter. Yes, I would be happy to do so, Mr. Chairman.

I must say, or I must admit, that we have not endeavored to have our attorneys set out what we think should actually be included in such a bill. However, we do hope that there will be devices whereby the farmers can group themselves together as commodity groups, where they will be able to more effectively bargain to sell their commodities.

Now, let me state real quickly that we do not think that under any circumstances any bargaining program will work unless we have legislation similar to the Agriculture Act of 1965, because unless there is some semblance of governmental control or supply management, we see no way by which it can work.

I am not saying this with any disrespect to the farmers, but, gentlemen, you know as well as I know that there are bargaining views all over the lot on that subject and unless there is some organized governmental sponsored supply management, we see no way of developing any kind of a bargaining program that will work. We think, further

that there should be some safeguards in connection with this bargaining. We very frankly feel that it could go too far. We are not in a position to go as far as some groups want to go in bargaining, because we have a feeling that not only is the farmer entitled to representation and to get a price for his product, but also that the consumers have some consideration insofar as what they are able to pay in prices.

So I am not willing to go all overboard and say that farmers should have collective bargaining and to take it wherever they can take it without some safeguards.

Mr. Gathings. I appreciate your going into detail and giving your views in respect to that question. You did not have any statement on that in your prepared text.

You have mentioned "hobby" farmers. Would you elaborate somewhat on your meaning of the term "hobby farmers" or "hobby farming"?

Mr. Carpenter. I must admit that is a little bit hard to explain. I am very frank to say that I own a farm and do not live on it. I do not think that I am a hobby farmer, however. At least, I hope I am not.

I must say that the examination that was caused to be made here by the national Congress and revealed only recently, that farmowners in such cities as New York and elsewhere revealed that it was somewhat fantastic to see the unusual losses that prevailed in their farming operations. It is quite obvious that if this were continued and were to expand—and it could—it would not be good. For family farmers or the Nation as a whole.

Mr. Chairman, it is most difficult today for a young family to come by $100,000 to get into the farming business in the Midwest. And that is just about what it takes. Very frankly, if they can borrow the $100,000, I do not know for sure how they are going to pay the 6 percent interest on it with the net income that they now have.

We mentioned this, of course, at the Kansas City meeting. That was incorporated into these resolutions.

My own organization has not, necessarily, taken a stand on this, but we must be sympathetic with it and we think that it is something that justifies being looked into very seriously. There is farming by corporation officials who buy a piece of land. They may or may not be honestly farmers. They may have it for show horses and bird dogs, and recreation and various other things that you might think of. I think that bears looking into.

Mr. Kleppe. Would you yield?

Mr. Gathings. I yield to the gentleman from North Dakota.

Mr. Kleppe. Mr. Carpenter, your statement indicates that you urge strict enforcement of the laws relating to hobby farming.

Mr. Carpenter. Right.

Mr. Kleppe. Are you not talking about new laws, or a change in the present law? Are you questioning the fact that the deductions they are taking today for the so-called hobby operations are not legal?

Mr. Carpenter. I would presume that they are probably legal. In the farming industry, Mr. Kleppe, there are a lot of expenses on the farms that really constitute annual expenditures that probably should be listed as capital expenditures.

Mr. Kleppe. I think I understand what you are talking about here.

Mr. CARPENTER. I am sure we agree.

Mr. KLEPPE. I am questioning your language as to strict enforcement. Do you not really mean a change in the present law?

Mr. CARPENTER. You are probably correct.

Mr. KLEPPE. That is the point I am trying to make.

Mr. CARPENTER. I quote these resolutions, which did not have anythink personally to do with; that is, I did not have any thing, to do in making them, therefore I cannot say for sure what they intended. You are probably quite right.

Mr. KLEPPE. I think this is the point that I wanted to make, Mr. Chairman. I do not believe that it is a matter of enforcing our present laws. I do not believe these hobby farmers are violating the present laws.

Mr. CARPENTER. I think you are right.

Mr. KLEPPE. There are loopholes there that should be closed.

Mr. GATHINGS. This committee would not have jurisdiction over closing those loopholes, would they?

Mr. CARPENTER. Not at all.

Mr. GATHINGS. Mr. Teague.

Mr. TEAGUE of California. I was just talking to the committee counsel. There is a bill pending before the Ways and Means Committee now to accomplish that purpose.

Mr. CARPENTER. That is correct.

Mr. KLEPPE. Yes.

Mr. GATHINGS. You mentioned the cutback in the carryover of so many million bales of cotton. The 1965 act played a most important and significant role in that cutback—I would agree with you. But the adverse weather 2 years in a row had lots to do with it too.

Mr. CARPENTER. Certainly. I am not sure whether the weather might not have had equally as much to do with it, as the 1965 act. I must agree.

Mr. GATHINGS. Mr. Belcher.

Mr. BELCHER. No questions.

Mr. GATHINGS. Mr. Teague.

Mr. TEAGUE of California. No questions.

Mr. GATHINGS. Mr. Mayne.

Mr. MAYNE. Mr. Carpenter, there has been considerable fanfare about these hearings and the importance that is to be attached to them.

The administration has, in the President's farm message, stated that the extension of this program has great urgency—that it is a matter that should be given urgent priority—that the permanent extension of the program is a matter of utmost importance to the American farmer. And at the briefing at the White House, as I recall it, on the day that the farm message came to the Congress, the Secretary of Agriculture asked this committee to make this bill a first order of business.

There has been, it seems, considerable fanfare by the administration's spokesmen in the press since that time about the urgency and the importance of extending this act.

Now, I note, unfortunately, that throughout your testimony and during the first 40 minutes of these hearings, there have been only six members of this committee present. I would certainly hope that the

attendance of members this morning is not an indication of the real interest in this legislation this year, in this session of Congress.

I think this act is entitled to a fair and full hearing, that this program should have both its proponents and opponents here to go into this matter fully and carefully. I would hope that these hearings, as they proceed, will produce more of a hearing from the members of the committee than you are getting this morning.

Perhaps by the time that Mr. Harry Graham presents his testimony the situation will have improved somewhat. Thank you.

Mr. CARPENTER. Thank you.

Mr. GATHINGS. Mr. Kleppe.

Mr. KLEPPE. Thank you, Mr. Chairman.

Throughout your testimony, Mr. Carpenter, you made a couple of specific references to the fact that it is not only important that we extend this act, but that we do it in this session of Congress. I am interested in this because, as you know, the present farm act runs through the 1969 crop year. This is some time in 1969. The crops, of course, mature at different times throughout the geographical portions of our country, and the maturity dates for the various crops vary accordingly.

But you know in 1969 we are going to have a new Congress—there are going to be new members on this committee. Do you feel that there is some sort of responsibility for those of us who are here now in usurping the right—"right" is not the correct word—usurping the responsibility we have, possibly, that is a better way of putting it—of enacting longtime legislation in this farm program now, knowing full well that there will be a change in the Congress in 1969?

The reason I am reciting this, Mr. Carpenter, is that I happen to feel that whoever our successors may be, have a pretty implicit right in the legislation that comes before them, and that if we were going to pass this now in 1968, that we might not be reflecting perfectly the tone of the country, because we are going to have an election in 1968 and we are going to have some new Members of the Congress in 1969. There will be some new members on this committee, I am sure.

So I am wondering about the impact that you place upon enacting this legislation, or the extension of it, in this session of Congress.

Mr. CARPENTER. Mr. Kleppe, I do not believe that I agree with you on that philosophy. We believe that the present Members of the Congress could well face up and assume this responsibility. And let me point out why: in the farming operation, it is not something that you have, like turning on a spigot. It is not just that simple.

You must have planning. And you should be working on your plans for 3 to 5 years before, if you have a beef program, for example. With a cow, you have to breed that cow 9 months beforehand.

Mr. KLEPPE. I know that pretty well.

Mr. CARPENTER. Now then, think about how short a time that will be, for you will probably be back, and I am sure that others will be back here, too, who will be faced with coming up with some type of legislation, because down in Texas and in that area, they are going to be preparing to plant wheat in July well before you are adjourning the session. That gives them a relatively short time to do anything.

Mr. KLEPPE. Do you not believe that if hearings were held on this legislation, on this extension, in this year, it could be enacted early next

year, and still get into effect early enough to follow through on the expiration of the present act?

Mr. CARPENTER. This is the last session of the 90th Congress, and so it would have to be reintroduced, and you would have to go through all of the process again. I grant you that the hearings will be helpful. The only one that I have seen that got through quickly in the agricultural field was the Feed Grain Act of 1961. That one did move through quite rapidly. If new legislation can move through that fast, it would be allright.

Mr. KLEPPE. We know that it does not always work that way. The important thing in bringing this out, so far as I am concerned, is that I want to make the point that I think that does exist. And, quite obviously, as I can see from your statement you and I do not agree on this.

I think it is important that we make the point that people realize that this is the situation that this committee has to deal with.

Mr. CARPENTER. All right. I think that you make the point quite straight. I agree with it. There is some logic the other way, however. Think about the individual farmer out here. He is in a little bit of a precarious situation. It is costing an unreasonable amount for him to stay in the business. His banker is wondering where he is going. The farmer is wondering where his banker will let him go.

Mr. KLEPPE. Assuming that there is an extension of this act, is that not an unfair assumption?

It does run through the crop year of 1969.

Mr. CARPENTER. That is correct. I agree with you. But 1969 will come along pretty quickly.

Mr. KLEPPE. We know this. And this new Congress will be here, too. We know this.

I just wanted to make this point, Mr. Chairman. I have no further questions in this regard.

Thank you.

Mr. GATHINGS. Mr. Zwach.

Mr. ZWACH. I certainly appreciate that we ought to be carefully reviewing our farm programs. I agree that we ought to be doing it now. I am happy in this respect. I do have some concerns. You know, we are in the operation now. You said that the prices were 12 percent lower in 1967 than they were in 1966, which is true.

I am a farmer on this committee, so I directly experience farm price declines.

Mr. CARPENTER. You know that, I am sure.

Mr. ZWACH. I know that. We know that parity is lower than it has been. We know that in 1960, when we had about 4 million farmers, and we know now that we have about 3 million farmers. So that just the extension of the farm program is not enough. We need improvement. We need to find out why parity is the lowest it has been. We need to know why the small farmer is disappearing—is being driven off the land.

I was in my community this last week. And the sale bills and so on—they were just tremendous. I am greatly concerned about what is taking place. We have got to be looking into this very carefully. That is why I am glad that we are at these hearings early.

Let us go back to your convention in Kansas City. You say that this

was a completely nonpartisan meeting. You say that you had all of the farm organizations there?

Mr. Carpenter. Yes, sir.

Mr. Zwach. And they all participated. And they were 100 percent—all of them—agreed to these resolutions as set forth?

Mr. Carpenter. No, sir. Let me clarify that.

All of the farm organizations were represented. I do not generally call names. I noticed one farm organization absented itself from the meeting at the time that the resolutions were voted on. They were represented, however.

Mr. Zwach. Let us come to your resolution No. 2 that deals with strategic reserves.

Mr. Carpenter. Yes, sir.

Mr. Zwach. It was their resolution, unanimously, at least, that a strategic reserve in the overall picture was desirable?

Mr. Carpenter. Very much so. And may I say that our position is 100 percent for the strategic reserve. And, very frankly, it might possibly have been, that we would never have had that 12 percent decline in income if we had had a strategic reserve, because the Secretary did not have very much choice, other than being sure that the United States did not have a shortage of food for our own domestic use and for exports.

Very frankly, we overdid it this year in production. We know that.

Mr. Zwach. You have here what I have fought for so hard all last summer, that they shall not be sold at less than parity. And you stand solidly on that position.

Mr. Carpenter. We sure do.

Mr. Zwach. If we are going to set up the reserve, if there is not some definite figure at which it can be released, it does not enhance the situation of the farmer.

Mr. Carpenter. It must be, initially, if it is considered a part of the package.

Mr. Zwach. So you see that this would be a required proposition?

Mr. Carpenter. Yes, sir.

Mr. Zwach. No release at less than parity.

Mr. Carpenter. That is correct.

Mr. Zwach. Let us come to No. 7 of your resolutions: we urge that for prime commodities used in international aid programs, farmers should receive therefor not less than 100 percent of parity prices adjusted by the amount of any certificates and payments.

Mr. Carpenter. You are right.

Mr. Zwach. I have long felt that the farmer has long subsidized the American consumer, but he should not be expected to subsidize the whole world, too. I am open for your suggestions. I am looking for your suggestions on how this can be worked out. Are you thinking of isolating the out-shipments from home consumption; or are you trying to do something else, thinking of bringing the whole price structure up to parity?

What is the reference there?

Mr. Carpenter. I am thinking of bringing the entire price structure up. I do not think that you can separate them. I agree that it is wrong that some of our agricultural products that go into exports go under

Public Law 480 at a cheap price and some go in for cash, while some foreign aid is on a grant or loan.

I do not know of very many manufacturers of machinery, and so forth, who are having to sell their product at lower prices, as we do with our farm products. I do not know how to correct it, I must admit very quickly.

When we get into this foreign aid, let me say that I just returned a month ago from the Far East, from Japan—and believe they are our best customers—and if we did not have them we would have to cut back. They and Taiwan are our best customers. We would have to cut back another 25 percent in our production, otherwise. One acre out of four is going into export. But it does need the price-support structure. That I agree with you on, our price must be improved. And I hope that it will be.

Mr. ZWACH. You, of course, know that for all of the things that are shipped under Public Law 480, that the manufacturers in America get parity for them, except the agricultural products.

Mr. CARPENTER. I am aware of that.

Mr. ZWACH. And when it comes to the farmer, that is not true. And that goes right down the line on his crops. I am interested in knowing how we are going to handle this.

Let us go to page 8 of your testimony, where you say:

> U.S. farmers, especially those in the Midwest, the "bread-basket" of the Nation, are already in trouble. They are presently caught between the millstones of grievously depressed prices for their production and eternally soaring production costs. Their plight could only be worse if they had no Federal farm programs.

That is your belief, I think.

Mr. CARPENTER. Well, not only my belief, but I think that we have proved it. The parity figure that we keep bandying around does not include the Federal payment. So you add the Federal payment to it, and it is not as high as it ought to be, but it is a whole lot better than if we did not have it.

Very frankly, if it were not for the Federal payment right now in the farm program, it would be bad. I agree with you that we are getting in deeper and deeper; that is why we need legislation to help now.

Mr. ZWACH. I am inclined to agree with you. I think that without the farm program we would be worse off. But do you not think that in order to make the farm program work, we need a friendly government, a government that will be careful on imports, and all of the other areas that affect farm production?

I think, for instance, of dairy people. The dairy people have some bargaining people in some of their organizations, but for instance, we had 2.7 billion pounds of dairy products come in here. It seems to me that unless production controls are had, that you will have to have friendliness in every area.

For instance, I am very frank to say that it is difficult for me to see hundreds of dairy farms in my Sixth District drying up and business almost encouraged by Government to go to producers in other places in the world. It seems to me that unless we look at this overall, we are in trouble.

What is your reaction to that?

Mr. CARPENTER. I would not want to address myself to the part of friendliness. I must say that it will take effective administration to make this work. I know that there are some mistakes that have been made. We are all human, however. And so long as human beings are administering these programs, I am sure that there will be mistakes made.

On the other hand, I did not like the importation of dairy products. But we are faced with exporting and importing. I do not know where the middle ground is. There is some place where we have to give and take. I think that maybe we went too far in one way. On the other hand, we have that problem.

Mr. ZWACH. I suggest that every other country in the world imports things to supplement and to complement their needs and their industries. And that they do not encourage imports where they have surpluses. I have failed to find any country that imports products where they have a surplus production at home.

For instance, in Australia, we buy oceans of meat from them. They do not buy any meat from us. They are meat exporters. Yet we have adequate meat here. Do you not think that we need a Government that is realistic in this regard?

Mr. CARPENTER. Well, you are putting words in my mouth a little bit.

Mr. ZWACH. I do not want to put words in your mouth. I want your honest reaction.

Mr. CARPENTER. I am not an expert in this field, sir. As you know, there must be give and take in the matter of exports and imports. I know that. I will admit that maybe we have accepted too many imports in some instances. However, the United States is faced with a major problem. That is, we must have international trade. We must have exports. I just hope that we have administrators who have the wisdom and the knowledge to handle this properly.

Mr. ZWACH. That is what we need, proper administration, I agree. We are not talking about anything else.

Now, coming to No. 1 of your conclusions—we are now talking about the overall program—this is page 9 of your statement.

Mr. CARPENTER. Yes, sir.

Mr. ZWACH. It reads:

> This program must be more nearly designed to permit farmers to receive at or near parity prices for farm commodity used domestically and for Public Law 480 exports.

You said that you would be willing to put into more detail what you think we can do. I would want very, very much to have that. I would certainly hope that your organization would use all of its efforts and so on in advising us what you think can better be done here, because we all admit that our farm program has not gotten the producers what we want for them to have. And I am most open to your suggestions to this end.

Mr. CARPENTER. I will be glad to give it to you in writing. Or I can do it quickly here.

We think that there are three ways to improve the net farm income.

One of the potentials is increased exports at a higher rate. That may not be easy to do.

There are two other ways.

One of them is increasing the price of food to the consumer. I am sure that if the Congress wanted to do that, that is fine. We will support it.

And I know of no other way of raising the farm income unless the taxpayer pays it, or the consumer pays it, or by some device we can get export to pay it.

Those are three ways. If there is any other way of doing it, I wish that we knew about it, but I do not know of it.

Mr. Zwach. Do you think that the program as it pertains to the independent family farm needs strengthening in this area?

Mr. Carpenter. It depends a little bit on what you classify as an independent farmer. There was a time when we looked at an 80-acre farm as being an independent family farm.

Mr. Zwach. I am sure of that, but I mean a family operation, the whole family, the children, the husband, the wife—this is not a single size or anything like that—but I am thinking of an independent operation.

Mr. Carpenter. I think, probably, it could be a little better designed for that, and I think that it will not take too much amendment.

Mr. Zwach. Do you think there ought to be limits in payments to participants? We have many people drawing over a million dollars. Do you think that there ought to be limits in this area?

Mr. Carpenter. We have not taken a position on that. We would prefer not to do so, for this reason: It depends upon what these people do—If those people had a limit put on them, and they went ahead with their production, then I doubt very seriously whether we could make any kind of a supply management program work.

Mr. Zwach. Do you think this program encourages corporation farming, the large corporate structure coming into this business?

Mr. Carpenter. I doubt, really, whether this program does that. I think that there are some factors in the world that are working today that probably encourage it. I would not say that the Agriculture Act of 1965 had anything to do with that, or had any great effect in this direction.

Mr. Zwach. Do you think that the bushel payment is holding prices down, and is a desirable adjunct of this program, or do you think that perhaps the payment ought to be on acres, rather than in reducing the price of the product by bushel payment?

Mr. Carpenter. Probably, it ought to be on bushels and bales, and so forth. However, that is a most difficult program to administer. Under the present program, I am not sure but what it could be well near impossible to administer. Take corn as an illustration. The farmer gets his payments and feeds the corn to his own cows. How in the world will he know how many bushels of corn he had produced? He may feed it to hogs or the like.

The administration of that borders on being impossible.

Mr. Zwach. The bushel payment?

Mr. Carpenter. Yes.

Mr. Zwach. If you have any suggestions with regard to a simplification of this, I would be most delighted to have them.

Mr. Carpenter. We will be glad to go into that and to let you know if we can come up with something. If so, we will be glad to do so.

Mr. ZWACH. You can see we have problems.

Mr. GATHINGS. The gentleman has spoken of a limitation of payments to be written into this legislation; that would be a bad thing to do. We would not have very many farmers in this Nation that would be affected by that but it would be detrimental in getting needed production. As a matter of fact, a small percentage of the farmers, the larger ones, produce about three-fourths of all the crops of food and fiber. A limitation would hurt the output of commodities. It is not a question of just doling dollars out. They have earned those dollars. They have done a job.

Mr. Jones.

Mr. JONES of Missouri. Mr. Chairman, first, I want to apologize to Mr. Carpenter for being late and not hearing him read Mr. Heinkel's statement. However, I have read it.

For the benefit of the newer members of the committee, I would like to say that the Missouri Farmers Association, which is now the Mid-continent Farmers Association, is one of the largest, or the largest, farm organization in the State of Missouri. They have done a very fine job for the farmers in Missouri.

Mr. Carpenter, who is representing Mr. Heinkel, the president of the association, is a farmer, a former agricultural commissioner of the State of Missouri. He is a former State director of the Farmers Home Administration in Missouri. He is one of the real experts on farm economy in Missouri. I have listened to the questioning that has taken place here. I can assure Mr. Kleppe and Mr. Zwach that the Missouri Farmers Association is an organization that is looking after the family-sized farms in Missouri. And they have been doing that as far back as I can remember.

Thank you, Mr. Chairman. That is all.

Mr. GATHINGS. We thank you, Mr. Jones.

Mr. Hansen.

Mr. HANSEN. Thank you Mr. Chairman. Mr. Carpenter, I would like to ask you as to page 2 of your statement, where you mention providing for a strategic reserve, and that the reserves should be released only at 100 percent of parity, et cetera. I am wondering if you plan to hold firmly to this, or if this is just the beginning of complications?

Mr. CARPENTER. I would say, firmly to it. The reason for a strategic reserve, as I understand it, is for use in case of a dire emergency. A dire emergency could be a devasting drought in our own country, or in some of the other countries where we supply food. But as far as reaching our domestic market, we would want to see it held at 100 percent of parity. It has to revolve, however. I know that you cannot put wheat in storage today and leave it for 10 years. We know it has to revolve out.

But, to take out a million bushels and to put it back in, would not necessarily adversely affect the market. But not to take it out and let it hit the market—is what we are thinking about.

Mr. HANSEN. You want to avoid, then, the practice which has been used in the past?

Mr. CARPENTER. Yes.

Mr. HANSEN. That is, to put these commodities on the market?

Mr. CARPENTER. And to depress the prices; yes.

Mr. HANSEN. I heard you tell Mr. Zwach a moment ago that parity is not what it seems, that you have to figure in the Government payments.

Mr. CARPENTER. Correct.

Mr. HANSEN. Have you seen any figures after the Government figures have been figured in?

Mr. CARPENTER. I have seen them. As I recall—I am not real good in arithmetic, in remembering figures, but as I recall, to add the Government payments, then we would be in the vicinity of 80 percent of parity—79 or 80 percent of parity, I believe, to be exact on that.

Mr. HANSEN. Which is the lowest since 1933; is that not correct?

Mr. CARPENTER. I am not sure about its being the lowest. If I remember rightly, it has been around 80—in 1960 or 1961. It is not very different; no, sir.

Mr. HANSEN. It is not very much. That is correct. I would like to refer you to a committee print of the House Committee on Agriculture with reference to food costs and farm prices, compiled in September of 1967, in which not only the adjusted parity is shown, but these other figures. It does show that in the year 1967, January, February, March, April, May, and June, that the parity price hovered somewhere in the neighborhood of 79 to 81 percent, which averaged approximately 79, which is nearly what you stated.

Mr. CARPENTER. Yes, sir.

Mr. HANSEN. And the lowest figure here, I believe, since 1933, was 80 in 1965—it was 80 in 1964. So it is the lowest, no matter how you cut it. I think there needs to be some sort of an adjustment in the farm policy. And I am not sure that in any election year is the time to do it. I think in the questioning by Mr. Kleppe you conceded that you felt that this extension had to be made this year. Do you think it is a real wise time to make an extension such as this when we will have an election?

I take exception to your item No. 5 where you say that many farmers are not working farmers. And that many are in favor of abolishing all farm programs. This might be very much open to controversy, at least, in my own area. I am wondering if an election year, again, is the time for us to make a determination, or if it is possible to put it over to a better atmosphere?

Mr. CARPENTER. You may be thinking of political expediency. I am talking from the standpoint of the farmers—from the standpoint of the farmers, that they need to know where they are going, and they need to know now. They need to know this year.

Mr. HANSEN. I think they know where they are going now. They are going down the drain.

Mr. CARPENTER. I disagree with you. I do not think this—that they have these feelings. I do not run across very many who ever say that they do not want an agricultural program.

Mr. HANSEN. The point I am getting to is to get away from political expediency, to get away from an election year. I think another year may happen to be the best time. I was wondering which is the best year for the extension of this program.

Mr. CARPENTER. We have given consideration to that. And we still think that this is the year, now. You folks may have a different view on this, but we still think it is. That this is it.

Mr. HANSEN. I just wanted to be sure that you undersood what you were stating.

Mr. CARPENTER. Yes, that is right. We do.

Mr. HANSEN. Thank you.

That is all, Mr. Chairman.

Mr. GATHINGS. Are there any further questions? Mr. Goodling.

Mr. GOODLING. Mr. Hansen just asked a question that I had in mind, and I understand Mr. Kleppe did, also.

Will you just briefly state—and I apologize for being late—but I was unavoidably detained—why it is of the utmost importance that the Food and Agriculture Act be reenacted now?

Mr. CARPENTER. Yes, sir; I can. As I mentioned, the agricultural operation is not something that you can turn off like you do a spigot. It is a matter of acquiring land and machinery, and livestock, and all of the things that go with it.

If you are going to have a beef herd, you will start 3 years before. If you are going to breed cows, you start 9 months before. You are going to know where you are going. Now then, if we come up at the end of this year—and, of course, this act expires in December—December 31, 1969—the farmers down in Mr. Belcher's territory are going to be engaged actively in preparation of their land to put in wheat in July, if they are going to put it in wheat.

That means a period of 6 months to reintroduce these bills, to hold hearings, to evaluate them accurately, and to come up with legislation. That is a pretty short time. It can be done, of course, but it could also be done in this session of Congress with considerable deliberation and dispatch.

Mr. GOODLING. This does not expire until the end of 1969.

Mr. CARPENTER. Yes, but for wheat, particularly, you will be planting the wheat in July and August of 1969 for harvest in 1970, so that you will then force the wheat farmers down to the nub. He will sit there. He does not know whether he needs a mule, or anything else, or one horse to run his operation.

That is pretty hard to make that adjustment that quick for these farmers.

Mr. GOODLING. Would you not agree that farmers are in a more unfavorable position today than they have been for many, many years?

Mr. CARPENTER. I do not understand what you mean by "unfavorable."

Mr. GOODLING. Unfavorable—just what it means.

Mr. CARPENTER. No, sir.

Mr. GOODLING. You do not?

Mr. CARPENTER. No, sir.

Mr. GOODLING. They must be doing differently in your section than they are in mine. And I have been a farmer all my life.

Mr. CARPENTER. They are not in good financial shape, let me say that, but let me say also that they do not have, hanging over their heads, 85 million tons of feed grains—they do not have 1¼ billion bushels of wheat to smother in, hanging over their heads. And neither does the Government. And their income is not far different than it was in 1961. I think there is only a tenth of a percent difference. So I cannot see where there is a great difference in it.

We are not in good shape. Do not misunderstand me. I do not profess to say that, that we are not in good shape.

Mr. GOODLING. This Agriculture Committee attempted to find out what was going on in agriculture. We did not find that same condition in other areas. It has been our experience that they are in worse shape than ever before, yet you are asking for the same thing, or for more of the same.

Mr. CARPENTER. Well, maybe, if I knew of a better alternative, sir, I would be willing to come up with it. At the moment, I know of no better alternative. And I am certain that no program is not a better alternative——

Mr. GOODLING. That may be true. It has been my experience that farmers, generally, are not making any money. I believe I may have said, that the farmers were in a more favorable position, but what I meant was that they are in a less favorable position than they have been for many, many years. That is exactly what we found out in these visits. They are not able to get labor—they are not able to sell their products at a price that is profitable. And they are not making any money.

Mr. CARPENTER. Not in a good position, I will agree, but I am not going to agree that they are in the most deplorable condition they have ever been in, and that it is beyond repair. Prices are lower than they have been, I agree.

Mr. GOODLING. That is all. Thank you.

Mr. GATHINGS. Mr. Dole.

Mr. DOLE. I want to thank Mr. Carpenter for a good statement and ask a question about specifics in the statement.

I notice that you mention strategic grain reserves. I find on page 3 your reference to the fact that you do not believe reserves should be released at less than 100 percent of parity, less certificates and the payments.

That is the position that the organization has taken; is that correct?

Mr. CARPENTER. That is right. Well, except for reserves for dire emergencies, and we know what it is being used for. And it must be restricted to dire emergencies.

Mr. DOLE. We had a 2-year reserve bill before the subcommittee last year. Many of us felt that the 2-year provision, really, would not provide a true reserve. Do you concur with that?

Mr. CARPENTER. Yes, sir.

Mr. DOLE. It was also felt that it was not fair to the American producer to pass a bill unless there were some safeguards. And you suggest that they cannot release reserve stocks at less than 100 percent of parity?

Mr. CARPENTER. Yes.

Mr. DOLE. In this specific area, I concur with your comments. I hope that any reserve proposal that passes would contain this provision.

Mr. CARPENTER. Thank you.

Mr. DOLE. And, certainly, with specific reference to wheat, in the event that Congress did not act in time next year, I understand you set forth what would happen, on page 7 of your statement; is that correct?

Mr. CARPENTER. That is according to the law that will apparently prevail.

Mr. DOLE. And under that, from the income standpoint, if the marketing quotas were proclaimed, would there not also be an export certificate to the wheat producers?

Mr. CARPENTER. Yes, sir.

Mr. DOLE. From the income standpoint, would the wheat producer be better off if nothing was done, or the 1965 Farm Act is extended.

Mr. CARPENTER. Well, I will answer that by saying, you go back to 1962, where we thought that they would have been better off—the wheat producer made his own decision on that, and he elected not to. I do not know what it was.

Mr. DOLE. You certainly do not give any exchange in that respect.

Mr. CARPENTER. You are in an area that has more wheat production than mine. Mine is very small production.

Mr. DOLE. I want to conclude by saying that a certain amount of politics does enter into any consideration this year. It is an election year and many have announced their candidacy. Mr. Kennedy talked about the rural crises in America on Friday. It has been suggested we might not lose anything by not doing anything this year.

I, again, commend you on your statement.

Mr. CARPENTER. I agree with you on agriculture being in politics. We endeavor to stay bipartisan. I hope that we can stay that way. And I endeavor to answer questions in a bipartisan manner also.

Mr. DOLE. I have no quarrel with you. I want to point out that we are all realistic and adults.

Mr. CARPENTER. I understand that.

Mr. GATHINGS. Mr. Abernethy.

Mr. ABERNETHY. No questions.

Mr. GATHINGS. Any further questions of Mr. Carpenter?

You have done a splendid job, Mr. Carpenter. Thank you so much for your testimony.

Mr. CARPENTER. Thank you very much. It has been a pleasure.

Mr. GATHINGS. Our next witness is Mr. Harry L. Graham, the legislative representative for the National Grange.

And he has with him, and with us this morning, Mr. Herschel Newsom, master of the National Grange.

We are delighted to have both of you present.

Mr. GRAHAM. I brought him along for some help this morning.

Mr. GATHINGS. You have been able to take care of yourself pretty well in prior meetings.

You may proceed.

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE REPRESENTATIVE, NATIONAL GRANGE

Mr. GRAHAM. May I say, Mr. Chairman, personally, that we are very much concerned about the importance of this hearing. We are delighted that you put in as much time as you did with Mr. Carpenter. I think that this is the way that this very important subject should be covered.

I do not know that we can fully cover it in the length of time available between now and noon. So, with your permission, let us go ahead with my boss, because he has more trouble getting over here than I

do. Let him take care of what he wants to say, and if there is not enough time then, I would like to come back another time, because I am raising some very serious questions in my testimony and challenging some axioms that are being bantered around pretty regularly.

I would like to do that. But I think also some of my friends up here might want to take some pot shots at me if I filed this, and I would deny them the privilege that they would surely enjoy.

Mr. GATHINGS. I think that ample time will be given to answer questions on any points that may be covered in the direct testimony.

We will be glad to hear from you now, Mr. Newsom.

STATEMENT OF HERSCHEL NEWSOM, MASTER, NATIONAL GRANGE

Mr. NEWSOM. Mr. Chairman and members of the committee, thank you very much.

I have not been coming around as regularly as I had been before we brought Mr. Harry Graham down from New York State to take a major portion of this assignment, along with our other legislative staff, namely, Joe Parker, Mr. Denslow, and Charlie Bolling, who is our transportation consultant.

But, frankly, this subject matter is, in my judgment, one of the more important subject matters before the Congress as a whole and, certainly, before this Committee on Agriculture, where it is concerned. And I think it is the most important subject matter that this committee will confront this year.

I would like to say to you very frankly that, being a little older than some of the people, even on this committee, I became acquainted with farm programs through my father, with my father, back in 1924, when he served as Agriculture Chairman for the National Grange.

I have lived with this subject matter very closely. And while I am proud to claim as personal friends some of the members of this committee, I reserve the right to point out minor differences. I am not afraid of differences of opinion. It is the manner in which we handle some differences that worries me a great deal.

I would just like to say to you that in this matter of whether or not this Congress acts upon some sort of expansion of the provisions of the act of 1965 this year, or whether or not this committee might agree with me, for example, that the thing that we ought to do is to make the provisions of the act of 1965 permanent, and reserving for the next Congress or any other Congress the right to change the bills, if they want to do so at any time, is a thing that I would like to visit with you just a little about.

Let me point out to you that as I understand the legislative structure of this legislation now, without some definite extension of the provisions of the act of 1965, between now and early spring, it will be clearly apparent that the prospective will be that we will be reverting to the act of 1962 in wheat, and to the Feed Grains Act of 1961 and 1964, the Wheat-Cotton bill, and that this means that if there is no action by the Congress of the United States between now and early spring that the Department of Agriculture will, of necessity, be calling for a wheat referendum in the spring of 1969.

I think this fact, plus the fact that it will become reasonably certain that we will be reverting back to the basic feed grain structure

under which there will be no diversion, no support payments, except a level of support that the Secretary will be directed to interpret at a level which will not add to the Government's staff—this is in the law, Mr. Chairman—I think, as best as I can understand, it states now, a no diversion program in feed grains in 1969.

I am, basically, a corn farmer. That is my biggest cash profit. A no diversion program in feed grains in 1969 in sight for the 1970 crop will clearly mean that we will be adding such confusion to the livestock fee agreements structure of this country in 1969 that it is almost beyond comprehension, in my judgment.

I just feel very strongly that if this committee does not want to take the responsibility of extending the provisions of 1965 for a year or, possibly, 2 years, probably the best thing to do is to recognize that the old provisions, where many of them are 30 years old—and they are obsolete in terms of conditions of the American farmers today—that is, the conditions they operate under today—maybe we had better substitute the provisions of the act of 1965 as a permanent legislation, from which any Congress can depart at its will at any time.

I think this makes a lot of sense.

Let me address myself, Mr. Chairman, just briefly to this. I do not intend to take much time, because Mr. Graham, as usual has a well-documented statement, of 24 pages, and I hope that the committee will have time to hear it, because to me it is well done. It is a good statement. But let me try to say to you that I have before me the Economic Indicators for February 1968, and I would like for you to look carefully at the figures at net farm income, to operators, beginning about the time that the wheat program bill and the feed grains bill were beginning to be effective, and reflecting the impact of the legislation of 1965 on agriculture income.

For example, we will see that net farm income to operators in 1964 stood at $12.2 billion, and then I want you to look at the fact that in early 1966 this net farm income stood at a little better than $17 billion.

The point, Mr. Chairman, that I want to make before the members of this committee, is that our Grange conceived the supply management program was working effectively—it was working to increase farm income to the farm operators. It was working to diminish Government costs. It was working to reduce the necessity of the Government of yours and mine going out and buying and building more storage, year after year, as it had been doing prior to the grain and feed legislation.

And when I speak of that, of feed and grain legislation, I have in mind, and I do not know whether it is appropriate, even before this committee, to quote the President of the United States and a former President of the United States, but I have had two Presidents of the United States tell me, frankly, that everything down through the years had been tried in the nature of a farm program, except the Grange program.

And one President told me, "I am not sure that I have ever understood it, completely, but I think that it is time to try it, because everything else has failed to get results."

I am saying to you that this program produces the kind of results that all of us would like to have, and if we look at it objectively, we find that we reduced the carryover, we have reduced the surpluses of so-called agriculture commodities, to the point that some of our own

good friends and Grange members in the Congress, such as the great Senator Frank Carlson of Kansas, who called me one day and said, "We have to give up and abandon our expected supply management program to some extent, because we cannot go into the possibility of a blow-up in the Near East."

And this on top of everything else, with many things, and food agriculture commodities, I could not disagree with him. But my plea was that if we do this, if we call for another 15 or 20 percent wheat acreage to be put in—and you know we asked for 15, and we turned around and asked for another 15 on top of the other—and as I said to Senator Carlson, "If we do this, I hope that there are enough of you on the Hill who will make sure that agriculture is treated in a comparable manner to all of the other industries of this American structure of ours."

I would like to say, with reference to one or two of the comments of Congressman Dole of Kansas, this: that I have some minor differences with this particular Congressman on the matter of the importance of the release price. In my judgment, I am not going to fuss with him about it, because I know what he is trying to do, and I want to do the same thing, but I think that Congressman Dole is trying to protect the farm income and still have a strategic reserve, but I would like to respectfully suggest to you that if the utilization of this commodity that goes into this strategic reserve, that I can conceive, Mr. Congressman, of some circumstances where if this is to be an effective thing for strategic reserve purposes, the items in this should not be released even at 115 percent of parity until we weigh the other circumstances in terms of the purpose for which we seek a strategic reserve in the first place.

What I am saying to you is that we have never asked any other businessman in the country to abandon an effective supply management program or a foreign affairs program without guaranteeing him that he will receive the cost of production plus 10 percent or something of the kind.

And what I am saying to you, sir, is that the provisions of the agriculture legislation under which we are now operating is an unfair indictment, without taking into account that we did to agriculture just what we did to the roads program—we decided that our roads were expendable and that we would build them after the war was over. We, apparently, decided that agriculture stability was expendable, and we could repair it sometime after we got the food needs message. This is nonsense. All of us know that this food crisis will last a long time and we had better get ready for it. This is not an indictment, a fair and reasonable indictment of agriculture legislation, where we are seeking to ask this committee to expand, so that we will not face the chaos that I think will be spread throughout agriculture, Mr. Congressman, during the course of 1969.

Temporary extension or, preferably, making the provisions under which we are now operating permanent, subject to the pleasure of succeeding Congresses, which I think is the thing we ought to do.

I am saying to you only that this matter of asking agriculture, when we do not ask any other business in America, to permit production for foreign affairs programs, to feed hungry people—and we want to feed hungry people—I am never going to be willing to abandon my Quaker philosophy that you should not feed hungry—but I want to know who

is going to pay for it, because I do not think that the Congress can pay the total bill very much longer. That is what the problem is before us. It is obvious.

I am saying to you, apparently, that this is not a U.S. problem. This is a worldwide problem, and it shows up in the discussions in the Kennedy round in Geneva, where I was fortunate enough to spend some time. This is the problem that makes people be more protectionist than their total concept of what ideal world trade ought to be, which dictates that there should be protection.

So I am saying to you, Mr. Chairman, that I am perfectly willing to stay as long as this committee wants me to stay, but I wanted to say to you that I am real proud of the testimony that Harry Graham prepared for this committee.

He is a younger man than I am. I do not want to make comparisons here, but I think that he does not feel quite as strongly about the urgency of it as I do—maybe he does. I know what it is to sell corn at 16 cents a bushel, because I passed up the opportunity to sell it at 8 cents a bushel. This does not do anybody any good. I am not predicting that we are going to have this kind of a catastrophe. I do not think we can stand it.

I think that some emergency action would be taken. But I am pleading in defense of some of the situations that Congressman Dole just alluded to a while ago.

We have some instability in prospect here in terms of uncertainty. Let us not ask the Congress to accept uncertainty at this stage of the game, as to what the situation is going to be in 1969, while we are giving the new Congress a chance to have hearings. I would not want the new Congressmen to have to take action rapidly, any more than I want this Congress to do so.

I was thrilled with the testimony of Mr. Carpenter. It has been a joy to work with most of the farm organizations and the commodity groups, almost as a unit in these last several years. I am sorry that we cannot give you the unanimous point of view of these organizations so that you would not have any problems, but we are going to have to rely on the Congress, as usual, to reconcile some of these differences.

I have great confidence in this committee. I think, Mr. Chairman, that I got steamed up a little bit more than I had intended to, but I just wanted you to know, sir, that in my judgment, it is not well in any sense of the word for this Congress to fail to take some action, to extend the provisions of the act of 1965 through 1 more year or, preferably, to make it permanent, so that the new Congress will not be under any immediate compulsion or pressure to take action that they have not thoroughly and adequately considered.

I am tempted to make some comments on some of the other questions but I think that I had better not impose on your time any further.

Thank you, Mr. Chairman.

Mr. GATHINGS. You have given us good information first, with respect to the net income of the farmers since 1964, that it has gone up from $12.2 to $17 billion or more.

Mr. NEWSOM. $17.3 in the first quarter of 1966—$17.3 in the first quarter of 1966. This was before we went into production for the war on hunger program.

Let me add this, Mr. Chairman: I did not mention cotton. I want this committee to stop and think what is going to confront our cotton producers in the cotton industry if there is no assurance of anything except to revert back to the old provisions when the act of 1965 expires. If I am not mistaken, it would go immediately back into marketing quotas with a 33- to 34-cents-per-pound support level on cotton.

Those of us who believe that there is an important role in the agriculture exports in this kind of a circumstance that this country confronts in the world today, had better think that one over. We just cannot afford to let that happen, Mr. Chairman and members of the committee.

And neither can this committee.

Mr. GATHINGS. Mr. Newson, I opposed the 1965 act. I am in agreement with you that it would have been a calamity in cotton if the 1965 act had not been passed due to the back-to-back bad years due to excess rains and early cold weather.

Mr. Dole.

Mr. DOLE. First of all, I want to express my high regard for Mr. Newsom. I know that you are a longtime friend of Senator Carlson and as you know he will retire from the Senate at the end of this term. He has performed great service to the country as you well know.

With reference to the specific statement about increase of wheat acreage, I would say for the record, at the time the second increase was made by the Secretary, many Members of Congress, which included Senator Carlson, myself, Democrats and Republicans, had a session with Secretary Freeman. I would want the record to indicate that these Members of Congress, regardless of party, in urging a second increase—and I believe it was Senator Carlson who said, "Are you sure that increasing the wheat acreage will not depress the farm prices?"

There were a great number of graphs and charts presented indicating that this would not happen. I think the Secretary felt, himself, at that time that way, but has since stated that an error in judgment was made.

I want to point out that there was a lot of discussion. Certainly, Members of the Congress were not clamoring for an additional increase. There was some strong feeling it would depress the farm income.

In 1966–67 we have seen a net drop of farm income of almost two billion. So I suggest that the 1965 act is not perfect. And if we are going to extend it, it should be improved. I would guess that Mr. Graham will set forth areas were improvements can be made.

Let me say that I will agree with you—all of the members on the committee are concerned about one thing: that we should not make rural America subsidize our economy. We all have obligations as Members of the Congress to do what we can to improve the farmers' income. This is your concern and has been for many, many years. It is a concern that members of the committee share.

Mr. NEWSOM. I would like to thank Congressman Dole for those remarks. I would just like to say to you that we have a responsibility as Americans to avoid sending more and more of our rural people into the metropolitan areas who are not equipped to live and operate in those areas.

One of my disappointments in this area was at the centennial session

of the National Grange last November, I had a tentative commitment from Mayor Lindsay of New York, to come, and to be able to tell us that the mayor of the city of New York had an interest in the proper economic circumstances for rural people throughout the various regions, but the President of the United States gave him an additional assignment and we had to give up on having Mayor Lindsay there.

What the Congressman from Kansas has said is a very important part of this record.

I thank you very much.

I am aware of the fact that many of our friends were almost as apprehensive as you and I and Senator Carlson were about this second increase, but there was a hysteria that the people were starving. And the question was whether it was going to be a million or 2 million people in a given area, and so on and so forth.

This is a sample of how we want to take early enough action.

This particular subject, in my judgment, Mr. Chairman, is to eliminate an emotional situation and to pave the way for a situation on the basis of logic in the next Congress. And I, frankly, believe that the ideal recipe is to make the provisions of the current legislation permanent, with the view that the new Congress will have ample time to seriously consider all aspects for modifications that we might then propose with a little greater safety than we can this morning.

Mr. Gathings. You have covered quite a field—an awful lot of territory in your extemporaneous statement Mr. Newsom. I am sure that the members of the committee are most appreciative of the wealth of information you have brought us.

In one thought you brought out that if there is no diversion program for feed grains, the livestock industry would have chaos. I am just at a loss, though, to determine just what you meant by suggesting an extension of 1 year. And then you also stated that maybe it should be extended permanently in your colloquy with Mr. Dole.

So what do you really have in mind? Do you have a 1-year extension, or a permanent extension?

Mr. Newsom. My preference is that the provisions under which we are now operating should be made permanent legislation, so that we will not be reverting back to the act of 1937 or to the act of 1961 on feed grains, or to the wheat-cotton bill of 1964, but that we will have this composite package that was enacted in 1965 as a basic amendment to the basic legislation of 1937, and we will recognize that this will be operative until changed by the Congress—not that it is going to terminate at some definite period of time.

The reason for my concern about this in feed grains—and I think it is almost as great a concern in cotton and in wheat—but I am a feed grains producer, and I know that subject matter a little better—I know that in the case of uncertainty which I think will confront all of us as farmers next spring, we will undoubtedly be trying to makeup our minds how we have the greatest chance of getting the gross dollars that are required to pay our costs, to meet interest payments.

We have substituted capital for labor, the economists have said here, at an amazing rate. We have increased agriculture indebtedness in terms of agricultural book value fantastically. We have gone up from a low point of about 6.2 percent of the total agricultural investment to a figure of close to 20 percent of the total agricultural investment that is reflected in indebtedness.

In the last several years, as a matter of fact, this indebtedness figure is so high now that the increasing interest which the farmer credit states—we do not know for sure—but it looks like we will have to pay better than 6.25 percent for the next debentures that the Land Bank System has to put on the market to get the money to continue to finance the substitution of capital for labor.

This means that our fixed costs are so high that to stay for another year farmers will have to try to determine how they can get the largest number of gross dollars, and with the prospects of a corn-support program down at around 75 cents a bushel—and this is what I interpret it to be—and I do not want to be guilty of a scare philosophy, but I think that is about the way that it will look for this 1970 crop, without some extension of this legislation or some other legislation between now and next spring.

I think that we are likely to begin to want to make our plans in terms of how many bushels of corn we can have to sell. I went through this once. I decided in 1932, I guess it was, that I had better try to find all of the places that I could find. And I had 250 acres of corn. This was the largest crop that I ever raised. However, that is the year when most everybody else in the Midwest was doing the same thing, regardless of the accuracy of the date, and this is the corn crop that I finally was lucky enough to get 18 cents a bushel for.

This is the way we have to operate. We make bad guesses when we are under emotional pressure. And I am asking the members of this committee to relieve some of that emotional pressure.

My preference is that you extend the provisions of the existing legislation and make them permanent. But if you cannot see your way to make them permanent, so that the next Congress may do as they will please about it, then extend it for another year, so that we will have all of the next year to engage in this kind of reasoning, to discuss the kinds of amendments we want to make to the program.

Mr. Gathings. And then the farmer would have an opportunity to plan ahead.

Mr. Newsom. That is right.

Mr. Gathings. You have stated that there was an increase in farm indebtedness from 6 percent up to around 20 percent. I would appreciate it if you would give us in detail what years they were.

Mr. Newsom. I will be glad to give you that information. I have the figures with me. But these figures do not go back clear to the 6-percent figure. They begin a little later than that. For example, the percentage of agricultural investment which has been reflected in indebtedness has increased since 1956 from 11 percent up to 17.7 percent. That is the end of 1967.

Mr. Gathings. Thank you very much.

Mr. Kleppe.

Mr. Kleppe. Eleven percent to 17 percent of what?

Mr. Newsom. Of the total investment in agriculture, as being reflected by indebtedness in agriculture.

Mr. Kleppe. Thank you.

Mr. Gathings. Mr. Goodling.

Mr. Goodling. You pointed to the net farm income 1964–67—a $5 billion increase in net farm income.

Mr. Newsom. Let me first correct your figure. It was early 1966, before we started in this production for the world food crisis.

Mr. GOODLING. How much of that $5 billion was produced without a farm subsidy?

Mr. NEWSOM. I think Mr. Graham is better prepared to give you those figures right offhand.

Mr. GOODLING. We will come to that later, then.

I have one question that disturbs me. I may not get a chance to ask you this again. I want to get as many opinions on this as I can. The corporate agriculture farmer is getting fat off the gravy, and the little family farmer in whom I am interested is getting the water under the fat.

Mr. NEWSOM. I am delighted that you have brought up this question, because I have a somewhat different opinion from some of my friends in this category. I am basically and fundamentally opposed to the production of any commodity for a fee. I am basically and strongly in support of saying that income that is generated outside of agriculture should not be permitted to be channeled into agricultural production at a loss, and then be permitted for that person to deduct his losses in agriculture from his income tax liability outside of agriculture.

I think if we will get at that somewhere along the line, to face up to this fundamental factor, we will eliminate some of the feeding of beef cattle—we will eliminate some of the sheer economic aggression on the rights of these people that you are talking about right now and that are the life of the Grange itself and of the rural communities.

Mr. GOODLING. Are there many professional people doing this, buying farms, so that they can use them for income tax purposes?

Mr. NEWSOM. I am not really qualified to answer that. It is a hard question. I cannot answer as to whether they all are. I do not think there is too much place for any appreciable amount of this sort of thing. I will put it that way.

Mr. GOODLING. Will you have any suggestions later on on how to eliminate this sort of thing?

Mr. NEWSOM. Yes, sir. We have made them several times before the Ways and Means Committee of the House and the Senate Finance Committee, and we are prepared to make them at any time when it is germane in the judgment of the chairman.

Mr. GOODLING. That is all.

Thank you.

(Mr. Newsom later submitted the following letter and table:)

NATIONAL GRANGE,
Washington, D.C., March 20, 1968.

Hon. W. R. POAGE,
Chairman, Committee on Agriculture,
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: In my oral presentation before your committee on Monday March 19, 1968, I made reference to the rising ratio between total agricultural debt and total agricultural assets.

I am not sure whether Congressman Goodling requested it or some other member, but I did make note that I should supply (for inclusion in the record) these figures showing the decline in the ratio from 1930 through 1948 and the subsequent increase from 1948 through the present time.

Enclosed please find copies of these figures which I believe to be accurate as well as significant.

Respectfully yours,

HERSCHEL D. NEWSOM,
Master, National Grange.

THE BALANCE SHEET OF AGRICULTURE, JAN. 1, 1930, AND JAN. 1, 1940, TO JAN. 1, 1967, AND SELECTED INDEBTEDNESS RATIO

[Dollar amounts in billions]

Item	1930	1940	1941	1942	1943	1944	1945	1946	1947	1948
Assets:										
Real estate	$47.9	$33.6	$34.4	$37.5	$41.6	$48.2	$53.9	$61.0	$68.5	$73.7
Other physical assets [1]	16.3	15.1	15.8	19.8	24.6	26.5	27.8	27.5	32.0	38.2
Financial [2]	4.2	4.2	4.8	5.6	7.5	9.9	12.5	15.0	15.9	16.0
Total	68.4	52.9	55.0	62.9	73.7	84.6	94.2	103.5	116.4	127.9
Liabilities:										
Real estate debt	9.6	6.6	6.5	6.4	6.0	5.4	4.9	4.8	4.9	5.1
Non-real-estate debt (including Commodity Credit Corporation loans)	5.0	3.4	3.9	4.1	4.0	3.5	3.4	3.2	3.6	4.2
Total	14.6	10.0	10.4	10.5	10.0	8.9	8.3	8.0	8.5	9.3
Proprietors' equities [3]	53.8	42.9	44.6	52.4	63.7	75.7	85.9	95.5	107.9	118.6
Ratio of real estate debt to real estate assets (percent)	20.0	19.6	18.9	17.1	14.4	11.2	9.1	7.9	7.1	6.9
Ratio of total debts to total assets (percent)	21.3	18.9	18.9	16.7	13.6	10.5	8.8	7.7	7.3	7.3

Item	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958
Assets:										
Real estate	$76.6	$75.3	$86.6	$95.1	$96.5	$95.0	$98.2	$102.9	$110.4	$115.9
Other physical assets [1]	42.2	41.3	48.8	55.3	51.1	49.2	49.4	48.7	49.5	51.6
Financial [2]	16.1	15.9	16.1	16.6	16.7	17.0	17.5	18.1	18.1	18.5
Total	134.9	132.5	151.5	167.0	164.3	161.2	165.1	169.7	178.0	186.0
Liabilities:										
Real estate debt	5.3	5.6	6.1	6.7	7.2	7.7	8.2	9.0	9.8	10.4
Non-real-estate debt (including Commodity Credit Corporation loans)	6.1	6.8	7.0	8.0	8.9	9.2	9.4	9.8	9.6	10.0
Total	11.4	12.4	13.1	14.7	16.1	16.9	17.6	18.8	19.4	20.4
Proprietors' equities [3]	123.5	120.1	138.4	152.3	148.2	144.3	147.5	150.9	158.6	165.6
Ratio of real estate debt to real estate assets (percent)	6.9	7.4	7.0	7.0	7.5	8.1	8.4	8.7	8.9	9.0
Ratio of total debts to total assets (percent)	8.5	9.4	8.6	8.8	9.8	10.5	10.7	11.1	10.9	11.0

Item	1959	1960	1961	1962	1963	1964	1965	1966	1967 [4]
Assets:									
Real estate	124.4	129.9	131.4	137.4	142.8	150.7	159.4	171.1	184.2
Other physical assets [1]	58.9	55.3	54.4	56.7	58.1	58.5	57.7	63.2	66.5
Financial [2]	19.5	18.7	18.5	18.9	19.8	20.0	20.8	21.5	22.6
Total	202.8	203.9	204.3	213.0	220.7	229.2	237.9	255.8	273.3
Liabilities:									
Real estate debt	11.1	12.1	12.8	13.9	15.2	16.8	18.9	21.2	23.5
Non-real-estate debt (including Commodity Credit Corp. loans)	12.6	12.8	13.4	14.8	16.6	18.1	18.6	20.4	22.3
Total	23.7	24.9	26.2	28.7	31.8	34.9	37.5	41.6	45.8
Proprietors' equities [3]	179.1	179.0	178.1	184.3	188.9	194.3	200.4	214.2	227.5
Ratio of real estate debt to real estate assets (percent)	8.9	9.3	9.7	10.1	10.6	11.1	11.9	12.4	12.8
Ratio of total debts to total assets (percent)	11.7	12.2	12.8	13.5	14.4	15.2	15.8	16.3	16.8

[1] Livestock, machinery and motor vehicles, crops stored on and off farms, and household furnishings and equipment.
[2] Deposits and currency, U.S. savings bonds, and investments in cooperatives.
[3] Assets minus liabilities.
[4] Preliminary estimate.

Mr. GATHINGS. Let us go off the record.

(Whereupon, there was a short discussion off the record.)

Mr. GATHINGS. On the record.

I believe that we had better leave this matter up to the chairman of the committee.

We will recess now until 10 o'clock tomorrow morning as previously announced, when Mr. Graham will again resume, or when the chairman would want you to testify Mr. Graham; and you will hear from him.

(Whereupon, at 12 o'clock noon, the committee adjourned to reconvene at 10 a.m., Tuesday, March 19, 1968.)

EXTEND THE FOOD AND AGRICULTURE ACT OF 1965

TUESDAY, MARCH 19, 1968

House of Representatives,
Committee on Agriculture,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 1301, Longworth House Office Building, Hon. W. R. Poage (chairman) presiding.

Present: Representatives Poage, Gathings, Abernethy, Jones of Missouri, O'Neal, Foley, de la Garza, Jones of North Carolina, Dow, Brasco, Belcher, Teague of California, Mrs. May, Dole, Hansen, Wampler, Goodling, Miller, Burke, Mathias, Mayne, Zwach, Kleppe, Price, and Myers.

Also present: Christine S. Gallagher, clerk; William C. Black, general counsel; Hyde H. Murray, assistant counsel; L. T. Easley, staff consultant; and Fowler C. West, assistant staff consultant.

The Chairman. The committee will please come to order.

I was not present here yesterday. I did not get back in time. I want to express my appreciation to the Vice Chairman and my colleagues, and to apologize for my absence, for I understand that you had a good hearing yesterday morning.

We will start this morning with Mr. Ben Radcliffe, as our first witness. Mr. Radcliffe is president of the South Dakota Farmers Union, and vice chairman of the National Farmers Union Executive Committee, and will represent the National Farmers Union. I understand Mr. Radcliffe must return to Minneapolis to attend a meeting there tonight.

I believe you have a prepared statement.

We will be glad to hear from you now.

STATEMENT OF BEN RADCLIFFE, PRESIDENT, SOUTH DAKOTA FARMERS UNION; AND VICE CHAIRMAN, NATIONAL FARMERS UNION EXECUTIVE COMMITTEE, REPRESENTING THE NATIONAL FARMERS UNION

Mr. Radcliffe. Chairman Poage and members of the committee, I am Ben Radcliffe, president of the South Dakota Farmers Union; and vice chairman of the National Farmers Union Executive Committee, and I am representing the National Farmers Union today. We are in convention in Minneapolis, Minn., through tomorrow night, Chairman Poage. I am a special representative here from our convention

to present a special order of business which will be brief. We will be adopting policy programs that will be for the present year and our people will be presenting them to you at a later date, in much more detail.

I want to express to you on behalf of our organization our deep gratitude for your appearance at our convention on yesterday. As you know, the President and Vice President, both, attended our meeting and addressed our convention, and you, Chairman Poage, have many many good and loyal friends among the farm people of our country, and they are most appreciative of your appearance at our convention.

You have before you a copy of the resolution adopted unanimously at our convention which I will present to you, and then I hope to be able to be on my way back to our convention by noon.

DELEGATES SPECIAL ORDER OF BUSINESS CALLED BY TONY T. DECHANT, PRESIDENT—FOR PRESENTATION TO THE HOUSE AGRICULTURE COMMITTEE ON EXTENSION OF THE 1965 FOOD AND AGRICULTURE ACT

We, the delegates to the 66th Annual Convention of National Farmers Union, meeting at the Leamington Hotel, Minneapolis, Minnesota, express our deep appreciation to Chairman W. R. Poage and to all the members of the House Committee on Agriculture who have devoted time and effort to improving farm programs.

There has never been a time in the history of this country when there was a greater need for bi-partisan support of legislation to alleviate the economic inequities between agriculture and the non-farm sectors of the economy.

We respectfully direct the attention of the Committee to unsolved problems as follows:

Income levels of commercial family farmers are not adequate. Income of farm families has remained static over most of the past decade at less than two-thirds per capita income of our citizens.

Oversupply of most commodities greatly weakens market power.

Production costs are continuing to increase, further aggravating an already vicious cost-price squeeze.

Farm families need the help of the members of this Committee toward these objectives:

Full 100 per cent parity price on commercial family farm levels of production.

Full 100 per cent parity price, we believe, would bring family farmers within reach of the goal of parity income.

New programs for many commodities are needed to enable farm families to balance production with demand, including projected use under the program of Food for Freedom.

Existing commodity programs must be made more effective in tailoring production to demand.

Means to giving farmers more control over their economic destiny must be developed.

We, the Farmers Union delegates, are developing in convention at this time recommendations for presentation to the Congress concerning proposals to strengthen farmer bargaining power. Testimony wil be presented to the Committee when hearings on bills such as H.R. 15695 are annouced.

Extension of the 1965 Food and Agriculture Act will not solve all the problems nor bring us the objectives outlined in this statement. Conversely, failure to extend the wheat, feed grains, cotton and dairy programs the act provides would result in a loss in net farm income of up to $5 billion—reversing the progress since the beginning of the past decade when net farm income fluctuated around $11 billion.

Farmers Union's position expressed by unanimous delegate action in special order of convention business is in support of extension of the Food and Agriculture Act of 1965. Parenthetically, policies concerning commodity program improvements being developed in convention this week will be made available to the Committee and to its Sub-Committees by the leadership and staff of our organization.

Our purpose in these hearings is to express strong support of the organization for building on the foundation of the Food and Agriculture Act of 1965.

The full cooperation and support of Farmers Union toward this objective is hereby extended to you, Chairman Poage, and to members of the Committee by this special order of business of delegates in convention.

Unanimously adopted by Farmers Union convention delegates, March 18, 1968, Minneapolis, Minnesota.

Chairman Poage, I am sure that our convention would appreciate any message you might like to send back to the delegates.

The CHAIRMAN. Mr. Radcliffe, one message I want to send to your group is that this committee is seriously seeking to improve the income of the American farmers; that we recognize that farm income is too low; that we are seeking means to raise the farm income and that we are listening to suggestions from all groups, not only the national farmer organizations, but we will hear later from commodity organizations and other interested groups, in a serious effort to find a formula that can result in better farm income.

So far as the chairman is concerned, that means that we are trying to do it this year regardless of who wins the presidency and who does not and regardless of the poltical implications that may be involved. So far as this one member of the committee is concerned, I think that is one of the things that should be acted on now, and I am intent on getting legislation this year.

Mr. RADCLIFFE. Thank you. I might say, Mr. Chairman, that we share your hope for getting an enactment or extension of the legislation this year and, hopefully, that there will be some improvement in the act.

The CHAIRMAN. We will be glad to have any suggestions for improvement. We know that we do not have a perfect formula. We doubt that anybody does have one, but we are hopeful that out of the suggestions that are brought forth that we may be able to improve the situation.

Are there questions now of Mr. Radcliffe?

Mr. Kleppe?

Mr. KLEPPE. Mr. Radcliffe, one of the items listed on page 2 of your statement is "Existing commodity programs must be made more effective in tailoring production to demand."

My question is: Is the National Farmers Union going to give some suggestions to us along this line?

Mr. RADCLIFFE. Yes; we certainly are. As stated earlier, our convention is in session now, and the policy program that is going to be adopted by the delegates today and tomorrow will be one that our staff will be in here very shortly with more details than I have today.

Mr. KLEPPE. That was my question. The statement that you presented is Mr. Dechant's statement, which is very general.

Mr. RADCLIFFE. That is right, very broad.

Mr. KLEPPE. That is the reason for my question. But I was wondering if you were going to be more specific and would submit your suggestions to this committee?

Mr. RADCLIFFE. I will be unable to do anything in very great detail today.

Mr. KLEPPE. Yes; I understand this. I am wondering about some other time.

Mr. RADCLIFFE. Very much so.

Mr. KLEPPE. That is all.

Thank you, Mr. Chairman.

The CHAIRMAN. Does anyone else have any questions?

Either you convinced them or you had such an argument awaiting that they are a little reluctant to pick it up, Mr. Radcliffe. [Laughter.]

So, this will be a good time for you to quit——

Mr. RADCLIFFE. Thank you very much.

The CHAIRMAN (continuing). When you are ahead.

We are grateful for your appearance here.

Our next witness will be Mr. John C. Lynn, legislative director of the American Farm Bureau Federation, and I believe that he has some high-powered assistants with him, Mr. McLain, assistant legislative director, and Mr. Hamilton, director of research and commodity activities division.

We are glad to have both of them as well as you, Mr. Lynn, with us. They will present the position of the American Farm Bureau Federation. We are glad to have you with us, Mr. Lynn, Mr. McLain, and Mr. Hamilton. You may proceed.

STATEMENT OF JOHN C. LYNN, LEGISLATIVE DIRECTOR, ACCOMPANIED BY MARVIN L. McLAIN, ASSISTANT LEGISLATIVE DIRECTOR, AND W. E. HAMILTON, DIRECTOR, RESEARCH AND COMMODITY ACTIVITIES DIVISION, AMERICAN FARM BUREAU FEDERATION

Mr. LYNN. Thank you very much, Mr. Chairman and members of the committee. We appreciate this opportunity. You will soon discover that we have directed our primary attention to the Agriculture Act of 1965. We understood your announcement to state that this was the main purpose of the hearing.

The CHAIRMAN. That is correct.

Mr. LYNN. And we are working now and will be in position to submit very soon the details of our program to replace the Agriculture Act of 1965.

We appreciate the opportunity to present our views on experiences under the Food and Agriculture Act of 1965.

Farm Bureau is a general farm organization with over 1,753,000 member families in 49 States and Puerto Rico. A large percentage of our members produce commodities which are directly affected by the act of 1965. Other produce commodities which are indirectly affected by this act because programs for individual commodities often affect other commodities. For example, the feed grain and cotton programs have affected the acreage planted to soybeans; and the feed grain and wheat programs have affected the production of livestock, poultry, and dairy products.

Farm Bureau vigorously opposed the major provisions of the 1965 act. Our members are even more convinced today that the programs authorized by this act are not in the longtime best interests of producers, consumers, or taxpayers.

Briefly, our principal reasons for opposing these programs are as follows:

(1) Government supply-management has not worked.

(2) Government-owned stocks are bad for farmers.

(3) The operation of Government supply-management programs depends on political decisions.

(4) These programs make farmers dependent on Government payments for a substantial part of their net income.

(5) Government supply-management programs create pressures for international commodity agreements.

We will discuss each of these points briefly.

1. Government supply-management has not worked: The act of 1965 has not corrected the basic imbalance between prices farmers receive and the prices they must pay—commonly referred to as the cost-price squeeze. On the contrary, the index of prices paid has continued to rise faster than the index of prices received. The index of prices received by farmers rose 14 points from 238 in 1960 to 252 in 1967. In the same period the index of prices paid, interest, taxes, and wage rates rose 42 points from 300 to 342.

The following table shows that there has been a rather steady decline in the parity ratio over the past 17 years and that the ratio was 74 in 1967. To find a lower parity ratio on an annual basis, it is necessary to go clear back to the depression year of 1933. We do not think it appropriate to include Government payments in figuring the parity ratio as this destroys the usefulness of the parity concept as a measure of the relationship between farm prices and farm costs; however, if one looks at the adjusted ratio in the following table, he also finds a steady decline. Even on an adjusted basis, it is necessary to go back to 1933 to find an annual figure lower than that reported for 1967.

I think that this table speaks for itself.

We have directed a great deal of attention to the speeches you have been making all of this year deploring the situation, and we join with you.

(The table referred to follows:)

PRICES RECEIVED BY FARMERS, PRICES PAID, AND THE PARITY RATIO, SELECTED YEARS, 1933–67 (1910–14=100)

Year	Prices received	Prices paid [1]	Parity ratio	
			Unadjusted [2]	Adjusted [3]
1933	70	109	64	66
1935	109	124	88	95
1940	100	124	81	88
1945	207	190	109	111
1950	259	256	101	102
1955	232	276	84	85
1960	238	300	80	81
1965	248	321	77	82
1966	266	334	80	86
1967	252	342	74	79

[1] Commodities and services, interest, taxes, and wage rates.
[2] Not including Government payments.
[3] Including Government payments.

Source: Agricultural Prices, January 1964 and January 1968, Statistical Reporting Service, USDA.

Mr. LYNN. Although the average parity ratio for all commodities is the lowest it has been on an annual basis since the depression, the picture is even more dismal for the commodities that are subject to price support payments under the act of 1965.

MARKET PRICES AND PARITY PRICES OF COMMODITIES FOR WHICH PRICE SUPPORT PAYMENTS ARE MADE

	Jan. 15, 1968		
	Market price	Parity price	Parity ratio (percent)
Wheat (bushel)	$1.40	$2.57	54
Corn (bushel)	1.04	1.61	65
Grain sorghum (hundredweight)	1.75	2.57	68
Cotton (pound)	.2238	.4353	51
Wool (pound)	.390	.868	45

Source: Agricultural Prices, January 1968, Statistical Reporting Service, USDA.

These are unsatisfactory to farmers and are responsible for our having this low net income.

The parity ratios shown above would be even lower if it were not for the fact that Government supply-management programs are reducing the adjusted parity base prices for most of these commodities. (The wool program no longer has a direct effect on the parity price of wool because it has been in effect for more than the 10 years that are used in calculation adjusted parity base prices.)

ADJUSTED PARITY BASE PRICES OF COMMODITIES FOR WHICH PRICE SUPPORT PAYMENTS ARE MADE UNDER THE ACT OF 1965

	Wheat (per bushel)	Cotton (per pound)	Corn (per bushel)	Grain sorghum (per hundred-) weight)	Woo (per pound)
1964	$0.805	$0.1303	$0.498	$0.780	$0.254
1965	.796	.1301	.488	.767	.258
1966	.773	.1279	.475	.760	.256
1967	.760	.1251	.472	.748	.253
1968	.744	.1258	.464	.744	.251

Source: "Agricultural Prices," January supplements, 1964–68, Statistical Reporting Service, USDA.

If the adjusted basic price of wheat had not been reduced from 1964 to 1968, the January 1968 parity price of wheat would have been $2.79 per bushel—22 cents more than the official parity price of $2.57. If present programs are continued, the adjusted base prices for wheat, cotton, corn, and grain sorghum will continue to decline for several years to come.

Since the relationship between farm returns—including payments—and farm costs has continued to deteriorate, people have continued to move out of agriculture in search of better opportunities. As a matter of fact, the rate of outmigration was higher in 1966 and 1967 than in 1964 and 1965. The following table shows a drop in farm population of more than 4.6 million since 1960—a drop of nearly 30 percent in only 7 years:

CHANGES IN THE FARM POPULATION

Apr. 1 of—	Farm population (thousands)	Reduction from preceding year (thousands)	Percentage reduction from preceding year
1960	15,635		
1961	14,803	832	5.3
1962	14,313	490	3.3
1963	13,367	946	6.6
1964	12,954	413	3.1
1965	12,363	591	4.6
1966	11,535	768	6.2
1967 estimate	11,000	595	5.1

Source: Economic Research Service, USDA.

These figures speak for themselves. The 1967 figure is an estimated figure, but it is fairly current. This outmigration from agriculture, as you well know, has created many problems.

The CHAIRMAN. I wonder if you would go a little bit slower. Frankly, I am interested in what you are giving us, and I am not able to keep up with it.

Mr. LYNN. I am sorry.

The CHAIRMAN. I am not trying to push you, or anything like that.

Mr. LYNN. Thank you very much for the suggestion, Mr. Chairman. I'll be happy to comply.

Farm debt has increased in relation to farm assets throughout the postwar period; however, the rate of increase has accelerated under the Government supply-management programs of recent years.

FARM DEBT IN RELATION TO FARM ASSETS, SELECTED YEARS

As of Jan. 1	Total farm debt (excluding CCC loans) (million dollars)	Total farm assets (billion dollars)	Farm debt as a percentage of farm assets
1950	10,733	132.5	8.1
1955	15,441	165.1	9.3
1960	23,595	203.5	11.6
1965	36,009	238.5	15.1
1966	40,147	255.7	15.7
1967	44,532	269.5	16.5
1968 (preliminary)	48,600	281.2	17.3

Source: "The Balance Sheet of Agriculture, 1967," and "Agricultural Finance Review, "November 1967, Economic Research Service, USDA.

We show these figures beginning in 1950 up to the present time, and, as you can see, the farm debt as a percentage of farm assets has continued to increase. And a lot of farmers will tell you that we are living off the amount that we are able to borrow rather than what we are able to really earn in the markets.

The act of 1965 is an outgrowth of earlier Government supply-management programs, the first of which was the feed grain program of 1961. For this reason, in evaluating the effects of Government supply-management, it is appropriate to pay particular attention to what has happened since 1960 as well as to what has happened under the act of 1965.

Net income per farm has increased substantially since 1960; however, the bulk of this increase resulted from the combined effects of a decline in the number of farms and an increase in Government payments to farmers.

I think that the table following dramatically illustrates this point.

	1960	1967	Increase or decrease (—)	Percentage change
Number of farms	3, 954, 500	3, 141, 300	—813, 200	—20. 6
Net realized farm income	$11, 673, 000, 000	$14, 491, 000, 000	$2, 818, 000, 000	24. 1
Governments payments	$693, 000, 000	$3, 071, 000, 000	$2, 378, 000, 000	343. 1
Net realized income per farm	$2, 952	$4, 613	$1, 661	56. 3
Government payments per farm	$175	$978	$803	458. 9

Net realized income per farm rose $1,661 from $2,952 in 1960 to an estimated $4,613 in 1967.

If the number of farms had remained constant, and there had been no increase in Government payments, net income per farm for 1967 would have been $3,063 ($14,491 million, as shown in the table, net farm income minus the $2,378 million increase in Government payments, or $12,113 million ÷ 3,954,500 farms).

Thus, the combined effects of the decline in the number of farms and the increase in Government payments boosted net income per farm from $3,063 to $4,613. This means that these factors account for $1,550 (93.3 percent) of the $1,661 by which net income per farm increased between 1960 and 1967. The remaining $111 of the total increase per farm is due to other factors.

The value of the dollar has declined since 1960 and farmers who have remained on the farm have had to increase their investments substantially. As a result, a much higher net income is needed today to provide a return on increased capital investments and offset the lower value of the dollar.

We doubt that the promoters of the 1965 act want to take credit for increases in farm income that have been brought about by a decline in the number of farmers. The unsatisfactory nature of programs which force farmers to depend on Government payments for a substantial part of their income will be discussed at a later point in our statement.

While carryover stocks of feed grains, wheat, and cotton have been reduced rather sharply in recent years, we need to examine the causes of these reductions and the costs that have been incurred in achieving them.

The 1965 act has contributed to the reduction of cotton stocks, although at a very high cost. Bad weather was also a factor.

In the case of wheat and feed grains reductions in carryover stocks have been due to expanded markets—not reduced operation. Grain production actually has been higher under Government supply-management programs than in the immediately preceding 5 years. While a substantial acreage of land has been diverted under current pro-

grams, much of this land would have produced little or no grain in the absence of these programs. Furthermore, the diversion programs have had offsetting effects. It is well known that payments received for diversion are often used to finance yield-increasing practices, especially higher fertilization rates, on land remaining in production. It is also well known that noncompliers not only sought to improve yields but also increased grain acreages in the expectation that reductions by compliers would strengthen markets.

Thus, while acreages have been cut by diversion programs, wheat and feed grain output has been higher than before they became operative. This is evidenced by the following comparisons of acreages and output of these grains during the years preceding and following adoption of the Government supply-management approach.

This is all summarized in the following table:

SELECTED CORN AND WHEAT DATA—AVERAGES FOR 1956–60 AND 1961–66

Period	Harvested acreage (thousands)	Yield per acre bushels	Production (million bushels)	Utilization (million bushels)		
				Domestic use	Exports	Total
Corn:						
1956–60 average	67,001	51.4	3,442	3,046	227	3,273
1961–66 average	56,704	67.3	3,818	3,502	516	4,018
1961–66 compared to 1956–60	−10,297	+15.9	+376	+456	+289	+745
Wheat:						
1956–60 average	50,033	23.5	1,178	598	513	1,111
1961–66 average	48,326	25.5	1,230	639	759	1,398
1961–66 compared to 1956–60	−1,707	+2.0	+52	+41	+246	+287

Note particularly from the above that during the years after Government supply-management type programs became operative:

Corn acreage averaged 10.3 million acres less but corn production averaged 376 million bushels more, and corn utilization averaged 745 million bushels more than during the 1956–60 period.

Wheat acreage averaged 2 million acres less, but wheat production averaged 52 million bushels more, and wheat utilization averaged 287 million bushels more than in the 1956–60 period.

The fact is that feed grain and wheat stocks have been reduced by market growth—not by production control under Government supply-management programs. Furthermore, carryover stocks are being increased this year due to overproduction in 1967 when corn production reached 4.7 billion bushels and wheat production totaled 1.5 billion bushels—both alltime highs.

Supply-management programs have resulted in substantial increases in the annual losses realized by the Commodity Credit Corporation. CCC's realized net operating losses, which do not include the cost of the public law 480 program, more than doubled from fiscal 1960 to fiscal 1967.

This is dealt with in the following table:

Annual net operating results (realized losses excluding valuation reserves) of the CCC on price support and related programs, fiscal years 1955–67

[Dollars in millions]

Fiscal year:	Realized losses
1955	1,119.3
1956	1,413.7
1957	1,812.0
1958	1,647.6
1959	1,410.0
1960	1,884.5
1961	2,081.8
1962	2,799.4
1963	2,654.9
1964	3,226.8
1965	3,048.0
1966	2,984.9
1967	3,813.6

Source: "Commodity Credit Corporation Charts Providing a Graphic Summary of Operations June 30, 1966," (table 10A) March 1967 and "Report of Financial Conditions and Operations, as of June 30, 1967," Agricultural Stabilization and Conservation Service, USDA.

While factors other than Government programs were responsible for most of the reductions in commodity stocks, let us assume for the sake of discussion that the programs were responsible and then look at the fantastic per-unit costs of these reductions.

If we include only the cost of price support and diversion payments, the estimated reduction in the cotton carryover from August 1, 1965, to August 1, 1968, has cost an average of $168 per bale.

On a similar basis the cost of reducing the wheat carryover since the certificate plan went into effect with the 1964 crop has been $6.57 per bushel.

The cost of reducing the feed grain carryover since the feed grain program went into effect in 1961 has been $167 per ton, or $4.68 per bushel of corn equivalent.

These figures are detailed on the two pages following, the first table being on upland cotton, showing how we did. Wheat is on the same page, and the second page tabulation covers the feed grain program.

ESTIMATED PER UNIT COST OF REDUCING CARRYOVER STOCKS UNDER THE PRESENT SUPPLY-MANAGEMENT PROGRAMS FOR COTTON, WHEAT, AND FEED GRAINS

UPLAND COTTON

[Million bales]

	Carryover	Reduction from previous year
Aug. 1:		
1966	16.6	
1967	12.2	4.4
1968 estimate	6.5	5.7

Crop year	Estimated cost of cotton program [1] (millions)	Reduction in carryover during crop year (million bales)	Cost per bale of reduction in carryover
1966	$777	4.4	$177
1967	916	5.7	161
Total	1,693	10.1	$168

[1] Price support and diversion payments.

WHEAT

[Million bushels]

	Carryover	Change from previous year
July 1:		
1964	901.4	
1965	817.3	−84.1
1966	535.2	−282.1
1967	425.0	−110.2
1968 estimate	545.0	+120.0

Crop year	Estimated cost of wheat program[1] (millions)	Change in carryover during year (million bushels)	Cost per bushel of reduction in carryover
1964	$445.3	−84.1	$5.29
1965	508.8	−282.1	1.80
1966	687.0	−110.2	6.23
1967	702.0	+120.0	
Total	2,343.1	−356.4	6.57

[1] Diverson payments, 1964–66; plus domestic certificates to producers, 1964–67.

4 FEED GRAINS

(Million tons)

Marketing year[1]	Carryover	Change from previous year
1961	85.0	
1962	72.2	−12.8
1963	64.4	−7.8
1964	69.3	+4.9
1965	54.8	−14.5
1966	42.1	−12.7
1967	37.1	−5.0
1968 estimate	42.0	+4.9

[1] Oct. 1 for corn and sorghum grain July 1 for oats and barley.

Crop year	Estimated cost of feed grain program[1] (millions)	Change in carryover (million tons)	Cost of reduction in carryover—	
			Per ton	Per bushel of corn equivalent[2]
1961	$782	−12.8	$61	$1.71
1962	843	−7.8	108	3.02
1963	846	+4.9		
1964	1,171	−14.5	81	2.27
1965	1,382	−12.7	109	3.05
1966	1,295	−5.0	259	7.25
1967	870	−4.9		
Total	7,189	−43.0	167	4.68

[1] Diversion payments, 1961–67; plus price support payments, 1963–67.
[2] 1 ton equals 35.714 bushels of corn.

Source: Cotton and wheat program cost from "Department of Agriculture and Related Agencies Appropriations for 1968," pt. 3, hearings before a subcommittee of the House Committee on Appropriations, 90th Cong. 1st sess. feed grain. program cost from "Feed Situation," FS-219, FS-213, FS-203, and FS-200, Economic Research Service, U.S. Department of Agriculture.

2. GOVERNMENT-OWNED STOCKS ARE BAD FOR FARMERS

Under the act of 1965 and earlier Government supply-management programs, the USDA has been authorized to sell CCC stocks to hold down market prices to benefit consumers and penalize producers who do not cooperate with the feed grain and wheat programs.

Actually, low market prices penalize cooperators as well as non-cooperators. Low grain prices also lead to overproduction and low prices in the livestock, dairy, and poultry products account for roughly 40 percent of U.S. cash farm receipts. We need to make sure that programs for other commodities do not adversely affect this large and important area of our agricultural economy.

Government sales obviously have been costly to grain farmers in terms of reduced market prices. Look at what happened in 1964: Corn production fell to the lowest level in several years due to poor crop conditions, but the upward thrust in prices normally generated by a short crop was almost entirely offset by CCC sales.

Although the 1964 crop was 535 million bushels smaller than the 1963 crop, corn prices went up only 6 cents per bushel. By way of contrast, an 808-million-bushel drop in production in 1947 brought forth a 63 cent rise in corn prices, and a 743-million-bushel drop brought forth a 40 cent increase in prices in the depression year of 1936.

The 1966 marketing year also provides an informative contrast to 1964. Although the corn crop was slightly larger in 1966, CCC sales were reduced, and the farm price of corn averaged 8 cents per bushel higher in the marketing year 1966–67 than in the preceding year.

Experience with wheat has been much the same. While the 1966 wheat crop was only 4 million bushels smaller than the 1965 crop, CCC sales were reduced by 232 million bushels and the average farm price of wheat was 28 cents per bushel higher in the 1966 marketing year than in 1965.

From the standpoint of producers, Government reserves of agricultural commodities constitute a device to manipulate markets politically, to coerce participation in Government supply-management programs, and to impose price ceilings on farm products. Yet USDA officials have testified that they consider legislation to establish a Government grain reserve to be a needed addition to the program authorized by the act of 1965.

Farm Bureau vigorously opposed proposals for a Government controlled grain reserve at hearings held by the Livestock and Feed Grains Subcommittee on August 10, 1967. The subcommittee very wisely rejected these proposals.

And we have detailed that information, CCC sales of feed grains in relation to utilization, and CCC sales of wheat in relation to utilization, the former covering corn, sorghum grain, oats, and barley, for the years 1961 through 1966, showing total utilization, CCC sales, CCC sales as a percentage of utilization, and the season's average price:

CCC SALES OF FEED GRAIN IN RELATION TO UTILIZATION

Marketing year[1]	Total utilization (million bushel)	CCC sales (million bushel)	CCC sales as a percentage of utilization (percent)	Season average price
Corn:				Per bushel
1961	3,962	975	24.6	$1.10
1962	3,895	736	18.9	1.12
1963	3,848	170	4.4	1.11
1964	3,875	391	10.1	1.17
1965	4,392	398	9.1	1.16
1966	4,135	156	3.8	1.24
Sorghum grain:				per hundred weight
1961	521	221	42.4	$1.80
1962	516	241	46.7	1.82
1963	591	122	20.6	1.74
1964	573	144	25.1	1.87
1965	848	240	28.3	1.79
1966	862	197	22.9	1.84
Oats:				per bushel
1961	1,059	7	0.7	$0.642
1962	1,019	6	0.6	.624
1963	931	3	0.3	.622
1964	891	13	1.5	.631
1965	891	14	1.6	.622
1966	851	17	2.0	.665
Barley:				
1961	441	40	9.1	.979
1962	410	11	2.7	.915
1963	420	30	7.1	.897
1964	430	15	3.5	.947
1965	395	0	2.5	1.02
1966	383	5	1.3	1.05

[1] Year beginning Oct. 1 for corn and sorghum grain; July 1 for oats and barley.

CCC SALES OF WHEAT IN RELATION TO UTILIZATION

Marketing year beginning July 1	Total utilization (million bushels)	CCC sales (million bushels)	CCC sales as a percentage of utilization	Season average price per bushel
1961	1,327	255	19.2	$1.83
1962	1,224	208	17.0	2.04
1963	1,444	342	23.7	1.85
1964	1,369	311	22.7	1.37
1965	1,599	379	23.7	1.35
1966	1,424	147	10.3	1.63

3. THE OPERATION OF GOVERNMENT SUPPLY-MANAGEMENT PROGRAMS DEPENDS ON POLITICAL DECISIONS

This places farmers at a distinct disadvantage since nonfarm consumers outnumber farm people by 94 to six. Political decisions must necessarily please the majority rather than the minority, and the vast majority of our citizens are nonfarm consumers. If we continue Government supply-management it is to be expected that agriculture will become a public utility; that is, an industry that is regulated for the benefit of consumers.

Another reason for avoiding reliance on politician decisions is the fact that it is very easy for a single authority to make a serious mistake.

The administration had three chances to prove the value of centralized planning in 1967, but it struck out all three times. A sharp

93-873—68——4

acreage cut was ordered in cotton to reduce the surplus, but an unfavorable season brought the crop down to less than 8 million bales, and a serious shortage of the better grades developed. As a consequence, cotton is suffering a further loss of markets which producers can ill afford.

Opposite results were experienced with wheat and feed grains. The administration overreacted to hysterical evaluation of the world food situation and encouraged farmers to expand grain production in advance of effective demand. Also, food aid shipments of wheat and flour under Public Law 480 actually are reduced during the fiscal year 1966–67. The inevitable result of these two actions was lower grain prices.

The average farm price of wheat was only $1.40 per bushel in January 1968 in comparison with $1.57 a year earlier. Corn sold for an average of $1.04 per bushel at the farm in January 1968 in comparison with $1.28 a year earlier.

In discussing the overproduction of grain that resulted from administrative decisions with respect to 1967 crops, Secretary Freeman correctly said, "No one—not myself, nor the Congress, or the scientists and economists—had the second sight to predict this." Unfortunately, Secretary Freeman refuses to recognize the fact that the market system can do a better job than any administrator in guiding production and consumption if it is allowed to do so.

Proponents of the 1965 act argue that 1967 grain crops would have been even larger if it had not been for the wheat and feed grain programs, but this argument will not stand careful analysis. In 1967 farmers were encouraged to expand grain production by price support loans, direct payments, and the knowledge that the Government wanted a bigger crop to feed a hungry world. In the absence of Government acreage programs, price supports, and direct payments, farmers would have been far more cautious and far less likely to expand production in advance of effective market demand.

4. THESE PROGRAMS MAKE FARMERS DEPENDENT ON GOVERNMENT PAYMENTS FOR A SUBSTANTIAL PART OF THEIR NET INCOME

Government payments amounted to approximately 20 percent of net farm income in 1966 and 21 percent in 1967. Considerably more than 20 percent of net income from the production of feed grains, wheat, cotton, and wool now comes from Government payments. In fact, well over 20 percent of the total receipts received by farmers from these commodities in 1966 came from payments.

Here we have a table as to the cash receipts from farm marketings and Government payments for 1966, giving the percentage of payments as compared to the whole for feed grains, wheat, cotton, and wool.

You can see that cotton was the highest, and so on.

We think this reveals and also confirms that there is too much dependence on Government for our income.

CASH RECEIPTS FROM FARM MARKETINGS AND GOVERNMENT PAYMENTS, 1966

[Dollar amounts in millions]

	Cash receipts from farm marketings	Direct payments	Total receipts	Payments as percentage of total
Feed grains [1]	$3,423.1	$1,293.4	$4,716.5	27.4
Wheat	2,025.2	679.0	2,704.2	25.1
Cotton lint	1,312.9	772.5	2,085.4	37.0
Wool	100.6	33.7	134.3	25.1

[1] Corn, sorghum grain and barley—the grains covered by the feed grain program.

Source: "Farm Income-State Estimates, 1949–1966," A Supplement to the July 1967 Farm Income Situation, August 1967, Economic Research Service, USDA.

The promoters of direct payments on cotton argued that payments would benefit consumers by reducing the retail prices of cotton goods. The promised savings to consumers did not materialize. Instead of lowering prices to consumers payments resulted in higher mill margins.

The average mill margin on 20 constructions rose from 24.91 cents per pound in the crop year 1962–63, the last full year before payments, to 38.82 cents in the crop year 1966–67, the last full year for which comparable data are available.

Current information on cotton margins is not entirely comparable with the above data as USDA has increased the number of constructions used in computing margin statistics. Recent data indicate that mill margins have been reduced somewhat by the increase in cotton prices which resulted from the short 1967 crop; however, it appears that margins are still well above the prepayment level.

The following table illustrates that:

CLOTH AND RAW COTTON PRICES AND MILL MARGINS

[Cents per pound]

Year beginning August	Average for 20 constructions		
	Unfinished cloth prices	Raw cotton prices	Mill margins
1962	60.52	35.61	24.91
1963 [1]	61.54	35.46	26.08
1964	62.98	27.23	35.75
1965	65.15	26.49	38.66
1966	64.26	25.44	38.82
Average for 71 constructions			
1966	66.18	25.56	40.62
1967 (August–December average)	64.89	29.81	35.08

[1] Payments to the mills began on Apr. 11, 1964; however, the USDA made no adjustments for these payments prior to August 1964.

Source: Cotton Situation, January 1968, Economic Research Service, USDA.

Government payments are an unreliable basis for the income that is necessary for a healthy agriculture because they can be cut or limited at anytime, the 94-to-6 ratio that we talked about a minute ago.

Cotton payments made direct to farmers from the Federal Treasury totaled $916 million in 1967. This is more than the total value of all upland cotton produced in 1967 figured at the loan rate for cotton.

It should be obvious, with Federal deficits running as they are, that payments of this magnitude cannot possibly continue; and every effort must be made to find a different approach to the cotton problem.

At this point I would like to insert in the record, which I think has been given to you, another table that dramatically emphasizes the direct Government payments under farm programs from 1960 to 1967. We have totals for each commodity. We call your attention to the feed grain payments, for example, $7,158 million; for wheat, $2,883 million, and to a total payment for the programs listed of $16,557 million. We call this to your attention for any purpose of indicating to you that if we continue down this road we know that these payments will be cut. We know that limitations are going to be placed on them, and if we are totally dependent on these payments, our income will be decreased, and we are for increasing the net farm income, not decreasing it.

For example, just this morning, the Secretary of Agriculture, said in a press release that he is giving serious consideration to recommending to this committee and to the Congress a direct payment for dairy products, in order to meet the competition we have from filled milk of other substitutes. We ask that you not follow this course. This release says: "A direct payment program so consumer prices could be kept low while incomes to producers could be increased."

This is fallacious, with all due respect to the Secretary of Agriculture, and we think that history has proven it so.

(The table hereinabove referred to follows:)

DIRECT GOVERNMENT PAYMENTS UNDER FARM PROGRAMS, 1960–67

[In millions of dollars]

Calendar year	Wool	Sugar	Feed grains	Wheat	Cotton	Total, under commodity programs	Total, other Government programs	Total payments under farm programs
1960	51	50				101	592	693
1961	56	45	772	42		915	569	1,484
1962	54	54	841	253		1,202	534	1,736
1963	37	57	843	215		1,512	534	1,686
1964	25	67	1,163	438	39	1,732	437	2,169
1965	18	64	1,391	525	70	2,068	384	2,452
1966	34	60	1,293	679	773	2,839	427	3,266
1967	29	62	865	731	932	2,619	452	3,071
Total	304	459	7,168	2,883	1,814	12,628	3,929	16,557

Source: "Farm Income Situation," July 1967 and February 1968, Economic Research Service, USDA.

The payment approach reflects a cheap food philosophy. These payments are not net additions to farm income. Basically they are compensation for Government actions—such as the sale of CCC stocks and the Secretary's decision to increase grain production in 1967—which reduced farm prices. The termination of such actions would make possible higher market prices.

In the case of wheat and feed grains the increase in prices necessary to offset the payments is not nearly as great as has been commonly assumed. The payment rates are substantial—particularly in the case of wheat—but they do not apply to the entire crop.

Wheat certificate payments averaged only 50 cents per bushel when spread over the entire 1966 wheat crop. Cooperators received the payment of $1.32 per bushel on 45 percent of the projected yield of their allotted acreage. This would be an average payment of 59 cents per bushel on the projected yield of cooperating farms, but nonparticipation and differences between actual and projected yields bring the average figure down to 50 cents per bushel. The average payment per bushel harvested was even lower for the 1967 crop as certificate payments were made on only 35 percent of the projected yield of the cooperator's allotted acreage.

The average farm price of wheat fell 37 cents per bushel from July 1966, to July 1967. This was due, at least in part, to the Secretary's decision to encourage increased production in 1967.

PRICES AND RETURNS ON 1966 CROP WHEAT AND FEED GRAIN PRODUCTION

Commodity	Season average price	Average price support payment per unit f production	Season average price including payment
Wheat (bushel)	$1.63	$0.50	$2.13
Corn (bushel)	1.24	.11	1.35
Barley (bushel)	1.05	.05	1.10
Sorghum grain (hundredweight)	1.84	.29	2.13
Oats (bushel)	.669		.669

Compensatory payments have been a much smaller factor in the average per bushel returns for feed grains. They added only 11 cents per bushel to average 1966 returns from corn. This low figure reflects substantial nonparticipation and the fact that payments are not made on participants' total production. In most recent years CCC sales have depressed corn prices more than 11 cents per bushel.

It is, therefore, clear that present programs are reducing market prices for wheat and feed grains and that the direct payments are not a net addition to farm income.

And we try to illustrate this in the table next, showing the season's average price, the average price support payments per unit of production, the season average price including payment. And when you add the payments, it is not enough to increase our net income, as it should. This middle column is spread over the entire crop, and it does not compare with the payment rate, because the payment rate, as you know, is based on something less than the entire crop.

5. GOVERNMENT SUPPLY-MANAGEMENT PROGRAMS CREATE PRESSURES FOR INTERNATIONAL COMMODITY AGREEMENTS

Commodity agreements are the international counterpart of domestic Government supply-management—a means of getting international sanction for domestic programs which interfere with international trade by subsidizing exports in some cases and restricting imports in others. It is, therefore, to be expected that such agreements will be proposed from time to time as long as we have domestic Government supply-management programs.

International commodity agreements set agricultural trade aside from trade in industrial products and reduce our bargaining power in negotiations with industrial countries.

Agreements which divide the world market on the basis of past history would limit our ability to expand exports.

The proposed International Wheat Trade Convention, which is now before the Senate for ratification, illustrates this point. This convention does not liberalize world trade in wheat; in fact, it tends to legitimatize trade restrictions. It would restrict export opportunities for United States wheat farmers.

If the wheat convention should be ratified, the United States apparently would be required to do one of two things in order to comply with the minimum price indicator:

(a) Cut back on wheat production so that production will not exceed the total of domestic disappearances and a conservative estimate of export possibilities, or

(b) Apply an export tax to raise export prices above the domestic level.

Cutting back production would tend to raise the domestic market price, but farmers' income depends on volume as well as price.

A world wheat price supported by U.S. action to cut production or impose an export tax would stimulate production in other countries—not only in exporting countries such as Canada, Australia, Argentina, and France, but also in importing countries.

An export tax is actually authorized under the provisions of the act of 1965; however, the imposition of such a tax would be contrary both to the interest of wheat farmers and the national interest in improving our balance of payments.

It should be noted that the International Wheat Trade Convention is part of a so-called International Grains Arrangement. Although this arrangement is now confined to wheat, it originally was intended to apply to all grains. The U.S. Under Secretary of Agriculture made this clear during the negotiations, when he said:

"The United States is actively striving to achieve a meaningful and effective international arrangement for grains, including wheat."

Commodity agreements have also been discussed for dairy products, meat, rice, soybeans, fats and oils, and cotton.

The best way to avoid international arrangements which would limit our ability to expand exports is to discontinue Government supply-management programs here at home. Our goal is to increase exports of agricultural commodities to $10 billion per year. This is a good way both to increase farm income and to help to deal with our national balance-of-payments problem.

In conclusion:

Farmers are in a serious cost-price squeeze. Farm Bureau is interested in reducing this pressure and in increasing net farm income.

Instead of continuing down the dead-end road of Government supply-management, price fixing, and subsidies, farmers need a broad-based program to expand markets, increase prices, cut costs, and thus provide the basis for increased net farm income.

We will continue to work with the Congress in dealing with those aspects of such a program that require Government action.

The CHAIRMAN. While I do not agree with a great deal that you have said here, I am very pleased that you have brought this thing out in the open to help our understanding of the different approaches. I do agree with you, and I do agree with the Farmers Union, and I do agree with the National Farmers Organization, I agree with the Mid-continent Farmers Association, and with the Grange to the extent that all of you are seeking to get a better situation for the farmers. Our problem is: How do we get it?

You have an approach that may be right. I do not follow all of it, I do not follow all of what anybody says. Perhaps, we will get a proper line of legislation or lack of legislation that we should follow.

I appreciate your bringing this thing out in a clear-cut way so that we may understand your purpose in being before us.

Mr. LYNN. I might just add this, Mr. Chairman: You will never hear us come before this committee and claim that we have the perfect solution to problems of agriculture. We have some ideas. What we have attempted to do here today is to put forward the case that what we have now is not working and, I think, we can find a way out of it. But we do not have all the answers written down in simple form. I wish that we did.

The CHAIRMAN. I wish that you did, too.

Do any of the other gentlemen want to say anything before we start questioning?

Mr. LYNN. No, sir. They are here to help me answer your questions.

The CHAIRMAN. Does anybody want to question the witness?

Mr. Belcher?

Mr. BELCHER. I think that the Chairman has made a pretty clear statement in regard to the facts that we are all interested in, that is, in increasing the net income of the farmers. The only question, as I see it, the only differences we have, is the proper method by which to do it.

I think that this is a fair statement you have made, Mr. Chairman. I have no questions.

Mr. LYNN. I might add, for the benefit of the people who came in after we started, that it is our plan to submit to this committee a 10- or 12-point program which we hope will help to improve the net farm income position of farmers.

The CHAIRMAN. That will be helpful. Mr. Abernethy.

Mr. ABERNETHY. You touched upon a question that I was going to raise, that is, that you propose to submit a program involving 10 or 12 points.

When do you anticipate you can do that?

Mr. LYNN. We have it in the draft form now. We were shooting for April 4 when the Senate hearing on this same subject is scheduled. And we were hoping to present what has been presented here as part I and then present our alternative suggestions as part II. We will do our best to speed that up.

Mr. ABERNETHY. As you know, and every member of this committee knows, I have always been concerned about the compensatory payment approach. I am not condemning it. That is not my purpose in mentioning it. I think there have been some fields in the farm programs where compensatory payments in some form have been essential in order to

keep the heads of some of our farmers above the water and to prevent complete collapse.

I also think that in some instances it has done some good.

I agree with you in your concern about the cost to the Government. My farmers, some of them, are concerned about it. They do not abandon the idea at this time, though, because they feel—and I think there is some merit in it—that we may be in a situation now where we cannot just completely drop it. This has been the feeling of a substantial number in the Mississippi Delta, and they do not just play with agriculture down there. They are real farmers.

There is also a feeling here—and I think you share such—that the legislation ought to be put off until next year. I have been giving some thought to that. I do not feel that way. There has to be something done; and I think it ought to be done this year. I do not know whether we can or not. I just do not know.

It was for that reason, that I asked you as to when you thought you might have the Bureau's ideas ready. I think that they ought to be considered now. If you are going to have them ready this year, I think you would be doing the committee a great favor to make them available while these hearings are in progress. I would welcome your suggestions, and I am sure that every member of the committee would.

Mr. LYNN. We had about reconciled ourselves to the fact that the Agriculture Act of 1965 which goes through the 1969 crop, would run its course. This being the kind of year it is, "an even-numbered year divisible by four," we thought perhaps it did not present the kind of climate that would be conducive to the consideration of a long-range farm program. We are not going to push for our suggestions to be enacted this year. We believe a year of study and debate as you are doing here with perhaps some field hearings might be very beneficial before we launch out again on trying to extend or to enact new legislation.

We, in the Farm Bureau, in our 2,775 county Farm Bureau units need much more discussion and study of this matter. We need to understand the alternatives available. I believe that we can make a better contribution, given an opportunity, as we hope to be given the opportunity, to study this matter very carefully, rather than to pass legislation this year, and we will do everything we can to be helpful.

Mr. ABERNETHY. Very frankly, I do not see anything wrong with the climate today. You know that the climate around Washington is, itself, the same 365 days of the year. It is always political here. We will always have politics. We will have it next year; and we have it this year. Unfortunately, perhaps, we have had too much politics. We have had little of such in this committee. The members of this committee, on both sides are genuinely interested in the welfare of agriculture. We have differences and they are pretty strong sometimes; but I honestly just cannot see that there will be any difference between the climate today and the climate next year, insofar as politics is concerned. We have always had politics in Washington and we always will have such politics. We are really getting an abundance of it around here these last few days. [Laughter.]

But this has not affected my interest, and I am sure that it has not affected your interest. I know that you are dedicated to agri-

culture, that you are enthusiastic about it. I feel that we ought to take action this year. At least, we ought to do our best. If we cannot make the goal this year, maybe we can make it next year, I do not know.

Mr. LYNN. I certainly agree with you, that we ought to do our best.

Mr. BELCHER. Will you yield?

Mr. ABERNETHY. Yes.

Mr. BELCHER. I think you will have to admit, and I think that we will all have to admit, that politics will be considerably above normal.

Mr. ABERNETHY. If I may go off the record?

The CHAIRMAN. Yes.

(Discussion was had outside the record.)

The CHAIRMAN. Mr. Teague?

Mr. TEAGUE of California. No, sir; no questions.

The CHAIRMAN. Mr. Jones of Missouri?

Mr. JONES of Missouri. I would like to ask a question.

I have been trying to figure out where we got off on this, when we first started the farm program in 1933. The Farm Bureau was supporting the program at that time.

Mr. LYNN. That is correct.

Mr. JONES of Missouri. So that means that the Farm Bureau is not just categorically against all Government programs. Is that a fair statement?

Mr. LYNN. That is right.

Mr. JONES of Missouri. I find that a lot of my farmers say that they do not want anybody interfering with them until they get into trouble, and then they want to get all of the benefits. I want to get your opinion about this: The Commodity Credit Corporation was set up, as I understand it, to be a place where the farmers could obtain a loan and not be subject to a place in the market where someone was trying to take advantage of them, when they could not store their own products. In their own case, the farmer brought his cotton to town and he sold it at that time, and he got 2 or 2½ cents a pound for cotton in the seed. They all paid the same. That was it. A fellow stored his corn, he could get so much for it, and then a few months later, after it got out of the hands of the farmer the price always went up.

The farmer always stays in debt.

You have some figures here on page 5 of your statement where you state that the farm debt in relation to the farm assets has increased since 1950 from 8.1 to 17.3 percent in 1968. I am not arguing with those figures, but when I get to thinking about that—that difference in the other segments of our economy—is there not a tendency today for many people in business and otherwise to get into debt and has not the percentage of debt gone up, because it has been easier and more conducive to influence a fellow to get into debt, and then with inflation coming on that fellow figures, "The more I can get in debt, the more I will make out of this thing." Is that true, or not?

Mr. LYNN. Mr. Hamilton, our economist, Mr. Jones, will answer that.

I would like for him to comment on that.

Mr. JONES of Missouri. I will get the experts now.

Mr. HAMILTON. I disqualify myself as an expert.

I do not have the comparable figures with me. We could get them; however, there is quite a little bit in what you say, that debt has gone up throughout the economy. I do not know whether it has gone up more or less in other sectors, but you are quite right, that there has been a greater increase in debt throughout the economy, including business and consumer debt since 1950, but all we showed here was the farm debt in relation to farm assets, and this is somewhat a disturbing factor from the standpoint of the farmer, the more debt they have the more they have to earn to make the payments and to pay the interest, and it is a problem from the standpoint of many farmers, but it may not be unique to agriculture. We did not mean to imply that it is.

Mr. LYNN. If the net income figure for agriculture was going somewhat in the opposite direction, then we would not be disturbed by these figures. But the truth of the matter is that the percentage of farm assets to farm debt is continuing to go up and the net farm income is going down.

Mr. JONES of Missouri. You relate this——

The CHAIRMAN. Would you suspend for just a moment, Mr. Jones.

I want to announce to our visitors that the rules of the House of Representatives prohibit the taking of pictures during a session. It is not that we are not delighted to have everyone of you with us, because you are welcome here; it is not that we have any particular fear that you will carry off our pictures to do us harm or to blackmail us or anything of that kind with them, but we try to abide by the rules of the House, I will therefore ask our visitors not to take pictures. I do not want you to feel that I am criticizing—I am not condemning you, but to those who are not familiar with the rules of the House, let me ask that if you will refrain from the taking of any photographs until the committee adjourns, we will appreciate it. And then you are at liberty to take all of the pictures that you desire after we adjourn, but do not do it during the session of the committee.

Thank you.

You may proceed.

Mr. JONES of Missouri. You have related the percentage of farm assets to debt, and it was on that basis that I was going. I was asking if that was not generally true of other parts of our economy. Is that your understanding, or not?

Mr. HAMILTON. I do not have the figures that are comparable to these other sectors of the economy. I do not have the debt as it is related to assets in other sectors, but it is true that debt has gone up throughout the economy. Whether it has gone up in relation to assets as much as the farm debt or more, I do not know.

Mr. JONES of Missouri. I am not saying that it has gone up in the same proportion, but I was saying that the trend has apparently been the same.

Mr. LYNN. This is right. The big difference, Mr. Jones, is that in other segments of our economy the profits have gone up also, and wages and everything else have gone up, but in the case of agriculture, our net income has tended to go down. We will be very happy to supply these figures for the record, if you want them.

Mr. JONES of Missouri. We are trying to get the trend here.

Mr. LYNN. I think you are right.

(The figures requested were not available in the form desired.)

Mr. JONES of Missouri. What I am trying to work up to is this: At the time that we started this program, the Farm Bureau was for it. What I am trying to get to is this: Where along the line, when was it that the Farm Bureau felt we were going in the wrong direction, or that we were going too far? That is what I want to find out.

Mr. LYNN. That was the first year that I came to the Farm Bureau. And that has no significance. [Laughter.]

But we did change our policies in 1948, 20 years ago. That is a long time for a guy to be around—not for you fellows, but for me. [Laughter.]

But we did support the Agriculture Act of 1933, 1936, 1938, right on up to the war. We supported the Steagall amendment, you will remember this in World War II. The Steagall amendment which we had a great deal to do with was that we support for the duration of the war plus 2 years—which was 1947 a high price support program. In 1948 we, as you know, recommended that we go to a less rigid price support program, but at the same time, Mr. Jones, we went on record against compensatory payments, in 1949, and we have been there ever since.

Mr. JONES of Missouri. You recognized then that the most permanent thing in Washington was a temporary program?

Mr. LYNN. Exactly.

Mr. JONES of Missouri. And that is what it has become.

I am just going to express an opinion, and I want to see if you agree with this. It seems to me that during the different administrations that I have watched them, and Congress has enacted legislation, that there has been a tendency on the part of the politicians to try to give more than Congress had intended to give. We tried to protect the farmer. And now it became a subsidy, and it seems like there was a competition to see who could give them the most subsidy, to get them to go along with it.

Have you any comment on the fact that most of all of the programs have been interpreted and administered in the most generous proportions that they could be?

Mr. LYNN. Yes, sir. I would agree with that.

Marvin McLain, who is sitting here, will recall that when he was Assistant Secretary and Mr. Eisenhower was President, we had many arguments about these programs. I do not think it matters whether Democrats or Republicans are in office, your point is still well taken.

Mr. JONES of Missouri. That has been a thing that has disturbed me, because I have voted for programs here at times that I thought were needed and which would be helpful to the farmers, and then in administering, they piled a little more than necessary on it, so to speak, and it got into what I considered an extravagance that was unnecessary to do what we were attempting to do through the legislation. I just wanted to find out where, along the line, they had gotten away from what Congress was trying to do, of helping the farmer, and then where we made that mistake and went down a separate road.

The CHAIRMAN. That was in 1948, he stated.

Mr. Dole?

Mr. DOLE. No questions.

The CHAIRMAN. Mr. Brasco, any questions?

Mr. BRASCO. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Hansen?

Mr. HANSEN. Thank you, Mr. Chairman. I would like to ask one question to clarify a point you made before, and this is with regard to such things as Commodity Credit Corporation wheat stocks or the programs of the Commodity Credit Corporation.

Do you feel that the programs are generally acceptable, except for the fact that the Secretary is able to release these stocks arbitrarily on the market?

Mr. LYNN. As we will present to you later, we would like to change the role of the Commodity Credit Corporation from a handler, storer, and marketer of grain and other agriculture products to an insured loan agency. As I have talked to your Chairman and Mr. Belcher many times about this, we want to keep the Commodity Credit Corporation from acquiring title to the commodities. And our policy is very clear with regard to this item. So, I think that the direct answer to your question is that we want to change the role of the Commodity Credit Corporation and prevent any further accumulation of stocks in the hands of the Federal Government.

Mr. HANSEN. In the same connection, are you against the accumulation of strategic reserves even if they were pegged at something like 100 percent of parity?

Mr. LYNN. Yes, sir, we are against it; no matter what you call it, it is still over the market. It is still a price-depressing element. We have had much experience with this over the years. Long staple cotton is the best example that we have had in the last 20 years where we stockpiled cotton for the Korean war, and I think at that time we were all convinced that it might be a good idea, but this hung over the market until about 4 or 5 years ago, and it was a price-depressing element all of that time. So, we are against strategic reserves, call them what you will, no matter what you attempt to do to lock them up in the Commodity Credit Corporation, because we do not think that you can successfully do it.

Mr. HANSEN. You would not then anticipate in any year—not famine necessarily, but a short supply—that you might have to hedge for?

Mr. LYNN. No, sir. There was a time when wheat was produced in relatively few States, for example, but today I believe it is produced in all States. Our production is so widespread that we do not have great anticipation of any shortage of supply if the farmers are given an opportunity to grow it at a profit.

Mr. HANSEN. You say then that because there are so many climates in the country, that there are so many different conditions that would not prevail in common at all places, that we are actually properly hedged by this situation?

Mr. LYNN. Right. Keep in mind, Mr. Hansen, that 60 percent or more of our gross farm receipts are from livestock and livestock products.

Mr. HANSEN. Back to my original question: You are not, necessarily, against many of the operations of the Department of Agriculture in some of the basic functions, even of the Commodity Credit Corpora-

tion, if it is only an exchange function that is involved in such cases as wheat, et cetera?

Mr. LYNN. Exactly. We support most of the programs of the Department of Agriculture.

Mr. HANSEN. I enjoyed reading your statement. I'm sorry I did not get in on the first part of your presentation. I intend to study your remarks further. Thank you.

That is all, Mr. Chairman. Thank you.

The CHAIRMAN. Mr. Dow?

Mr. DOW. Yes, Mr. Chairman. I think Mr. Lynn has made a very compelling case here. He certainly shows thought on the part of his organization. I think I have only one question of Mr. Lynn, and that is:

To my mind, I see the concern of the Government with farm prices manifested in two directions: (1) acreage control and (2) the procurement of the commodity by the Commodity Credit Corporation, and so on.

So far as acreage control is concerned, I think that you do not have too much objection with that, but the thrust of your criticism is directed at the Government-purchase programs, the manipulation of the stocks, you might say. Am I correct in that assumption?

Mr. LYNN. We also will recommend the repeal of the acreage allotment provisions for wheat and feed grains.

The other element that is in this picture more than it has ever been before, which disturbs us more than any of these, is the compensatory payment acts of the act of 1965. We are not for extension of acreage controls for wheat and feed grains.

Mr. DOW. Then, just offhand, I would say that you favor the withdrawal of the Government entirely from any concern with wheat and feed grains?

Mr. LYNN. We would like to move in the direction of the market system as rapidly as we can. We realize from where we are that it may have to be a gradual process, but our objective for wheat and feed grains would be to get to the market system.

Mr. DOW. Thank you, Mr. Lynn. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Wampler?

Mr. WAMPLER. No questions.

The CHAIRMAN. Mr. Nichols?

Mr. NICHOLS. I want to commend Mr. Lynn for his very fine statement and to tell him that I am going to be very anxious to see his program, and his proposals, when they come forth.

I am particularly interested, on page 22 of your statement here, where you talk about your goal is to increase the exports of this country to $10 billion a year which is certainly a very fine thing to do. I find it a little difficult, though, in the area of cotton, which I am a little familiar with, and where the world price is around 20 cents a pound, to see how we are going to get into the world market and expand very much, and get it produced at that figure in this country without compensatory payments.

I think you have a very fine statement. I appreciate your bringing it to us.

Mr. LYNN. Thank you.

The CHAIRMAN. Mr. Goodling?

Mr. GOODLING. I have one question.

I wish you would turn to page 19 of your statement. I am particularly interested in the second paragraph, the first two sentences thereof. Will you tell us exactly what you are saying? I am not absolutely certain.

Mr. LYNN. If you take the cotton production in 1967, which is last year, the value of the lint cotton, on the basis of the loan rates provided in the act of 1965 which is roughly 20 cents a pound, the total value of that lint cotton was less than the compensatory payments paid directly to the farmers out of the Federal Treasury.

Now, the market price for certain grades of cotton was a little higher, of course, than 20 cents. If I could just add to this, Mr. Goodling, that there is a fear in continuing down this road that we are building into the minds of the users of cotton, both at home and abroad, that cotton is only worth 20 cents a pound. As Mr. Nichols so aptly said, we cannot produce it for that. So that, if you assume that this is the way that we are going, then the ultimate answer, Mr. Nichols, is that compensatory payments must be had because we cannot make a living selling at 20 cents a pound. But the thing that disturbs me, going back to the Secretary's statement of yesterday about milk, is that if we start out a program to let consumers get milk for 18 cents a quart and make up the difference of 10 cents, which is being proposed by compensatory payments, we get the consumers thinking that milk is worth only 18 cents. I think it is worth 28 cents. And the same people who complain about that will easily pay 40 cents for a can of beer.

My only point here is—and excuse me for going in a roundabout way on your question—this is the cheap food philosophy. We beat down the farmer prices because the majority of the politicians are put there by consumers and not farmers, and if we get this built into our market system and depend upon compensatory payments, when you cut them off, what do we do as a producer? We go broke and move from the farm at greater rates than we are now moving. You get on this drug (it's like LSD) for 3 and 4 years and how do you ever get off it?

And cotton is a very good example, Mr. Goodling, the consumption of cotton has not increased. We were told right in this room—or in the old room—how uses would increase if we could only add the compensatory payments. Thirty-three and one-third percent of the value of this raw material is being paid by the Federal Government. It has not increased the consumption of cotton. It has made farmers dependent upon the Federal Government for their income, and we do not like to be in this precarious situation.

Mr. McLAIN. When you look at the financial situation of this country and the world today, as was expressed at a conference the other day, something has to be done in the area of controlling these expenditures. Where do you think we are going to get them controlled when 94 percent of the people live off of the farms?

Mr. GOODLING. You say that we paid $916 million to cotton producers in 1967?

Mr. LYNN. Yes.

The CHAIRMAN. I think that is hardly a fair comparison, because I think that most of this committee understands what you say.

I do not think that I understand that you are saying that, but most of them understand you to say that the direct subsidy paid was $916 million. According to my books, they got $400 million.

There are other payments to the cotton farmers which go to all kinds of farmers.

Mr. Lynn. This includes diversion payments.

The Chairman. I understand that it does, but that is not what you were saying. I am not criticizing you. You are trying to give figures, but I think that these figures are giving the wrong impression, because there was about $400 million, not $900 million, paid in direct payments to the cotton farmers. There are other payments that were made, and those payments were made to other farmers, too, which amounted to—I guess they amounted to about another one-half billion dollars. I frankly have no figures here on that at all, but all we have got to do is to figure what the direct payments were for a bale of cotton which was roughly 10 cents a pound, which gives us $50 a bale. The total cotton crop was less than 8 million bales and that is not more than $400 million, and it could not have been much different one way or the other. The direct payments are less than one-half of what you are suggesting. I am not saying that the cotton farmers did not get help, as did all of the farmers, but not in the form of the direct payments of which you are speaking. It is less than one-half of that.

Mr. Lynn. The wheat farmers and the grain producers also got the diversion payments, but this figure reflects the amount of money we drew out of the Federal Treasury in 1967 as direct and diversion payments.

The Chairman. But the very point here is that you said that cotton payments were made direct to the farmers from the Federal Treasury. And I am not trying to find fault with you trying to maintain that as a fact, but I think that most of the people in this room will get an erroneous impression and will understand you are saying that cotton farmers got all this as a direct payment. It is not a direct payment. It is more than twice as much as the direct payments.

Mr. Lynn. We appreciate that.

Mr. Belcher. There was $400 million for that. And there was $500 million for that which they did not plant. The other was for that which they did plant.

Mr. Lynn. We appreciate very much that statement.

Mr. Belcher. The cotton farmer got $918 million, whether he got that directly or indirectly, on top of the table or under the table or any place else. He is getting it from the Federal Treasury, $918 million.

The Chairman. I think Mr. Belcher has made a correct statement. But we must bear in mind that the purpose here was to discredit the direct payments program. The purpose of this statement was to show that compensatory payments were excessive and therefore bad, not to show that the land retirement payments were bad—not to show that the program that we have for wheat and the other programs were bad, but to show that the direct payments to cotton growers were bad, and that the direct payments were in excess of the total value of the cotton crop, which is not the fact.

Mr. Belcher. We are saying that these same payments apply to cotton, to corn, and to other crops.

The CHAIRMAN. The land retirement payments—yes—to any of them. It is, however, only the direct payments we are discussing.

Mr. LYNN. We appreciate the chairman and the minority member of the committee making the record clear in regard to this.

The CHAIRMAN. Mr. Miller?

Mr. MILLER. I believe that you have a good statement here, Mr. Lynn. There are a couple of things that I am concerned about.

On page 16 you make a statement:

> Political decisions must necessarily please the majority rather than the minority, and the vast majority of our citizens are nonfarm consumers.

I know that you are aware of this as well as others. Now, is it correct that there is really no hurry for the extension of the basic farm program? We had a witness yesterday who conveyed the message quite strongly that there was a need for legislation to be approved this year. His thinking was that because those people who are interested in beef cattle and in dairy, in speaking of breeding, that it takes time to decide as to the size of the herd, and they are talking primarily of the feedgrain program. This, of course, is connected.

I am not sure whether it is better to be locked in with a program that will be extended this year or whether there is a possibility of a better program for the farmer next year.

I would like to hear you elaborate a little more on this.

Mr. LYNN. Nobody can be sure of that, Mr. Miller. This is our feeling, that with the Agriculture Act of 1965 on the books, having 1 more year to operate, that it would be unwise in this year 1968 to try to make major changes in the basic legislation.

We would be happy to join with this committee in dealing with the compensatory payments aspect of the 1965 act, but we believe there has to be some kind of a bridge to get the producers from where we are to where we want to be. This is a greatly accelerated cropland diversion program, as Mr. Poage mentioned awhile ago which will cost some money and will not get the Government out of agriculture, in that aspect of the program as people accuse us of trying to get the Government completely out. We want to help to build a bridge there, to get from where we are to where we think we ought to be, but we believe that 1968 is not the year to try to build this bridge.

Mr. MILLER. That is very good. Then, how far in 1969, how late in 1969, could we go before this act was approved?

Mr. LYNN. The fall or summer wheat is sown in some places, I guess about the last of August. I would say that if we have to have a program, if we can get it through by June—I realize that the 91st Congress will be a new Congress and will take a little time to get off the gorund. I do not think there is any possibility—if we sincerely want to do it—of the wheat farmers running out of a program in August 1969 if we decide to get the job done. I do not think that this is an overwhelming argument for doing something this year.

Mr. MILLER. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Miller.

Mr. Burke?

Mr. BURKE. No questions.

The CHAIRMAN. Mr. Mathias?

Mr. MATHIAS. No questions.

The CHAIRMAN. Mr. Mayne?

Mr. MAYNE. In the third full paragraph of your testimony on page 13 you say:

"Government sales obviously have been costly to grain farmers in terms of reduced market prices. Look at what happened in 1964: Corn production fell to the lowest level in several years due to poor crop conditions, but the upward thrust in prices normally generated by a short crop was almost entirely offset by Commodity Credit Corporation sales."

How extensive were those sales at that time?

Mr. LYNN. On page 15, Mr. Mayne, in column 2 of that table, we have attempted to detail the sales of corn and other grains by years. It does not take a great volume of corn or any grain or any commodity put on the market at the right time to have a real effect on the market price, and a very small percentage of the total could have a tremendously adverse effect on the market price.

Mr. MAYNE. How much was it in 1964?

Mr. LYNN. In 1964, it was 391 million bushels, which represented 10.1 percent of utilization.

Mr. MAYNE. Well, the damage to the farmer-producers at that time by those sales could have been reduced had there been some provision in the law as to the extent to which these sales could be made from the Commodity Credit Corporation stocks and the manner in which they would be made; could it not have been reduced?

Mr. LYNN. I think that there is no question, Mr. Mayne, that had there been written into this particular part of the law that the stocks could not have been released until the market had reached 100 percent of parity, that the immediate effect we are talking about here would not have been realized. However, if you attempt to lock these reserves of Commodity Credit Corporation stocks, nonetheless they are still there and the trade knows they are there and they know that they will soon be released.

I think you are right with regard to the immediate year, but I think that in the future years, we would not be so fortunate.

Mr. MAYNE. Although they eventually would be released; if there is something stated in the law that they can only be released at not less than 100 percent of parity, that certainly is a great deal more protection for the farmer than in not having such a provision at all, is it not?

Mr. McLAIN. Certainly, it would be, if you had it ironclad and prohibited sales for export the same way a lot of people are talking about putting restrictions on for domestic sales. Some people do not understand—I know you do, but some people do not understand—that if you put a restriction on and prevent export sales of corn which run about 600 million and of wheat which run about 750 million, that most of these bills that have been introduced, and considered by this committee completely exempt CCC grain for export.

The question was raised here yesterday: If you are going to lock grain up and just release at 100 percent of parity and are not going to release it for export that is quite different from most of the bills that

you have been considering. Obviously, if you do this, you would have some effect on the market. This would be the only way to keep CCC stocks from depressing the market price. But it is pretty hard for the executive department to accept a bill like that, as you can well understand. This is so when these programs have been designed to hold prices down.

Mr. MAYNE. If this act is to be extended—and I realize from your testimony here today that you gentlemen say it should not be, but if it is to be extended, would your organization be in favor of some more limitations on Commodity Credit Corporation sales than are presently in the law?

Mr. LYNN. Yes, sir. Our policy is that all stocks of Commodity Credit Corporation commodities, including those that might be accumulated, absent of enactment of the act, should be locked in for not less than 85 percent of parity. This is in our policy. No matter what we recommend, we have got to realize the fact that when we go into any new program that you gentlemen approve here, we have got to face the fact that we have got certain Commodity Credit Corporation stocks on hand, and in order to get going any program that you might provide, you have to prevent those stocks from wrecking whatever you decide to do. So, our recommendation is 85 percent of parity. We would have no objection to 100 percent of parity, if you wanted to go to 100 percent.

Mr. MAYNE. Thank you. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Jones?

Mr. JONES of North Carolina. No questions.

The CHAIRMAN. Mr. Zwach?

Mr. ZWACH. Mr. Lynn, the objective of your organization is, of course, parity.

Mr. LYNN. Parity of income.

Mr. ZWACH. Parity of income, yes.

I think you expressed some concern as to mismanagement in the present program. And you are going to present alternatives which you think will perhaps result in better prices.

To what extent is your organization preparing anything on bargaining strength and producer strength?

Is your thinking such that part of it will have to be taken up by the farmers, themselves?

I would like to have a comment in this area.

Mr. LYNN. Mr. Zwach, this is so, certainly; and we appreciate greatly the vote by which this committee approved such a bargaining legislation which has been voted out of the Rules Committee and is now available for consideration by the House. This legislation has already passed the Senate. We definitely think that one of the big points that we will be making in this supplemental statement that we will submit to you is this very point that you are making, that farmers must get together and we must be able to bargain and get a better price in the marketplace, but I hasten to add that we will not be for the type of legislation that is proposed in the Mondale bill which in title I would put agriculture in a straitjacket.

Mr. ZWACH. You favor letting the power completely in the hands of producers?

Mr. LYNN. On a voluntary basis, yes.

Mr. ZWACH. You think this can be done?

Mr. LYNN. Our brief experience with this in the Middle West and in the Southeast dealing with the marketing problem leads us to believe that there is a great potential in improving our net income through working together as a group and in negotiating with processors and handlers.

Mr. ZWACH. Is there any effort by all of the farm organizations to do some work together in this area of bargaining?

Mr. LYNN. We have attempted over the last 2 years to do so, and have had what we consider some good successes in working with all of the farm organizations and commodity groups in this regard. We feel encouraged over the outcome. It is very difficult for all of the organizations to agree, you know, on specifics, but I think—I assume—that all of the farm organizations will work sincerely toward this objective.

Mr. ZWACH. Would it now be your thinking that as the Government moves out that the farmers are going to have to move into this vacuum—that they are not going to get a price just because the Government moves out?

Mr. LYNN. Not at all.

Mr. ZWACH. Would this be part of it?

Mr. LYNN. This is stated very well, and we certainly think, after 35 years of operation in these programs, that you cannot just pull out, because you do create a vacuum, and this, as you have outlined, is one element to help build this bridge.

Mr. ZWACH. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Zwach.

Mr. Kleppe?

Mr. KLEPPE. Mr. Lynn, I think you have made some very interesting observations in your 22-page statement. Included in it, you have many charts, all of which I have not studied enough to thoroughly understand, but I wonder if I could get you to lead us just briefly through this chart on page 11, the bottom of the page there, where it refers to wheat. What I would be interested in are your comments briefly regarding this $6.57 figure which is the cost per bushel of reducing our carryover. As I look at this in connection with the market price of wheat today, it reminds me a little bit of the comparison of our cost of Job Corps training versus educational cost in a major university, and I wonder if you would lead us through this a little bit.

Mr. LYNN. Mr. Hamilton, I think, is better qualified to do this. We give him the difficult ones.

Mr. HAMILTON. Really, about what we did here, is that we started over to the side which says "Carryover." The first carryover was 901.4 million bushels on July 1, 1964, and we listed down in that column the carryovers for the preceding years, and they dropped to where the carryover was 425 million bushels for 1967; and at the beginning of 1968 it is estimated that it will be 545 million bushels, on July 1, this year, and then over in the next column we show the reductions for each year. Of course, for 1968 there is no reduction, it is an increase of 120 million bushels.

Then, we show down in the next part of the table the estimated costs for the wheat program, and this includes the wheat payments that were made on the certificate plan, that in 2 years of diversion payments there was one small diversion payment.

Mr. KLEPPE. It also includes storage and interest costs?

Mr. HAMILTON. It does not include storage and interest costs.

Mr. KLEPPE. It does not include those?

Mr. HAMILTON. All we are taking here is just the amounts that were put out in payments.

Mr. KLEPPE. Direct payments and diversion payments?

Mr. HAMILTON. We have not taken it down to the point that there were certificates sold to the millers. This did not all come from the Treasury, but it came from the farmers in the form of a Treasury check, and then we added the estimated cost of the wheat program—that is, the estimated payments, and that is $2,343.1 billion, and that plus the 120 million-minus bushel carryovers there was a reduction of 356.4 million bushels, and then we divided that figure into the $2,343.1 billion and came out with the $6.57 cents figure.

Mr. KLEPPE. I think I understand this now. But, further in this regard, there is no evidence in these figures whatsoever of what effect that reduction in carryover had in the marketplace.

The fact that we went and took great steps to reduce the carryover did have an effect on our market prices at times. When large quantities of Commodity Credit Corporation-owned wheat were dumped on the market at certain times, it did affect the market prices. That is not reflected in here?

Mr. HAMILTON. It is not reflected in this table. Over at the bottom of page 13, we have discussed the effect of Commodity Credit Corporation sales on wheat prices. I think we point out that in 1967–68, when the supply of carryover was down the price was up, and then this year, this last year, starting with the harvest in 1967, we had a bigger supply and the price went low again. But, certainly, when the carryover was reduced and Commodity Credit Corporation sales were reduced, because we did not have the grain to sell, there was an improvement in the prices. Of course, the largest crops produced last year made for a reduction in prices.

Mr. LYNN. At the bottom of page 15, there is another illustration of what Mr. Hamilton has just said.

Mr. HAMILTON. Yes, these average prices are shown there at the bottom of page 15.

Mr. LYNN. You can see it there.

We point out the fact that the Department of Agriculture ceased selling wheat from the Commodity Credit Corporation and we think it had a real healthy effect on the price, but, as you all know, we overplanted in 1967, and I think that everybody will admit that we did, and now we are faced again with a tremendous carryover which will be further depressing and a further temptation on the part of the Commodity Credit Corporation to rid itself of such stocks.

Mr. KLEPPE. I think you can see what I was getting at, when I look at the cotton figures and the wheat and feed grain figures, so much per bale, and so much per pound and so much per bushel, these are pretty astronomical figures which have been coming from the Treasury,

from the taxpayers in particular, in the operation of this kind of a program, and this is why I wanted to be led through this thing to see if there was something in here that I did not understand or which might be included or might be omitted. I think you have answered my question.

Thank you, Mr. Chairman.

By the way, I would just like to add that I am also very much interested in looking forward to your 10-point program that you have in draft stage.

Mr. Lynn. It might be more.

Mr. Kleppe. I am also one of these members looking forward to seeing it.

The Chairman. Thank you, Mr. Kleppe.

Mr. Price?

Mr. Price. Mr. Lynn, I want to compliment you on your fine statement. I think it has done more to point up the fallacy of the programs and the course we have been following.

I would like to have your opinion about this: We hear a lot of talk about freezing out the small farmer. I would like to have your opinion in this and to have you define what you would call a small farmer.

Mr. Lynn. Yes.

Mr. Price. Would it be 80 acres, or 160 acres, or what?

Mr. Lynn. It is hard to nail this down, as to what we are talking about, when we talk about the small farmer. I think it is better to deal with income, Mr. Price, rather than the size of the farm. I know there are some poultry producers who have $100,000 gross on only 5 acres and I also know some ranchers in your part of the country who have 10,000 acres and are family operated, with a gross of about the same, but we feel that we should try to stick to the definition that the Department of Agriculture and the Census Bureau set up which, as you know, is $2,500 gross sales which is considered to be a commercial farmer, but I think that you, as a practical farmer, and we too, know that this is a very small income to be had by commercial farmers. I have seen figures recently that would indicate that any family farm that is having a gross of less than $10,000 annually is in real trouble.

Mr. Price. And if your gross is $10,000, you would probably have about $1,000 net or less?

Mr. Lynn. Yes, sir.

Mr. Price. Do you think that the present farm program has been helping or destroying the small farmer?

Mr. Lynn. Let me put it this way: I think that the compensatory payment features of the act of 1965 have helped more the large, commercial farmers than they have helped the small farmer, because a small-family-sized farm that has, say, 16 cows and a diversified operation with some vegetable crops, et cetera, is very much dependent on the marketing system for his income and his payments amount to very little. So, I think that the act of 1965, that the figures that we have presented here dramatically show, as to compensatory payments, has caused us to lose more farms than we would have lost under the program that we would like to see in operation.

Page 4, Mr. Price, I think, illustrates this point. It shows the percentage of reduction in farm population for these years.

Mr. PRICE. I think that we can frankly state that it has caused the exodus of 100,000 farmers per year.

Mr. LYNN. Exactly.

Mr. PRICE. And these people coming in here and telling us that the net farm income is up is simply something that is not true; is that not correct?

Mr. LYNN. When you take into account the payments that we get directly from the Federal Treasury, the net farm income is up slightly, but as we indicate the statement, only a very small percentage, $111, can be accounted for by that.

Mr. PRICE. They gave the credit to a farmer to be smart enough to make himself $111?

Mr. LYNN. Yes, sir.

Mr. PRICE. The estimates of these people—on this figure—spread over 100,000 less farmers every year, naturally, would give you a higher income?

Mr. LYNN. Per farm.

Mr. PRICE. Yes, per farm.

Mr. LYNN. Yes, sir.

Mr. PRICE. Now, I would like to ask you as to the extension, as to this program being permanent. Though there is a possibility that we might have a different administration this next election, I think that the next Congress should have the right, if this happens, to go into this, perhaps, and come up with a new program with the help and cooperation of the farmer organizations. You know and I know the fact that this bill goes to the end of 1969. Would you not think that we should have some statements from the farmer who has got to know by the spring of 1969 whether he is going to plant?

Frankly, I do not believe this.

Mr. LYNN. If this program goes through the crop the year of 1969, we indicated earlier that the only crop that might be planted in 1969 that might not be covered by the current act would be the August-sown wheat for harvest in 1970, but all of the crop that is harvested in 1969 is covered by the act of 1965.

Mr. PRICE. But does not this refer back—does not the Secretary have a program that would go into effect then?

Mr. LYNN. Yes, sir. If such a thing would take place, with regard to all of the commodities, we revert back then to the act of 1958.

Mr. PRICE. Would this not be a good time to let the farmers show the politicians that they want to decide whether they want to continue this program on the different grains?

I think it might be a darned good thing to know what these people want.

Mr. LYNN. I think it would, Mr. Price.

Mr. PRICE. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Price.

We are very much obliged to you, Mr. Lynn. We appreciate your contribution to our discussion.

Mr. FOLEY. May I have the opportunity to ask a question?

The CHAIRMAN. I do not believe we should reopen the discussion with this witness, Mr. Foley, because we have only 12 minutes left to hear the next witness.

Mr. FOLEY. Can they come back?

The CHAIRMAN. No. I understand that they cannot.

Mr. FOLEY. I was going to ask a question of them.

The CHAIRMAN. If these witnesses will stay with us until we have heard the other witness, you may proceed then.

Mr. FOLEY. I will not press it.

The CHAIRMAN. Will you stay with us until we hear the next witness?

Mr. FOLEY. Yes, indeed. If I had not excused myself from the committee, I would not have pressed this matter.

The CHAIRMAN. You do not need to press it. If you will ask the question after we have finished with the next witness. All the Chair is trying to do is to have enough time for the next witness. I think that in fairness we ought to give the next few minutes to him.

Mr. LYNN. We would be happy to come to your office and explain all this to you.

Mr. FOLEY. I would like to have it on the record.

I do not know that there is enough time to go into this now.

The CHAIRMAN. I wonder if we might hear from the other witness and then take this up?

Would you mind staying?

Mr. LYNN. No.

(The following letter and statement were subsequently submitted to the committee:)

AMERICAN FARM BUREAU FEDERATION,
Washington, D.C., April 23, 1968.

Hon. W. R. POAGE,
Chairman, Committee on Agriculture,
U.S. House of Representatives, Washington, D.C.

DEAR CONGRESSMAN POAGE: You will recall that when we appeared before your Committee on March 19, 1968 we presented our views with regard to experiences under the Food and Agriculture Act of 1965. We indicated at that time that we wished to present additional testimony outlining some of our basic suggestions for improving net farm income. We request that this letter and the attached statement setting forth some of our principal recommendations be made a part of the official hearing record.

As I have indicated to you before, we shall be happy to appear again before the Committee to answer questions about these recommendations. We realize the tight schedule under which the Committee is operating and shall await word from you as to the desire of the Committee about our reappearance.

We hope the Committee will review our analysis of the operation of the 1965 Act and that no action be taken to extend this legislation at this time. We believe that twelve months from now the Congress could better measure the results of the operation of the Act of 1965 and its effect on farm income through the 1968 crop year. Since this legislation runs through the 1969 crops of cotton, feed grains, and wheat, we believe that any action should be delayed until 1969.

We are sending a copy of this statement to each member of the House Agriculture Committee for their consideration. We shall abide by the desire of the Committee with regard to our reappearance for the purpose of discussing our recommendations for improving net farm income.

Kindest personal regards.

Sincerely yours,

JOHN C. LYNN, *Legislative Director.*

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION

Farm Bureau is dedicated to increasing farmers' net incomes. In fact, our principal objective is to increase farmers' incomes under conditions where freedom is preserved and peace is attained.

In order to promote clarity of thinking about farm income, we often make use of a simple, well-known formula: Volume x price—costs=net income.

I say that this formula is well-known; however, there is a tendency to forget it, or at least lose sight of it.

We are interested in any proposal—governmental or nongovernmental—which affects "volume". Likewise, we are interested in any proposal—governmental or nongovernmental—which affects the "prices" farmers receive for their production. Also, we are concerned about anything and everything that affects "farmers' costs." All three of these factors have direct and overriding effects on the net income of every American farm family.

Whoever suggests—as some do—that farmers are concerned only with "prices" just doesn't know farmers. In fact, I know of nothing on which farmers are in more complete agreement than that the cost-price squeeze is the central factor in farm policy discussions.

This, of course, brings us to the question of inflation. Let there be no question about it—inflation is not the result of rising prices. Wet sidewalks don't cause rain. Rising prices merely reflect and measure the inflation that is occurring.

Inflation can be caused only by governments. In this connection, I should like to call your attention to a statement made sometime ago by W. Allen Wallis, a distinguished economist who is now president of the University of Rochester:

"Inflation can be generated only by the government. Business firms, labor unions, or consumers with excessive market power can do many objectionable things that are contrary to the public interest; but one objectionable thing they cannot do is to cause inflation—or, for that matter, prevent it."

Whether or not we continue to have galloping inflation in this country will be decided by the Executive Branch and the Congress. The key is whether these two branches of government will work together to achieve meaningful reductions in expenditures.

Farm Bureau members have spoken loudly and clearly on this issue. As a consequence, we have itemized and specified to the Congress and to the Executive Branch of government our recommendations for budget cuts. These proposed cuts would, if adopted, cut New Spending Authority by $7.35 billion, resulting in an Expenditure reduction of approximately $6 billion.

I am confident that members of this Committee realize that government spending policy will have more to do with farmers' opportunities to earn good incomes in the future than will any and all decisions in the area of government farm programs.

A similar point can be made with respect to the importance of policies affecting international trade. Any action—governmental or nongovernmental—which reduces farmers' markets at home and abroad, directly affects both the "volume" and "price" elements of the farm income equation. Because we are convinced that the International Wheat Trade Convention, which is before the Senate for ratification, would reduce the volume of wheat that would move in export, we must vigorously oppose its ratification. In other words, we are FOR those things which enlarge markets and are AGAINST everything which shrinks markets.

We realize that such issues as inflation and ratification of the International Wheat Trade Convention do not fall within the jurisdiction of this Committee; however, that doesn't alter their impact on farmers' incomes.

We also realize that many of the things affecting farm income are nongovernmental in nature. However, governmental action often influences the climate for voluntary, nongovernmental action. As a voluntary, nongovernmental organization of farmers and ranchers, we realize our responsibility to vigorously pursue nongovernmental means of improving farm income. I want to assure this Committee that, to the best of our ability, we are discharging this responsibility.

RECOMMENDATIONS

We have itemized in some detail farmers' experiences under the Food and Agriculture Act of 1965. On the basis of the record, it is clear that this Act is not solving farm problems. A dramatic change in the direction of government farm policy is long overdue and should not be delayed beyond the present expiration date of the Act of 1965.

Keeping in mind the various factors that affect net farm income, we would like to take up our recommendations with respect to the legislative matters now under consideration by this Committee. First, we shall outline some guidelines for cotton

legislation. Second, we shall set forth in some detail our specific recommendations for wheat, feed grains and soybeans. Finally, we shall make specific recommendations for other actions—governmental and nongovernmental—which will increase the incomes of farm families.

Cotton

The long-range objective of new cotton legislation must be to reorient cotton to the market system.

The following guidelines should be observed in developing such legislation:

—It must encourage production for use rather than government storage.
—It must assure adequate supplies of all qualities to meet market demands.
—It must be sufficiently flexible to meet changing conditions.
—It must lower government program costs.
—It must allow for price differentials based on quality.
—The proposed transition to the market system must allow producers adequate to adjust.

Existing research on cotton should be greatly expanded to cut production costs and improve cotton's ability to compete in the marketplace. Federal, state, and private research programs should be coordinated to ensure the effective use of available funds.

The imbalance between imports and exports of cotton and cotton products must be corrected.

Farmers should not have to compete with CCC stocks. The release price for unrestricted sales of CCC stocks should be high enough to permit the market to function.

Steps should be taken immediately to terminate the provisions of present programs that permit a producer to collect full price support payments and receive crop insurance benefits on cotton land that is to be replanted to soybeans or other crops for harvest.

Direct payments to farmers must be phased out as rapidly as possible as a step toward a sounder cotton economy and to avoid the disastrous effects which would result from limitations on payments to individuals.

Wheat, Feed Grains, and Soybeans

The producers of wheat and feed grains and soybeans are opposed to having their market prices depressed by the release of CCC stocks or government-induced increases in production. They do not like to get their income from payments—either directly from the Treasury or through a processing tax—and would rather get it from the marketplace.

Problems inherent in past and present programs for wheat, feed grains, and soybeans can only be solved by using the market system to improve farm income.

The objectives of Farm Bureau's proposals are to:

(1) Repeal authority (a) for wheat allotments, marketing quotas, marketing certificates, diversion payments and price support payments and (b) for feed grain bases, diversion payments, and price support payments.

(2) Permit each producer to plan his wheat, feed grain, and soybean production so as to make the best use of his resources in light of the market outlook.

(3) Stop the movement of wheat, feed grains, and soybeans into the CCC and prevent the disposal of existing CCC stocks (including stocks acquired from 1967 and 1968 crops) at cutrate prices.

(4) Provide government insurance insurance for resource loans through commercial lending institutions to facilitate the orderly marketing of wheat, feed grains, and soybeans.

(5) Include a practical cropland retirement program to facilitate needed adjustments in land use.

H.R. 7326 and H.R. 7525—introduced by Congressman Curtis (R., Mo.) and Congressman Clark (D., Pa.) and similar bills introduced by nineteen other Congressmen—are consistent in principle with our recommendations for wheat, feed grains, and soybeans. However, amendments would be required in these bills to make certain that (a) soybeans are eligible for recourse loans, (b) cropland retirement programs are available, and (c) P.L. 480 purchases are made in the market.

The one sure way to stop the take-over of grain by CCC, and avoid rebuilding government stocks, is to eliminate the present nonrecourse loan program and prohibit the government from buying stocks for a "reserve" program. Under the re-

course loan plan proposed by Farm Bureau the producer would continue to have money available to meet financial needs at harvesttime through government-insured commodity loans. In contrast to the present nonrecourse loan program, however, the CCC would not get control of the commodities placed under loan. The system would work generally as follows:

(1) Loan rates for commodities would be determined by agreement between the borrower and lender, except that the maximum rate (insured by government) could not exceed 90 percent of the estimated season average market price.

(2) The loans would be made by commercial lending institutions and insured by the Commodity Credit Corporation. The insurance feature would make these loans attractive to commercial lenders.

(3) Insured loans would be available for terms of up to 18 months and would be subject to renewal. The borrower would have the privilege of repaying loans in advance of the maturity date.

(4) The producer would be personally liable for the loan, including associated costs, as he now is for a commercial bank or PCA loan. Payment would be made in cash to the lender.

(5) The government insured recourse loan provision would be limited to 90 percent of any loss a lender might incur on an insured loan. This means that the lender would suffer some loss if he failed to collect in full from the borrower. Thus, he would have an incentive to take "recourse" if necessary to collect.

While the proposed legislation would prevent the CCC from acquiring grain for stockpiling, it would not interfere with the government's ability to buy, or authorize the purchase of, commodities for use in foreign and domestic food aid programs. In fact, the money saved by terminating the present grain programs could be used to increase food aid to needy countries.

The substitution of recourse loans for the present nonrecourse loan program and the elimination of direct payments would remove one of the major causes of wheat and feed grain surpluses.

Under a recourse loan plan producers would be cautious about expanding production until there is clear evidence, in the form of effective market demand, that additional production is needed. Production would be increased when market returns are considered favorable and reduced when they are considered unfavorable.

Predictions that market prices would be seriously depressed by the operation of Farm Bureau's program assume that farmers would continue to use fertilizer and other land substitutes at the present, or higher, rates and that all—or most—of the land now being diverted under the feed grain program would immediately be returned to the production of such crops as feed grains, wheat, and soybeans. These assumptions are not realistic.

Present programs encourage the use of "land substitutes" by restricting acreage and guaranteeing minimum returns from crop production. Much of the land being diverted is not top quality land. Furthermore, many producers who have been diverting acreage have adjusted their operations to a lower level of grain production, or have offset the effect of the program on their operations by acquiring additional land. It is thus logical to expect that much of the land now being diverted would remain in soil-conserving uses in the absence of a government-guaranteed return.

In our judgment the termination of present government supply-management programs for wheat and feed grains will not lead to an excessive expansion of the acreage devoted to these commodities; however, Farm Bureau has long supported a practical land retirement program to facilitate any adjustments that may be needed in land use. Such a program should be temporary and voluntary, provide for competitive bids, take cropland out of production with emphasis on whole farms, and prohibit the grazing or harvesting of any crop from retired acres. The retirement of whole farms under long term contracts is more effective and far less costly than the present annual diversion program. The cropland adjustment provisions of the Food and Agriculture Act of 1965 provide most of the authority needed for a sound land retirement program. This cropland adjustment approach should be a part of any new program.

Advantages of Farm Bureau's Proposals for Wheat, Feed Grains, and Soybeans

Some of the more important advantages of the proposed legislation to farmers, taxpayers, and the general public are:

(1) It would stop the take-over of surplus commodities by government and

thus eliminate CCC dumping of grains in the future. This would also mean a greatly reduced administrative burden in servicing the loan program.

(2) It would prohibit sales of CCC stocks (for either domestic use or export) at prices less than the higher of 125 percent of the 1967 loan rate, 85 percent of parity, or the current market price plus carrying charges. Based on January 1968 market and parity prices, the above guides would prohibit CCC sales at less than the following prices plus carrying charges:

Grain	Unit	CCC sale price
Wheat	Bushel	$2.18
Corn	do	1.37
Rye	do	1.17
Barley	do	1.12
Oats	do	.74
Sorghum	Hundredweight	2.18
Soybeans	Bushel	2.82

Once CCC stocks are liquidated the government would be out of the grain business entirely. Growers would then be able to plan farming operations as they think best in response to supply-demand conditions, free of fear that CCC grain might be sold to depress prices.

(3) Market prices would be further strengthened because food purchases for aid to needy nations under P.L. 480 would be made in the market and closely attuned to specific desires and needs of the country to be aided. Such purchases could also be greatly increased with funds released from terminating present grain programs.

(4) Allotments and base acreage on grain would be terminated, allowing grain farmers to make full use of their productive resources and to plant whatever grain or grains are best suited to their circumstances. Most farmers are making less than they should be due to lack of resources, inadequate opportunity to specialize, and inability to change quickly to meet changes in market requirements. Present programs compound these problems. Farm Bureau's proposals would make it possible for grain farmers to grow, expand, specialize, and change with changing conditions. From a national standpoint, production would flow to the areas that have the greatest comparative advantage for each crop. This would benefit both producers and consumers. History shows farmers can, and will, adjust production to market requirements in response to market prices.

(5) The efficiency of grain marketing would be increased as the additional handling, transportation, and storage necessary to move grain into and out of government inventory would be eliminated.

(6) The cost of feed grain and wheat programs to taxpayers would be substantially reduced. Grain producers would get their income from the marketplace and would not have to depend on government payments. Livestock producers have demonstrated that the market will yield a higher return than government subsidies if it is given a chance to work.

OTHER POLICIES TO INCREASE NET FARM INCOMES

Farm costs, receipts, and net income are affected by a wide range of public and private endeavors including a great deal of nonfarm legislation.

Too often when we consider efforts to improve net farm incomes we consider the problem only in the context of government support and adjustment programs; but there are many other elements of major importance in the farm income situation. We realize this Committee does not have primary responsibility for some of the subjects reviewed below; however, a recognition of the effect of these factors on the well being of farmers is necessary to an understanding of the agricultural outlook.

Some of the major Farm Bureau policies which would have substantial effects upon net farm income are summarized below from resolutions adopted at our last annual meeting:

Marketing

Farmers are increasingly aware of the need to do a better job of marketing their products. In our opinion more effective marketing is the key to farm prosperity. Farm Bureau is currently engaged in the development of cooperative

bargaining programs for 31 commodities. The interest and activity within Farm Bureau, and among farmers generally, with respect to such efforts is increasing rapidly.

The government's crop and livestock estimates should be improved to provide better statistical information for use in marketing programs.

The enactment of legislation to provide more effective remedies for discriminatory acts by handlers against farmers who participate in a voluntary bargaining association would materially assist the efforts of farmers to pool their bargaining power through voluntary marketing programs. We deeply appreciate the action of this Committee and the Senate in passing S. 109. If this bill becomes law it will help end these discriminatory practices.

We also favor legislation to authorize marketing orders for additional processing commodities; an amendment to provide that marketing orders for commodities produced for processing shall not require processor approval when confined to raw agricultural products; and an amendment to establish effective marketing as the goal of the Agricultural Marketing Agreement Act in lieu of the present parity price goal.

We are opposed to proposals to establish government supervised compulsory bargaining programs as proposed in Title I and II of the Mondale bill, S. 2973. Because the objective of Title III is covered by S. 109, this Title need not be considered.

The Packers and Stockyards Act should be revised to strengthen administrative authority for the enforcement of fair trade practices in transactions involving live animals and poultry, and to authorize the bonding of packers for the protection of farmers.

We favor effective remedies against abuses in future trading and extension of the Commodity Exchange Act to all commodities traded in future markets. Needed legislation in this area was recently enacted.

Farm Costs

In 1967 farm production costs were $34.4 billion, 70 percent of gross farm income, 81 percent of the value of farm products sold. A substantial reduction in farm production costs obviously could make a major contribution to net farm incomes. The reduction of farm costs involves a variety of efforts in many fields.

As a matter of top priority, we believe it is important to reduce inflationary cost and price trends by reducing federal expenditures. We reject the contention that no sizable reductions can be made. It is clear that the federal government has been trying to do too much at once. Continued expansion of government programs and ever larger deficits will have intolerable inflationary consequences.

Credit is an essential agricultural tool and an important element in farm costs. A relaxation of inflationary pressures would reduce farm costs by permitting lower interest rates. The right of the Cooperative Farm Credit System to raise funds in the market has been restricted by an executive directive. We favor legislation to clarify the independent authority of this system so that it can have unrestricted access to private funds needed to finance agriculture.

We continue to support sound research and extension programs. Emphasis should be given to research designed to effect reductions in farm labor and other costs through new technology and improved methods and equipment. We regret that expenditures have not kept pace with costs of performing such services, whereas spending for direct payments to farmers has ballooned from $693 million in 1960 to $3,071 million in 1967.

We oppose extension of the Labor Management Relations Act to agriculture. This would affect farm costs and incomes disastrously. At the same time it would adversely affect farm workers and consumers.

Reductions in the costs of farm supplies and insurance required by farmers can make an important contribution to higher net farm income. To a growing extent and for a widening variety of products, Farm Bureau affiliates are supplying goods and services to farmers at prices reflecting savings through group or mass purchasing programs.

In order to hold down transportation costs for farmers, we favor action to:

(1) Revise transportation rate-making policy to expedite rate reductions based on improved technology.

(2) Maintain the exemptions from regulation presently applicable to trucks hauling farm products and transportation by cooperatives.

(3) Free inland water transportation from present regulations which impair efficiency.

(4) Raise federal weight ceilings for trucks on interstate highways.

International Trade

Farmers' incomes can be improved by an expansion of international trade. The product of one acre of every four is exported. Our goal is to increase farm exports to $10 billion a year. We believe this goal can be accomplished in a few years. We have supported reciprocal trade agreement legislation and believe the United States should continue to work for the reduction of arbitrary trade barriers in other countries.

We oppose international commodity agreements which provide for allocating markets among exporters. Such agreements limit opportunity for the expansion of U.S. exports.

A trade expansion policy must necessarily be accompanied by provision for protection against sudden and major expansions in imports, particularly in those cases where an exporting nation uses direct or indirect subsidies to expand exports to this country. We support the escape clause of the Trade Expansion Act. We also support Section 22 of the Agricultural Adjustment Act of 1933 and the effective action that was taken last summer under this section to limit dairy imports. We favor converting the Tariff Commission to a Commission on Trade and Tariffs with increased authority to provide relief from excessive imports, particularly when such imports are dumped or subsidized into our market.

Labeling and sanitary standards applicable to domestic products should also be applicable to imports.

We support an extension of the Food for Peace Program; however, changes should be made in domestic farm program legislation to make certain that needed supplies are produced in response to market prices and not in advance of demand. All commodities exported under P.L. 4880 should be purchased in the market. It should be made clear that this program is a part of our foreign aid commitment and not a subsidy to producers. Cargo preference laws and regulations should be repealed so that farmers can compete for export markets without the handicap of inadequate and noncompetitive transportation facilities.

The expansion of exports through private endeavor should be encouraged. Farm Bureau is making a contribution to expanded farm exports through the operation of the Farm Bureau Trade Corporation.

Regaining Control of Expenditures

We believe that in general state governments spend tax revenues more economically and more effectively than federal agencies. We favor the enactment of legislation to provide each taxpayer a credit against his federal income tax for income and sales taxes paid to a state. This should be coupled with comparable reductions in federal payments to the states for specified purposes.

The present tax credit for investments in production equipment should be maintained as a permanent feature of tax law.

The exemptions from federal inheritance taxes should be increased in recognition of the reduction in the value of the dollar. This would ease materially the problem of transferring farm assets from generation to generation.

We favor the following additional tax policies:

(1) Capital investment in facilities to control pollution should be considered a current expense for income tax purposes. This is likely to become increasingly important to farmers in the future.

(2) An increased tax deduction or tax credit should be provided for each college student supported by a taxpayer.

(3) Where land is acquired for public purpose the period allowed for reinvestment without liability for the capital gains tax should be more than a year.

(4) Federal highway user taxes should not be increased.

(5) Hospital and medical insurance costs should be fully deductible from taxable income.

CONCLUSION

Farmers are in a serious cost-price squeeze. Farm Bureau is interested in reducing this pressure and in increasing net farm income.

Instead of continuing down the dead-end road of government supply-management, price fixing, and subsidies, farmers need a broad-based program to expand markets, increase prices, cut costs, and thus provide the basis for increased net farm income.

We will continue to work with the Congress in dealing with those aspects of such a program which require government action.

The CHAIRMAN. I think in all fairness to the people that have been scheduled that they should be heard first. I do not want to cut anybody off from questioning; but we will now call Mr. Lloyd J. Fairbanks, administrative assistant to President Staley and legislative representative for the National Farmers Organization, Corning, Iowa.

We appreciate your coming here, Mr. Fairbanks. We will be glad to hear from you.

STATEMENT OF LLOYD J. FAIRBANKS, ADMINISTRATIVE ASSISTANT TO PRESIDENT STALEY AND LEGISLATIVE REPRESENTATIVE FOR THE NATIONAL FARMERS ORGANIZATION, CORNING, IOWA

Mr. FAIRBANKS. Mr. Chairman and members of the committee, I am Lloyd J. Fairbanks, administrative assistant to President Staley and legislative representative of the National Farmers Organization, Corning, Iowa.

NFO is strongly in favor of permanently extending the Food and Agriculture Act of 1965. And so are most other major farm organizations in the United States.

The watchword of today throughout agriculture is bargaining power. By that I mean collective bargaining for agriculture in the marketplace.

Never before in the history of American agriculture have farmers been more determined to get a fair price for their commodities, and this determination has been mounting by days, weeks, months, and will continue.

The NFO pioneered in the collective bargaining program for agriculture. We have got the entire agricultural sector of the economy talking about bargaining power, and we have some of our Nation's leaders and city people discusing it, too.

Farmers are tired of taking their commodities to the marketplace and saying, "What will you give me?"

Collective bargaining is necessary and this is what farmers have to have. The only way farmers can meet the organized powers of today is to bring their production together in equal strength to counteract those powers. Although we believe it is the farmers job to solve their own problems, we welcome any program that is worthwhile and assists in this effort. We consider the Food and Agriculture Act of 1965 as a great assistance in this, and the act should be continued.

Let's take a look at what this act has accomplished. Prior to the enactment of these voluntary farm programs the Commodity Credit Corporation owned $6.1 billion in farm commodities. Today the CCC owns less than $1 billion in farm commodities which means that more than $5 billion in farm commodities have been cut off since these voluntary programs became law. The farmers have readily cooperated with these voluntary programs to accomplish this.

We think the members of this committee are aware that we are urging our members to seal and reseal those crops for which earlier provisions apply, and to sign up in the feed grain program which this act provides.

We in NFO commend Secretary Freeman for his decisions to broaden and extend reseal privileges, for these are tools that farmers can use to strengthen their bargaining position. These tools are vital, for they are a way of furnishing finances to the farmers without an outlay by the Government for the farmers to pay the interest.

In the past if there was 1 ounce of grain that was not needed at that particular time in the normal marketing channels, it was always called "surplus." Today, as we operate under the voluntary provisions of the Food and Agriculture Act of 1965, this word "surplus" has been greatly erased.

We realize that the people of our Nation, and the people of underdeveloped nations need food and clothing. But we also realize that at the same time farmers' income has to be protected until farmers are able to take care of their own problems. Certainly, farmers need assistance, and for this reason we heartily support and commend the accomplishments of the Food and Agricultural Act of 1965. We consider this act a necessity. We strongly urge that the Food and Agricultural Act of 1965 be permanently continued, so it can be used to meet farmers' problems, so it can serve in the best interest of our Nation at a lower cost to our Government.

We want to thank the committee for giving us the opportunity to express our views.

The CHAIRMAN. We thank you very much, Mr. Fairbanks. We appreciate the viewpoints that you have expressed.

Are there any questions of Mr. Fairbanks?

If there are none, Mr. Fairbanks, that is evidence that you have done very well, and I congratulate you.

Mr. FAIRBANKS. Thank you.

The CHAIRMAN. Now, we will come back to Mr. Lynn, and Mr. Foley you may proceed. We appreciate your coming back, Mr. Lynn. I have a very important luncheon engagement at 12:30.

Mr. FOLEY. I will try to conclude as quickly as possible. I was at the Rules Committee testifying on behalf of H.R. 4282, and so I apologize for not being here earlier.

Mr. LYNN. We appreciate that.

STATEMENT OF JOHN C. LYNN, LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION—Resumed

Mr. FOLEY. I would like to ask you if you could inform me as to whether you feel that the Secretary of Agriculture extended too greatly the acreage allotments in the last crop year?

Mr. LYNN. Yes, sir, I think that the Secretary of Agriculture has indicated to this committee that he did.

Mr. FOLEY. I know that he has, but I am asking if you feel that he did.

Mr. LYNN. Yes, sir. We raised the question about the first 15-percent increase, and then we absolutely opposed the second 15-percent increase in wheat acreage. We thought on the first 15-percent increase that the administration had some information with regard to the need for food that we did not have.

Mr. Foley. Do you know what percentage of increase there was in compliance wheat acreage as the result of the Secretary's ruling? What was the percentage increase in program wheat?

Mr. Lynn. In the wheat program? We have those figures, I think. Roughly, 44 percent of the farmers participated representing about 85 percent of the wheat acreage, as I remember it.

Mr. Foley. I am interested in knowing to what extent there was an increase in program wheat because of the Secretary's acreage allotment increase order?

Mr. Lynn. I just do not know, Mr. Foley. We will be happy to supply that for the record.

Mr. Foley. Do you know how many bushels were produced outside of the program in the United States?

Mr. Lynn. Well, using the average figure, if 85 percent of the acreage of wheat is in the program, then you would multiply the average yield times the 15 percent of the acreage or 15 percent of about 69 million acres, and you would come pretty close to it. I am not too quick in my artithmetic.

Mr. Foley. Perhaps you could supply the differences between the last 2 years and the increase of compliance wheat and the increase of noncompliance wheat compared to the total crop yield in both years. You could do that?

Mr. Lynn. Yes; we will furnish the acreage table.

(The information follows:)

PARTICIPATION IN THE WHEAT PROGRAM (FINAL SIGNUP REPORTS)

	Total wheat farms	Farms signed up	Percent of farms signed up	Total allotments	Allotment on farms signed up	Percent of allotment on signed farms
1964	1,729,864	611,728	35.4	53,232,003	40,682,419	76.4
1965	1,715,731	889,778	51.9	53,263,241	[1] 44,785,271	84.1
1966	1,671,518	827,662	49.5	[1] 51,500,000	42,364,053	82.3
1967	1,703,511	822,104	48.3	68,139,206	57,407,700	84.3

[1] Revised in following year's report.

Mr. Foley. Do you feel that the increase by the Secretary had any effect on reducing the wheat prices?

Mr. Lynn. Oh, certainly.

Mr. Foley. You have said in fact that this was the principal reason for the decline in prices.

Mr. Lynn. This is one of the real reasons, yes, sir, coupled with that in the slowdown with regard to shipments under Public Law 480 which we objected to, but I think that the 30-percent increase without the demand for the wheat was the principal factor in reducing the wheat prices.

Mr. Foley. So that the increase in the wheat stocks you feel has had a depressing relation on prices and does if not geared to the supply-demand needs?

Mr. Lynn. Yes, sir. I think this is right.

Mr. Foley. I have not heard you criticize anyone for the increase of noncompliance wheat that occurred last year. Do you think that was a factor in reducing the wheat prices?

Mr. LYNN. Well, I say that we just do not have those facts before us. It would not be very big, Mr. Foley, but if it were a factor, we would be willing to take your word for that.

Mr. FOLEY. What do you propose to substitute for acreage allotments?

I am a little bit confused by your coming in and saying that the Secretary erred in increasing the acreage allotments, and now we are going to just do away with them all.

Do you not think that might result in an increase in wheat production?

Mr. LYNN. I do not believe we would have any more wheat planted in the fall of 1966 or the spring of 1967 without any acreage allotments than we had under the acreage allotment program where there was an inducement to plant; where we had the full effect of the U.S. Government's statements that there was going to be a need for this wheat. I think that this induced farmers to put out roughly 26 percent of the 30-percent increase authorized.

Mr. FOLEY. Let me just ask you this question: If we were to do away with the wheat program—every aspect of it—and next year we had a crop of 1.5 billion bushels, do you think that the next year it would be smaller?

Mr. LYNN. I do not think it would be any larger.

Mr. FOLEY. It would be exactly the same?

Mr. LYNN. I do not think it would be a runaway production, as you imply it would be.

Mr. FOLEY. That is not a runaway, do you think it would be smaller?

Mr. LYNN. I do not think it would be any larger. It might be about the same as this last year—a record crop. We have no way of knowing this. I think that the farmers——

Mr. FOLEY. We have a way of knowing this, when the Secretary relaxes the acreage allotments, and you propose to relax it entirely.

Mr. LYNN. You see, when we relax it, we have all of these other built-in mechanisms removed such as payments and prospects for exports that he indicated to the producers wherein to induce the producers to increase their acreages.

Mr. FOLEY. I just want to get this clear: Your assertions in your testimony are that you have no way of knowing but your assertion is that if all of the farm programs and acreage allotments were eliminated, there would be no increase of any substantial size in production?

Mr. LYNN. No, sir; that is not what we say and that is not what our policy is. We were talking strictly about wheat.

Mr. FOLEY. Yes.

Mr. LYNN. But you said all farm programs.

Mr. FOLEY. I mean all wheat programs.

Mr. LYNN. OK.

Mr. FOLEY. Just take the wheat programs. You take away all of the Department of Agriculture's involvements in these programs and you do not have any wheat programs, domestically or price support or loan rates or any certificate change and no acreage allotments—you say that you would not have any way, but you are confident that it would not result in increased production?

Mr. LYNN. The program that we will be recommending to this committee is not such a program. It does still have Government involved in it. The Secretary of Agriculture, under the program that we will recommend to this committee, must estimate the market price. We are changing the role of the Commodity Credit Corporation, from a storage, handling, and seller of commodities to an insured loan agency.

Mr. FOLEY. In other words, it is the position of the American Farm Bureau that some Government involvement is necessary to stabilize the wheat commodity market in the United States?

Mr. LYNN. We have admitted several times this morning that we believe that there has to be a transition from where we are.

Mr. FOLEY. You have always taken the position that some kind of farm program is necessary?

Mr. LYNN. Yes, sir. The mistaken notion that a lot of people have—and I am not implying that this is true in your case—is when we think of a farm program as simply a price support program. The action you gentlemen took here with regard to extending the National Labor Relations Act to agriculture was more important than anything you will do this year if we succeed in avoiding that added cost to farmers and this is the kind of program we think of, the price support program is just a part of that program. I am not stating you think that.

Mr. FOLEY. I am trying to understand your position. You are not saying that you want to get out of agriculture, that is, that you want to get the Government out of agriculture. You just want to have a different kind of program.

Mr. LYNN. Yes, sir. The biggest problem is what is the proper role of the Government in agriculture, and this is what the debate is all about; and this is where we want to be helpful to the committee.

Mr. FOLEY. Are you going to have acreage limitations?

Mr. LYNN. None at all. Maybe this is true in some part of your district, but I do not think—

Mr. FOLEY. I mean, so far as you are concerned, you are not going to have that?

Mr. LYNN. We have had no restrictions on that, except the market portion and the absence of inducement payments in order to encourage——

Mr. FOLEY. You are going back to depending on the market quotas?

Mr. LYNN. We would like to.

Mr. FOLEY. If we had 2 billion bushels of wheat, would the price be higher or lower?

Mr. LYNN. Lower.

Mr. FOLEY. How about 2.5 billion bushels?

Mr. LYNN. Still lower.

Mr. FOLEY. Are you going to assure us that without allotments, we will not have that happen?

Mr. LYNN. This is your statement; it is not ours.

Mr. FOLEY. I am just asking you.

The CHAIRMAN. Is that all?

Mr. FOLEY. That is all, I think, I can ask now, with the House in session, that time will permit.

The CHAIRMAN. We are very much obliged to you, Mr. Lynn. We appreciate your testimony.

Mr. LYNN. Thank you.

The CHAIRMAN. Without objection, we will insert in the record at this point a letter from the Secretary of Agriculture dated March 18, 1968.

(The letter referred to follows:)

DEPARTMENT OF AGRICULTURE,
Washington, D.C., March 18, 1968.

Hon. W. R. POAGE,
Chairman, Committee on Agriculture,
House of Representatives.

DEAR MR. CHAIRMAN: This is in reply to your request of April 20, 1967, for a report on H.R. 8307, a bill "To repeal the authority for the current wheat and feed grain programs and to authorize programs that will permit the market system to work more effectively for wheat and feed grains, and for other purposes."

H.R. 8307 would (1) repeal all authority for acreage allotments, marketing quotas, marketing certificates, diversion payments, and price support on wheat, and base acreages, diversion payments and support on feed grains; (2) provide that current stocks of wheat and feed grains in Commodity Credit Corporation inventory, along with those coming into CCC inventory from the 1967 crops, shall not be disposed of (unless equal quantities are purchased) at less than the higher of (a) 125 per centum of the 1967 loan rate for such commodity, plus reasonable carrying charges; (b) 85 per centum of parity for such commodity; or (c) the market price for such commodity at the time of sale; and (3) repeal CCC's authority to make non-recourse loans on wheat and feed grain programs and substitute, therefor, a program authorizing insurance of recourse loans through private financial institutions.

The Department does not favor this bill, or any other bill, which would permit farmers to lose the income gains they have achieved under current programs at a time when they are already struggling to meet the rising costs and radical changes in the farm situation.

Recent studies made by the Department, after consultation with prominent university economists, concluded that the elimination of all price support programs would result in a decline of net farm income by about one-third from 1966 levels. By 1970, corn would sell at around 70 cents a bushel, soybeans at $1.90 to $2.00 a bushel, wheat at $1.00 to $1.10 with no certificates. Cotton would sell at 18 to 20 cents a pound, with no payments to farmers. Livestock prices, although not supported directly, would fall an estimated 9.2 percent.

In general, a 10 percent drop in feed prices leads to a 1½ percent increase in total livestock production—which in turn results in a 5 to 6 percent drop in livestock prices.

Although H.R. 8307 would terminate only the current programs for wheat and feed grains, these commodities, with associated livestock enterprises utilizing the feed grains, account for three-fourths of farm income—the legislation would bring into jeopardy other production adjustments and income stabilization programs (cotton, tobacco, peanuts, soybeans, etc.).

The elimination of acreage adjustments on feed grains and acreage allotments on wheat, in view of our capacity to overproduce, could only lead to a rebuilding of surpluses and the decline in farm prices mentioned above. Thus, the effect of the bill would be disastrous to farmers and detrimental to the nation's economy—both in the short-term and on a long-term basis—since farmers would have no opportunity to adjust their acreages on a voluntary basis as necessary to avoid surpluses and maintain stable prices.

The insured loan feature recommended in H.R. 8307 is highly inadequate in supporting wheat and feed grain prices. Such loans, made by private financial institutions and insured by the CCC, would be "recourse" loans recoverable by legal action even if it meant bankruptcy to a farmer.

It is doubtful that such loans would represent any significant addition to usual sources and terms for commercial credit. Such a loan could not exceed 90 percent of the estimated season average market price, which would, in all probability, be far below the price support levels now in effect. CCC liability would be limited to 75 percent of the loss on the total amount of such loans which

the bank has granted and the amount of loss a bank can claim on any one loan to 90 percent of such loss.

Over the past year the Department has held a large number of meetings with farmers and their leaders to obtain their views with respect to farm programs. From these meetings there was almost unanimous agreement that the current programs should be continued and strengthened—not dropped. The passage of this bill would be quite the opposite of achieving what most farm leaders desire in the way of basic farm price support legislation.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely yours,

ORVILLE L. FREEMAN.

The CHAIRMAN. We stand in recess.

(Whereupon, at 12:05 p.m., the committee arose.)

EXTEND THE FOOD AND AGRICULTURE ACT OF 1965

MONDAY, APRIL 22, 1968

House of Representatives,
Committee on Agriculture,
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m., in room 1301, Longworth House Office Building, the Honorable W. R. Poage (chairman) presiding.

Present: Representatives Poage, Gathings, Abernethy, Dow, Belcher, Goodling, Miller, Burke, Mayne, Zwach, Price, and Myers.

Also present: Christine S. Gallagher, clerk; William C. Black, general counsel; Hyde H. Murray, assistant counsel; L. T. Easley, staff consultant; and Fowler C. West, assistant staff consultant.

The Chairman. The committee will please come to order.

We are met this morning to further consider the general farm legislation, whether it is reflected in a bill before us or whether it is not before us. We should like to know what should be done. We have scheduled this morning several of the farm commodity groups; and Mr. Harry L. Graham, the legislative representative of the National Grange, who has not yet had an opportunity to speak, will be our first witness.

Mr. Graham is here with Mr. Herschel Newsom, the master of the National Grange. We are always glad to have him with us.

I think he wants to make a few comments in connection with what he has recently seen and participated in, before we start with Mr. Graham's statement.

We will be glad to hear from you now, Mr. Newsom.

STATEMENT OF HERSCHEL NEWSOM, MASTER, NATIONAL GRANGE

Mr. Newsom. Mr. Chairman and members of the committee.

Let me reassure you, Mr. Chairman, that I do not intend to take much time, because about a month ago you gave me the opportunity to visit with the committee for some time when Mr. Gathings was in the chair. I only want this opportunity, Mr. Chairman, to say to you what you and I observed both from our friends in Japan and in the Republic of China on our recent trade mission trip.

It has become crystal clear that this rapidly expanding market for U.S. agricultural commodities that we know about—and which we had the opportunity to interpret very definitely on our recent trade mission trip—depends upon two factors that dictate my wanting to

reinforce Harry L. Graham's statement, if I can, to the effect that that business in the international trade of agricultural commodities now requires two fundamental things that we cannot overemphasize.

One of them is dependability and stability of supply.

And the other one is a reasonable stability for the long-term pull of the price level.

In visiting with the representatives of the U.S. Chamber of Commerce in Tokyo as well as in Taiwan, we heard these fundamental dual facts made clear time after time. And when one of our good friends of the Feed Grains Council attempted to talk to our Japanese friends as to why they did not engage in futures buying now to take advantage of some low futures prices, the answer was very significant, Mr. Chairman, in my judgment, and it had to do with the fact that:

> In your own country, there is some question as to whether or not the type of farm legislation under which you have been operating may be permitted to expire; and, if it is permitted to expire, then the uncertainty as to the price level is such that we might be in serious error if we made commitments now to buy on terms of the existing futures market.

From the business people who are providing a rapidly growing market—a market which has now reached approximately $1 billion for our exports—this is a very significant thing, Mr. Chairman. All I want to say, therefore, is that in lieu of what some of our friends have indicated as "reserving for the next Congress the right to decide" what to do with this farm legislation, I would like to repeat what I said to you a month ago, "Let us remove the uncertainty about the present legislation expiring, reserving—as we could not help but do—the right for the next Congress to make any changes in the legislation."

So, our plea, therefore, this morning, is that we remove the termination date on the act of 1965 and permit it to run on and on until the new committee of this House of Representatives, the Committee on Agriculture, has had ample time, through hearings, to make a determination of any amendments that need to be made, without the threat of a termination date staring that committee in the face and forcing the issue much more rapidly than I think might be wise to do.

This is my plea, Mr. Chairman. I believe that the business of agricultural commerce now throughout the world requires forward planning. And it requires that we eliminate the uncertainty as to whether or not all of our domestic legislation is going to be permitted to expire which, in terms of these professional traders—and they are business people—would just indicate that we might be confronting almost chaos in the world of agricultural commodity markets.

With this in mind, I yield to my good friend and coworker, Harry L. Graham, who has done a lot of work on this subject. I will say there have been some erroneous statements made which, in our judgment, are misleading. Mr. Graham is prepared to give you the Grange's point of view and to refute some of the statements that need the refutation that Harry is prepared to give.

Thank you.

The CHAIRMAN. Thank you, Mr. Newsom. We appreciate your statement. I think you have pointed to something that is of tremendous importance; that is, if you are going to sell to these people, you have to be able to give them some assurance as to the continuation of these

supplies; and that means that you should give them some assurance of the stability of the existing programs. I think that we can. That question about the stability of American supplies, and the question on the minds of these foreigners as to the United States turning to protectionism—those are two of the gravest obstacles that we found in Japan and in China. I do think that both of those are serious stumbling blocks.

Are there some questions of Mr. Newsom?

Mr. Goodling?

Mr. GOODLING. Mr. Newsom, I would like to have your views on the wheat processor's certificate. Would you care to comment on that?

Mr. NEWSOM. Mr. Congressman, we would prefer that we be more realistic in the marketplace than we have been able to be, but this processor's certificate is, in my judgment, a thoroughly justified measure in the immediate future. I would say to you frankly that we are in the situation, in the history of our own country and in the history of the world, where we are seeing that the agriculture of the world is much more interdependent and mutually dependent on every other segment of the American economy than it has even been before in the history of the country or of the world. But every developed country of the world throughout its history has exploited agriculture for economic growth. Our country is no exception. This has been true here.

Now, we are in a situation where one man's price becomes another man's cost, either the cost of living or the cost of production. This is true of the American farmer. This is why even though we have made some improvement in agricultural price structures down through the years, we have not been able to keep up with cost increases. We have to run like to dickens to try to stand still. You know the story, Mr. Congressman. You know it well. But we do not have the political power to get a direct price that will preserve the financial integrity of the American farmer, without some gimmick of this kind.

I resisted this processor-certificate idea—the second one, at least—but the Speaker of the House of Representatives thoroughly convinced me that this was the only mechanism available to us under the existing circumstances to try to get a reasonable price level on wheat. And we accepted it politically. That is all.

Mr. GOODLING. One further question. In your opinion, is the farmer benefiting from the certificates?

Mr. NEWSOM. Yes, indeed. Very definitely.

Mr. GOODLING. That is all, Mr. Chairman.

Mr. GRAHAM. May I make a comment on that, Mr. Chairman?

The CHAIRMAN. May I ask that in order to try to move this thing along to complete any questioning of Mr. Newsom first, and then we will take up with Mr. Graham, because we are not going to get through with our witness list this morning unless we do that.

Does anybody else want to ask any questions of Mr. Newsom?

Mr. Zwach?

Mr. ZWACH. I think I heard you say that you wanted the present farm program made permanent. I presume that your statement or the statement that Mr. Graham will make will have in it a number of suggestions as to improvements so that parity could move up from 74 percent, so that farmers would have something more than just the

present program. I would presume that there will be suggestions for improvements.

Mr. Newsom. I am not sure how many of the suggestions for improvement in the existing program you will find in Mr. Graham's testimony, Mr. Congressman, this morning. I prefer to concentrate now on eliminating the possibility of the expiration of the present program and reverting to legislation that is 30 years obsolete while we are talking about improvements. Just remove the termination date on the existing program and we will dedicate the best efforts of which we are capable to working with you or with your successor committee.

In talking about these improvements, the major factor, Mr. Chairman—and I must not take time to repeat what I said before—but the major factor which has in the last 2 years interfered with the operation of our supply-management program is that we confuse the additional production that we thought we had to call upon farmers to make for international purposes, for the war on hunger, to meet the potentialities of the blowup in the Near East, when we were talking about increasing production. But we made no arrangements to insulate that increased production from the supply-management of production for available dollar market. We are not talking to the committee too much about that particular factor this morning. We will talk with you about it, Mr. Chairman, any time that you want to open up the subject matter.

We feel very strongly that this is the major culprit in our existing situation. To permit production for the noncommercial market to commingle with that for the commercial market tends to destroy price. We do not ask any other segment of the American economy to suffer that kind of consequence.

Mr. Zwach. That is specifically the point. The Grange does have other plans whereby they expect to increase farm production?

Mr. Newsom. That is right.

Mr. Zwach. To make the program better?

Mr. Newsom. That is exactly right.

Mr. Zwach. That is all. Thank you.

The Chairman. Are there any further questions of Mr. Newsom?

If not, we are very much obliged to you, Mr. Newsom; and we will now hear from Mr. Graham.

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE REPRESENTATIVE, NATIONAL GRANGE

Mr. Graham. Mr. Chairman and members of the committee, I am Harry L. Graham, legislative representative of the National Grange.

The Grange is privileged to again come before this distinguished committee which has in the past heard with compassion the pleas of of farmers for a more adequate return for their products in the marketplace and for a more equitable income as compared to the rest of our economy. As you have worked your will with your considered judgment in the years since I have been coming before you, the answers which you have provided for the problems of America deserve our gratitude and thanks, rather than the carping criticism of those who would destroy existing agricultural programs in order to provide the

fertile ground of economic chaos for the building of a private organization to which all men in America should become obligated without any recourse to the Congress or to law.

The 1965 Farm Act is one of the landmark pieces of agricultural legislation and one in which the Grange takes great pride in terms of our legislative accomplishments of 100 years. This legislation was even more significant than that bringing rural free delivery and many other services to rural America. It ranks with the great pieces of legislation, such as the Sherman Antitrust Act and the Interstate Commerce Act—the initial legislative action toward bringing our rampant and uncontrolled economy under law. As significant as the Farm Credit Act was, the 1965 act was more important because it has meant improved income without which the Farm Credit Act is meaningless.

The 1965 farm bill corrected certain contradictions and self-defeating principles built into the 1937 act. Had it not been for the great war which affected American agricultural prices from 1939 to 1952, the weaknesses of the 1937 act would have unveiled themselves sooner than they did. They were completely and positively exposed in the disastrous decline in farm prices and farm income from December of 1952 through 1957–58. This decline in income in rural America was a major factor in the 1957 recession.

Despite the tremendous expenditure of Federal money to underwrite price supports, the results were negative in terms of farm income. At the same time, our foreign exports were declining to a level of $2.5 billion the equivalent of our net earnings in dollars last year from agricultural exports alone.

Although farm income, both gross and net, reached a new high in 1966, the events in 1967 were such that there is no longer any question about the fact that the inequality in farm income, and the returns which the farmer receives for his investment of time, labor, managerial skill, capital and risk, are far out of proportion to that which is realized in the rest of our economy. Without the Agricultural Act of 1965, the situation would have been even worse.

The act of 1965 did not correct this basic problem facing agriculture. This inequality is built into the system by the legislation which has been designed to improve the income of business and the wages of labor. The cost of the products which farmers buy has little relation to the law of supply and demand, since the supply management of labor and the production controls of industry effectively counteract the so-called automatic stabilizers which are a part of the "supply and demand" theory of economic distribution.

Under the act of 1965, the prices of three crops were tied to parity. They are wool, cotton, and the portion of the wheat which is sold for domestic food purposes. This was only a tentative beginning which should be made permanent and expanded.

THE GENERAL ECONOMY

The annual report of the Council of Economic Advisers to the Joint Economic Committee of the Congress pointed out some very substantial and spectacular gains in the general prosperity of the Nation during the last 7 years. These show up in almost all areas with the highest

number of employed people at the highest average earnings on record. The report showed an unemployment rate of 3.8 percent, a rate that has not been lower except twice in 169 months. With total employee compensation up $33 billion and total consumer income after taxes up $35.5 billion, combined with an alltime high in industrial production with a yearly rate of growth in the gross national product of 4.5 percent, this is a continuation of the longest period of uninterrupted growth in our history.

On the industrial side, we see undistributed profits in the nonfarm corporate businesses of $20.5 billion and net working capital of $196.3 billion. This is after bond yields have increased for the Aaa bonds by 38 cents and for the Bbb bonds by 60 cents during the last year with total liquid assets up $47.1 billion.

These are solid economic accomplishments, brought about by the reluctance of the administration to "rely primarily on the 'automatic stabilizers' built into our system or to wait for a recession or serious inflation to occur before measures are taken." However, all of these gains have not been without some losses, and there are some danger signals which have been hoisted into the air and possible gale warnings are ahead of us. One of these is the relaxing of the wage-price guidelines which were solidly based on increases in productivity. While average earnings of factory workers were increasing by $4.80 per week, the automotive-industrial production index was down 13.7 percent and the machinery index was down 0.4 percent.

These figures, connected with the ones previously given concerning bond yields, indicate that both industry and labor are engaged in profit taking actually beyond their real earnings in terms of production, and that these increased profits and wages are being passed on to the consumer in the form of higher prices—the underlying cause of the present inflationary pressure.

THE FARM SECTOR

This is particularly pertinent to the problems which beset American farmers trying to retain some semblance of equity with the rest of our economy when the economy is expanding at a relatively rapid rate. In this regard, last year's accomplishments were not spectacular. The index of prices paid by farmers for their production inputs increased from 114 to 117 last year. Only feed and fertilizer held steady, and feed holding steady was the result of steady to downward prices on feed at the farm level. The higher nonfarm wages and profits were reflected in the index for the cost of motor vehicles, a major item on every farm, increasing from 117 to 122, up 5 points. Machinery, the major item necessary in a technologically advancing agriculture, was up from 124 to 130, or 6 points.

The interest index went up from 232 to 259 on the basis of the interest paid per acre of farm. Taxes were up to 178 from the previous level of 166. Wage rates rose from 135 to 146, all based on a 1958 figure of 100.

The increase in the index of assets of 11.7 was largely accounted for by the increase in real estate of 9.5. This is a classical pattern of investment and hedging when there is a possibility of inflation. Another way of saying the same thing is that in the consumer indexes, durables were up 1.6 and nondurables 3.4, and the services up 6.1.

With the increased interdependence of farmers on the rest of the economy, the increase in the services as well as in automobiles and machinery were a prime reason for the decline in net earnings. Although no breakdown is given for the increased costs of medical services in rural areas, for city wages and clerical workers, medical services were up 11.7 points in the index. For the rural people, this simply means that the medical service is not available in many rural areas.

In terms of the relationship of the farm dollar to the rest of the economy, only the dairy industry showed an improvement in their parity ratio last year, it being up from 114 to 119. Poultry and eggs were down from 102 to 84, food grains down from 87 to 84, feed down from 112 to 108, while tobacco was up to 114—its highest level. The result was that cash receipts were down 17 points and net farm income was down $283 million for the farmers while the output was up from 113 to 117, with output per man-hour up 6 points to 167. The most dramatic increase in output, explaining some of the drop in prices, was the 22-point increase in the output per man-hour for crops and the 6-point increase in output of livestock. This also helps to explain the decline in farm population of 595,000 people last year, down to 11 million.

Thus, we see the familiar pattern of lower farm population, increased inputs into machinery to replace hand labor, followed by migration into the cities, with many of these people having no salable skills and contributing to the unrest of our cities.

Had it not been for the dramatic increase in exports, with a total net increase of $4,126 million in exports, of which agriculture apparently contributed more than $2.5 billion, the picture would have been even worse. This not only prevented a further decline in agricultural prices, but it made a major contribution to our balance of payments. The administration, especially the U.S. Department of Agriculture, deserves a big vote of appreciation for its export program.

We hope that the statement previously referred to, that Federal economic policy no longer relies primarily on the "automatic stabilizers" built into our system or waits for a recession or serious inflation to occur before measures are taken, includes agriculture with the rest of the economy. Indeed, as we look at the action taken by the Department of Agriculture this year to shore up farm prices—32 separate actions in all—we are confident that the previous policy has been reversed and we are pleased to note this change. To leave agriculture subject to the vagaries of the market and the inelasticity of the demand for food over against a number of variables in production from weather to price, and to impose over it a controlled economy in the field of wages and profits and Government policy, is to sentence agriculture to bankruptcy and then see the decline in the major market for American industrial products due to the decline in purchasing power seriously and adversely affect our total economic structure.

The reason for this long dissertation on the relationship of agriculture to the rest of the economy is to show that the parity price index is not of necessity related to the decline in farm prices and that there are many other factors over which agriculture and the farm program have no control which have affected this parity level. Some of them are in the control of the Congress and the reluctance of the Congress

and administration to exercise more statesmanship in terms of fiscal policy has been a contributing cause to the increase in the inflationary spiral.

Serious consideration and prompt action must be given to the economics of the other segments of our economy before there can be any improvement in the position agriculture faces today. Our support of the extension of the Agricultural Act of 1965 is not to be interpreted as the abandonment of a field in which we have equal interest since the level of farm costs is directly related to net farm income in a way which is at the present time even more critical than farm income itself. It is also our way of saying that if there must be cuts in the Federal budget in addition to those already recommended by the executive department these cuts should not be made at the expense of farm income.

Indeed, it seems to me to be quite inconsistent for people to be complaining about the deficiencies of the present farm program in terms of farm income and at the same time suggesting that $3 billion of farm income be dropped by eliminating the wheat and feed grains programs.

A BIPARTISAN BILL

As prime sponsors of this legislation, we were greatly pleased and deeply appreciative of the fact that on a percentage basis the Republicans favored the passage of the legislation equally with the Democrats in both Houses. It was also gratifying to us to note that this support came from all segments of both parties and was particularly dramatic in the support the bill received in the Senate when it received the affirmative votes of the long-time more liberal members of that body in the minority party and at the same time some of the more conservative of the members.

This is as it ought to be. The farm segment of our economy is no longer a major political force, although it does have the ability in a number of instances where there are close elections to swing the vote in congressional elections, and in some instances even in the presidential election. However, it is no longer by any stretch of the imagination a dominant political force and therefore should not be made a political football to be punted from goalpost to goalpost at the pleasure of the players and for the excitement of the populace.

We would point out also that the American farmer has shown considerably more sophistication in recent years and he is no longer tied to any one party, as the vote in the Midwest which swung from one party to the other in 1960, 1962, 1964, and 1966 indicated, especially in the congressional elections.

Although the Agricultural Act of 1965 has not accomplished all we hoped for, it did certainly improve on the very tragic situation we faced less than a decade ago. The net income per farm dropped from a high of $2,946 in 1951 to a low of $2,463 in 1955, went up to $3,189 in 1958 and dropped again to $2,795 in 1959. This was a loss of $150 per farm during the period when costs of production expenses had increased from $22.3 billion per year to $26.1 billion per year—accounting for the decline in the parity ratio from 107 in 1951 to 80 in 1960. When the wartime and other subsidies were included, the ratio dropped from 108 to 81 during the same period.

THE AGRICULTURAL ACT OF 1965

"We came not to bury the farm program but to praise it." We came to thank you for what you have wrought and to try to prove to you that you have wrought well. The Agricultural Act of 1965 was not perfect legislation, if indeed there has ever been perfect legislation. But, it was solid and sound and productive legislation which can be perfected if the Congress will take the time and expend the effort to do so just as was done in 1965 and in previous years. Let me list the accomplishments of this legislation.

First, it halted and reversed the downward trend in farm prices and farm income for those commodities which are under support programs. It used Government money as a part of the income, but it was money which had been well earned by the American farmers who have contributed, not only to the stability of the cost of living in terms of a practically static wholesale price index for farm products, thereby saving consumers millions of dollars in extra food costs, but it also has made the greatest contribution of any segment of our economy to the solution of the extremely critical problem of foreign exchange and balance of payments.

For the last 2 years, agriculture has earned twice as much in terms of net cash or gold earnings as that earned by any other American industry, despite the fact that we are also, as a Nation, the largest importer of agricultural products in the world, most of them being complementary in nature. American agricultural net earnings have been about $2.5 billion annually and the aircraft industry, our largest industrial exporter, earned less than half of that. This tremendous earning of dollars through American agricultural exports was made possible by the technologically advanced production of the American farmers which made them competitive in the world markets, and the change in the legislation which enabled us to put our products on the market at the world market price instead of storing them in warehouses from which they could not be moved under the preceding legislation.

If we have not earned the gratitude of the American people because of our contribution to the highest standard of living which has ever been enjoyed by any people in the history and at the least amount of cost in terms of hours worked for their food in all the history of the world, then we should have at least earned their gratitude for the contribution that we have made to the economic welfare of the United States. This was accomplished under the Agricultural Act of 1965.

Therefore, Mr. Chairman and members of the committee, the Grange comes before you without any apology for farmers for what they have received from the Government when the prices of agricultural commodities in the marketplace were not adequate for the financial requirement of the producers of America's food and fiber.

USDA BUDGET

Second, another change which has been healthy and which we regard as important has been the decline in the cost of the Agriculture budget. From 1952 to 1960, the Department of Agriculture budget exceeded the total of all previous USDA budget expenditures combined. From a

high in 1957 of an adjusted budget, less the school lunch and Public Law 480 costs of almost $6 billion, it was reduced in 1960 to $4.7 billion, by 1966 to $2.6 billion but it was up again in 1968 to $4.4 billion, with the increases in 1967 and 1968 reflecting the effect of the 1965 act and the increase in farm incomes which resulted from both the increase in payments to the farmers from the Federal Treasury and the reduction in storage and handling costs of the surpluses. Not only have the costs declined but the intended beneficiaries of the programs are receiving the money rather than those who stood between the farmer and the Department of Agriculture.

In this regard, we would also point out that it was the desire of most of the farm organizations that the second certificate added to wheat in the 1965 act be taken from the marketplace which we thought could afford it. However, it was the decision of the Congress that this be taken from the general fund as an aid to the consumer. This item of close to $300 million could properly be charged to a different account as can a great many of the services which the Department renders for the general welfare and not specifically for the farm community.

We have heard a great deal about the losses under the Commodity Credit Corporation program since 1961. We would refer you to table 4 of this report which shows the difference between CCC losses and income for farmers. You will note that in 1960, the CCC loss was $1.884.5 million. In 1961 it increased to $2,081.8 million, but payments to farmers increased by $1,500 million. In 1966, CCC stated losses were $2,984.9 million but payments to farmers were $3,300 million; in other words, the CCC had a net earning in that year had it not been for the farm payments.

The difference in terms of farm income between this and previous programs is simply that the farmers get the money. We believe this was the intention of this Congress and the members of this committee who were presiding at that time and we believe that their intentions have been fulfilled in the record of this program.

REDUCTION OF STOCKS

Third, a major accomplishment of this program has been the reduction in the stocks that were carried by the Commodity Credit corporation. This is a matter of record and one which has been wrongly lambasted by those who had no desire to see an improved farm program, but rather desired to destroy what we had.

We would remind those of you who were here during the 1964 and 1965 congressional debate on farm programs, and who were here even earlier at the time of the passage of the feed grains bill in 1961, at the end of 1961 when we were still operating under the old programs we had accumulated the largest surplus in our history. We had in Government storage 1,414 million bushels of wheat, 85 million tons of feed grains, enough dairy products to fill every cold storage house in the United States, and 14 million bales of cotton.

One of the amazing transformations which has taken place was the reduction in our feed grain supplies by the beginning of this year by 60 percent. Wheat in Government storage was reduced to close to 100 million bushels at the beginning of this year as well. Dairy stocks have

disappeared almost and during the last part of 1965 and through 1966 there were no purchases of dairy stocks by the Commodity Credit Corporation, despite the fact that the support level had been increased from $3.17 per hundredweight to $4.00 per hundredweight. Marketable cotton stocks are nonexistent.

One reason for the dramatic drop in surpluses was because the reversal in farm policy allowed us again to become competitive in world markets.

With our support levels at unrealistically high levels, all we accomplished was the stimulation of the production of competitive grains around the world. In 1958, we exported $2.5 billion worth of agricultural products. In 1966 and 1967, our net earnings in agricultural exports after agricultural imports were deducted were $2.5 billion. In the meantime, our export markets have trebled because changes in our pricing policy for wheat, corn, soybeans, and cotton again made us competitive in the world markets. Indeed, agriculture earned in dollars last year twice as much as the largest exporting industry in the United States—the aircraft industry.

If agriculture has not earned the support and gratitude of the Nation for holding the cost of food steady with an increase in the wholesale price indexes for food of only two-tenths of 1 percent from 1960 through 1967 while the consumer price indexes for all items less food in this 8-year period increased from 103.7 to 116.8, then it surely must have earned the appreciation of the American financial world for its massive and critical contribution toward alleviating the balance-of-payments problem so plaguing the United States. If our industrial costs had held equally as steady, the balance-of-payments loss through imports competitive with American manufactured and fabricated products would not have been so substantial. During this same time, the durable commodity index increased from 100.9 to 104.3, the nondurable index increased from 102.6 to 113.1, and the services less rent index increased from 107.4 to 131.1. The present inflation gripping the United States cannot in any part be laid at the door of American agriculture, and an intelligent populace should be informed of this fact.

The expansion of both the domestic and foreign markets and especially the latter have resulted from the certainty of supplies and the stability of reasonable and competitive prices which the 1965 act created.

It should also be pointed out that the problem of increasing exports at the present time is the result of the uncertainty of U.S. policy regarding both the International Grains Agreement and the extension of the Agricultural Act of 1965, as well as the rising protectionism within the United States. Prompt action on the first two and stiff congressional resistance to the last are required before the situation can improve.

DUMPING

We would point out that the CCC was not "dumping" as has been so frequently charged. The sale of these stocks was not only authorized by the Agricultural Act of 1956, section 201(a), but it was mandated by that legislation, and that is the legislation under which the Commodity Credit Corporation operates.

The language states: "The Commodity Credit Corporation shall, as rapidly as possible consistent with its existing authority, the operation of the price support program, and orderly liquidation, dispose of all stocks of agricultural commodities held by it."—U.S. Code, title 7, section 1851(a).

If the Secretary has been guilty of a violation of the intent and purpose of the law, it is in his failure to completely liquidate the stocks which he holds at the present time. In the case of wheat, the unrestricted sale of wheat has been stopped for well over a year. Before that, the release and resale prices were increased from the legal minimum of 105 percent of the loan value plus carrying charges to 108 percent, and then to 115 percent. No stocks were sold at any time under the minimums prescribed by the law, nor were any sold under the minimums prescribed by the Secretary which were in excess of those required by the law.

By limiting our production and by expanding our exports, this miracle of reducing the supplies at the most rapid rate in history while increasing the prices at the same time has been an economic miracle.

Fourth, these programs have improved farm income, both net and gross. If you will look at table 3, you will note that gross farm income in 1952 was $32.5 billion. During the succeeding years, it dropped in 1955 to $29.5 billion and had increased by the end of 1960 to $34 billion. The net increase during this period was only $1.5 billion. From 1961 through 1966, it increased to $43.2 billion—up $9.2 billion, and last year's gross of $42.5 billion was down only $700 million and still at an all-time high with the exception of 1966.

This was despite the fact that expenses (which from 1952 to 1960 had increased only from $22.6 to $26.2 billion, or $3.6 billion total increase) increased from the 1960 level in the next 7 years by $8.2 billion to an all-time high of $34.4 billion, due to factors over which agriculture and the farm programs have no control.

The interesting result is shown in the comparison of net farm income figures during these two periods; one under the old program and the other under the new. In 1952, the net income was $15.1 billion, largely because of the effect of the Korean war. During the next 5 years, net farm income dropped by $3.8 billion and had improved from this low by only $700 million in 1960 to a level of $12 billion. By 1966, net farm income had increased by $4.2 to $16.2 billion, and in 1967 had receded to $14.9 billion, which is still tied for the second highest net income since 1952.

THE PARITY LEVEL OF FARM PRICES

The reference to a reduction in the parity level of farm prices is a major point to those who oppose the programs. Table 3 again shows an interesting comparison (1957–59 equals 100—adjusted to include payments).

First, it should be noted that market prices have reached parity only twice since 1914—both times during a period of all-out war.

Second, it should be noted that the last time prices were at a parity level was in 1952—during the height of the Korean war.

Third, it should be noted that the parity index declined by 21 points during the next 8 years while an attempt was made to move toward a "market economy," whatever that is.

Fourth, it should be noted that the parity level increased by 4 points in 1966, which was while we were under the provisions of the 1965 act, and that the present level is only 2 points down from 1960. Two points in 7 years, against 21 points in 8 years, is not a bad comparison—from our standpoint.

Fifth, it should be noted that the termination of this legislation would automatically reduce the parity level to the market price level—an automatic loss at this time of 5 points with a projected decrease to a far lower level.

FARM INCOME IS UP

Now, how was this income improved despite the tremendous increase in the cost index? Very simply, it was because of increases in farm output. The index of farm production for 1952 showed an output of 68; by 1960 it had increased to 115—an increase of 42 points. During the next 7 years, it increased by 52 points.

The net result was that a 79 parity index in 1967 was not an economic disaster for farmers as much as is indicated by some of the adverse testimony to this legislation, and this is true because income depends upon volume multiplied by price. The increased productivity of the American farmers still, with the lowest parity indexes which they had had in many years, resulted in only a minor decrease in gross farm income.

Let's look at another column in this table, the one concerning net income per farm family. During the period from the time of our entry into World War II, which was a time of relatively high prosperity, per farm family income increased from $1,588 in 1942, to $2,896 in 1952, an increase of $1,308. During the next 8 years, despite a loss in population of 6.1 million people from the farms, the per family income increased only to $3,043, or $147, having reached a low in 1957 of $2,590, or a loss of $300 per family per year.

During the next 7 years, per family net income increased to a high in 1966 of $4,988, an increase of $1,945, and the $4,705 average per family income in 1967 is still $1,662 higher than it was in 1960.

POPULATION

A point was made about the part that the population decline played in this increase during the last 7 years, and especially since 1965. We would point out to the committee that if they again will examine table 3 they will find a steady decline in population with very little change in the rate of decline from 1934 through 1967. In other words, a decline in population has not been a significant factor during the last few years; and if it is a significant factor, then it means that the program in the previous 8 years was more of a failure than is indicated by the statistics which are available.

PROPRIETOR'S EQUITY

Another way of indicating that this program has not been a complete failure, despite the criticism of the increase in farm debt, is to measure the proprietor's equity. In 1952 it stood at $152.3 billion, it lost $5 billion in the next 5 years, and had risen to $178.6 billion for a net in-

crease of $26.3 billion in 8 years. Despite reduction in gross and net farm income in 1967, proprietors' equities had increased in 7 years by $45.4 billion, with an increase of $9.7 billion last year alone.

SUPPORTED VERSUS UNSUPPORTED CROPS

The parity ratio for supported commodities is much more favorable than for the unsupported commodities, contrary to the testimony that has been offered by opponents to this legislation which is, "Although the average parity ratio for all commodities is the lowest it has been on an annual basis since the depression, the picture is even more dismal for the commodities that are subject to price support payments under the act of 1965." (Farm Bureau testimony before House Committee on Agriculture, Mar. 19, 1960.) Let's now examine table 5 with the adjustments in the parity price that are the result of the Government payments, which after all are part of the picture.

Wheat is at 75, corn at 79, grain sorghum at 82, cotton at 83, wool at 77, soybeans at 92, milk at 84 percent of parity—up again due to the action of 2 weeks ago. Tobacco is from 75 to 84 percent of parity, depending on type and grade. These average out at 82 percent of parity.

Now let's look at these commodities not under price support. Potatoes are 58 percent of parity, oranges at 61 percent, beef cattle at 75, live chickens at 64, eggs at 62, and live turkeys at 59.

When we look at vegetables, we see that the prices for hundredweight of broccoli during the past year dropped by 70 cents per hundredweight, cabbage has dropped by $1 per hundredweight, carrots are up dramatically, cauliflower is down, green pepper is down by $3.40, onions down by $1 or $1.65, sweet corn down by $1.40.

Let's take the average now of potatoes, 58; oranges, 61; chickens, 64; eggs, 62; beef, 75; hogs, 73; turkeys, 59; sheep, 76; for an average of 67 percent of parity which is 16 percent under the average of the supported crops.

This was despite the fact that the Federal Government spent $1,719 million of section 32 funds, school lunch money and Public Law 480 appropriations during 1960–67 to remove from the market surplus supplies of nonprice-supported commodities. The largest expenditure was for beef—$653.4 million. All meat products received $975 million. For them to be protected by import quotas and Government purchase programs, and then to claim that they have and want no Government programs is a bit ridiculous, which is a studied understatement. (See table 6.)

PRODUCTION CONTROL OR MARKET GROWTH

It has been charged that "the fact is that feed grain and wheat stocks have been reduced by market growth—not by production control under Government supply-management programs." It was pointed out that corn production averaged 3.76 million bushels more, despite 10.3 million acres less acreage planted. What was not pointed out was that, if we had had 75 percent of the average yield on those acres which were held out of production, the production would have averaged 896 million bushels more instead of 376 million bushels more, or an additional 520 million bushels per year.

In the case of wheat, with 80 percent average yield for the 2 million

acres held out of production, we would have had a total production of 99 million bushels more instead of 52 million bushels more.

It seems obvious that, in light of what everybody knows about the increase in productivity of the American farmer, the programs have been the only salvation to a situation which would have meant industrywide chaos in the marketplace without the programs. Both market growth and production control have helped, and both are the result of the act of 1965.

These programs are particularly necessary and imperative for those crops that go into foreign trade and for those which have had a dramatic increase in productivity. In 1964, the production index for corn stood at 97 and by 1967 had increased to 124, an increase of 26 percent. Food grains during the same period increased from 114 to 134, oil crops from 128 to 171.

It was interesting to note that there was reference given to stocks that had been reduced by market growth, that no recognition is given to the fact that the change in the support level of cotton and the changes in the support levels of wheat and feed grains, included in the 1965 act, were absolutely imperative before there could be any market growth. Previous legislation has simply priced American agricultural products out of the world markets. We, therefore, thank our opponents for their backhanded and unintended compliment to the workings of the program.

To charge the whole cost of the programs for cotton, wheat, and feed grains to a reduction of production and the reduction of carryover is to follow a concept that is far too narrow. These programs were two-edged, one to reduce the rapid increase in production and to reduce the overly glutted stores of these support commodities and the other was to improve farm income to the point that farmers could afford to reduce their reduction to stabilize the market while being able at the same time to meet their financial commitments that had come from their attempts to increase their efficiency by increasing their capitalization. Without this kind of a program, farmers would have been forced to produce more and more for less and less in order to meet their capital costs until, thoretically at least, those who oppose the programs would lead us to conclude that if you produce at this accelerated rate for a declining price long enough until you produce all of it for nothing, then the economy will be stabilized and agriculture will be in its proper relationship to the rest of the economy.

The opposition notes, and correctly, "low grain prices also lead to overproduction and low prices in the livestock, dairy, and poultry industries." We couldn't agree more. However, it seems to us to be inconsistent to be making this statement and then to urge that we destroy the structure which keeps prices at a stable and constant level for those who are engaged in the livestock, dairy, and poultry industries. What prosperity there is in these industries at the present time is due largely to the stability of their feed market over a long period of years.

WHO BROKE THE MARKET?

The greatest threat to the stability of these markets is not in the Commodity Credit Corporation sales which have been according to the law and above the minimum prices for several years, but it has

been presented this last year by the exceedingly high production of corn and feed grains outside of the support programs, production which has sold below the support price consistently since October of last year, for the first time in a number of years. This is the direct responsibility of those who urged the farmers to stay out of the programs and to not comply with their provisions with the result that this extremely large corn crop, much of it soft and needing to be fed, was not eligible for any loan programs and had to force its way onto the market.

If this does not lead to drastically lower feed, beef, and pork prices, it is because of the diligent effort of all of the farm organizations and feeder groups to warn their members against this speculative plunging into the market at the present time when there seems to be a slight advantage in terms of feed costs due to this high production by the noncompliers.

In this regard, it is interesting to note another quotation: "It is also well known that noncompliers sought to improve yields but also increased grain acreages in the expectation that reduction by compliers would strengthen markets." The screams of anguish which we have heard from the Midwest during the last few months are because some people heeded some very bad advice from the economic wizards of the Mercantile Mart and attempted to get a personal advantage for their selfishness at the expense of the sacrifice of those who were trying to maintain a stable market for the general welfare. This witness has no sympathy for those who heeded this economic nonsense and got caught in their own trap. Our sympathy goes out to those who made an attempt to create and maintain a stable market and then had it partially destroyed by the pure selfishness and lack of concern for the general welfare on the part of those whose hallmark is their greed.

The most amazing charge that we see is that the decision of the Secretary to increase grain production in 1967 reduced prices, and that the termination of such actions would make possible higher market prices. During 1966 the AFBF urged the termination of all of these programs which would completely throw the market open to this overproduction and its effect on market prices, and then would lead us to believe that this action would not lower farm prices.

The fact is that all of agriculture and the members of this committee were consulted about these acreage allotments and programs. To my knowledge there was almost complete agreement for the necessity of the first 15 percent acreage increase which was needed just to stop the very rapid drawdown in wheat supplies.

It was the second 15 percent which gave us the greatest worry. I know the members of this committee as well as our own and other organizations expressed some very serious reservations about this action. However, the fact that the possibility of an enormous and critical shortage of food grains forthcoming if the production trends continued for another year, simply forced all of us to reluctantly agree to the fact that we literally had no other choice.

We would point out also that in the release covering this second 15 percent increase, the Secretary of Agriculture specifically stated that this increase was for those who could produce this extra wheat efficiently. On the basis of this statement, we advised our membership to be

very cautious about the increasing of their production and to use their pencil before they did and be sure the pencil was sharp.

At the last meeting we held with the Secretary of Agriculture and his staff prior to the announcement of this decision, we questioned the Secretary very sharply about what would happen if the projections which were so pessimistic did not materialize, and we were faced with a surplus for which there was no market. He assured us at the time that there was adequate authority in the present law to permit him to expand the loan and storage provisions to care for whatever surplus was left over after they had pursued a vigorous export policy.

The record will show that the Department did both, meeting their export targets for wheat and feed grains in 1966 and with a good possibility that they will be met during the 1967–68 marketing year. The result was that the total allocated acreage was not planted, with an increase only to 126 percent in wheat of the 135.5 percent permitted to those who participated in the program and complied with its provisions. However, this 11-percent increase in production over the original 115 percent was in areas where there is the greatest compliance which are also the areas with somewhat reduced yields from the national average. The end result was that this 11 percent produced only an additional 7 percent of wheat. This could be handled and, in our judgment, was handled by the provisions made by the Secretary for this exact possibility.

The question then arises as to what went wrong. It has been charged that this acreage increase was politically motivated and directed against farmers and was responsible for the decline in prices. These same people were advising farmers not to participate in farm programs for the coming year. Table 1 in this testimony will indicate the number of acres which produced wheat on nonparticipating farms in the 1966–67 crop year. This list is limited to those States which are east of the Mississippi River, with the exception of Arkansas. It indicates that 2,510,000 acres of land were planted to wheat by those not participating in the programs and that these acres produced 163,099,000 bushels. This amounted to 11 percent of the total crop—4 percent higher than the amount produced on the excess acreage beyond the original 115 percent. Twenty-four percent of this was produced in Illinois. Fifty-seven percent of this production came in the four strong Farm Bureau States of Illinois, Indiana, Michigan, and Ohio, and these States alone accounted for approximately the same amount of production as was due to the second 15 percent increase in acreage.

The primary difference in these two different production increases is that the 163 million bushels produced outside the program in the 16 States listed in this table and that which was produced in compliance with the program is that the 163 million bushels were not eligible for the loan, nor were they entitled to any kind of protection in the market. It seems impossible to argue that the 7-percent increase coming from the second increase in allotments would be responsible for the reduction in prices and to put no responsibility whatsoever on the 11 percent that had no home.

The same thing happened to feed grains and it happened in the same areas. In Illinois, where they had the largest corn crop in history with over a billion bushels being produced, 804 million bushels were not eligible for price supports and loans.

The results are well known with high prices on corn at the river ports of $1.06 for No. 1 corn, and in Nebraska as low as $0.96 for the same grade of corn, a decline of about 20 percent. This decline cannot be laid at the door of a world corn crop as can wheat, although there was some increase in corn production in the international field also.

There are many stories of older times when farmers burned off their wheat land after harvest in order to make it easier to plow. There are also stories of these fires getting out of control due to a change in the wind and the farmer's own house and buildings were destroyed. Those who have been urging noncompliance in the programs set the fire and now are pointing the finger of blame at the Government.

The fact remains and it is inescapable that those who urged the noncompliance with the programs in an attempt to defeat the programs must bear the major responsibility for whatever influence the increase in domestic production had upon the general decline in wheat prices, part of which was the result of the largest crop in all the history of the world.

The cotton program is condemned because they did not lower the prices to the consumers but increased the mill margin. It takes a bit of a stretch of the imagination to believe that this can be chargeable to the farm program. There were many other economic factors involved, as anyone who has anything to do with the textile mills can verify.

THE INTERNATIONAL GRAINS AGREEMENT

The final irony is the nonsense that is propounded concerning the international commodity agreements. The opposition states that this would limit our ability to expand exports, when it is a matter of fact that our exports in wheat have expanded phenomenally while we were under the International Wheat Agreement.

The International Grains Agreement does not divide up the world market on the basis of past history. The attempts to gain access and a share of market growth failed. It simply sets minimums under which the markets will not be allowed to fall. It is charged that this would restrict export opportunities for U.S. wheat farmers. The question which obviously comes to mind is how it would restrict these exports and where the restrictions would be felt. Their assumptions about what the United States would "apparently" be required to do are an economic "pipedream."

The opponents speak glibly of a goal to expand the exports of agricultural commodities to $10 billion per year. This is a laudable goal and one in which we all share. However, what we would like to know is exactly how they expect to expand this export market. There are Pacific trading partners of the United States who buy for cash and who are buying to the maximum of their needs for the present time. These include Japan, Korea, and Taiwan. They also are buying considerably more from the United States than they are required to buy, except in terms of maintaining a trade ratio that has some kind of balance in it. Without an International Grains Agreement, they could buy any amount of wheat they wanted from almost any exporting country in the world at almost any price they desired, and there is

nothing to indicate that they would continue to buy all of it from the United States or a major portion, as they are doing at the present time.

When we turn to our European trading partners, the United Kingdom has already retreated behind its own agricultural subsidies designed to stimulate production in their own country of grains, and they have increased this to some extent. They also have certain ties to the Commonwealth which are exceedingly difficult to break into for market development. We have managed to do this to some extent and to convince the British that our Hard Red wheat which is grown on the high plains is the equivalent of the Manitoba Red. However, there is no indication that this is an inexhaustible market.

The real crux of the matter is in the Common Market. The AFBF has held out before American farmers and the American public that, if we further reduced our prices for grain and agricultural products, we could by "holding their feet to the fire," force these countries to open up their markets to American agricultural products. Apparently these folk have never heard of variable levies. Under this system, which is a part of the agricultural policy of the European Economic Community, target prices for these commodities are set at a level to maintain production and to give a reasonable return to the farmers in the community. If an exporter puts his products on the market in these countries, the difference between the price at the port and the target price is collected by means of a variable levy. The lower the price for the product at the port, the higher the variable levy. There is no way in which the reduction of price and the competitive market can increase the purchases of agricultural commodities in the European Economic Community.

Where then can we expand these markets? There are only two other places. One is in the Communist bloc where we would have to grant them the normal trading credits which are being granted by our trading partners around the world, especially the Canadians. U.S. exports of wheat and feed grains are restricted by law. The second is to try to sell this to the developing countries. This last is a fallacy, because it equates hunger with market demand. This obviously is so absurd that it needs no explanation.

THE PLACE OF GOVERNMENT

This committee should give some attention to the reasons for opposing these programs as are stated in the Farm Bureau testimony before this committee and the other body. Every one of the five reasons has the word "Government" in it as a key part of their argument. By using the technique of the big lie, they have made Government a naughty word. To this I must raise my voice in dissent. Is the use of a supply-management program such as is used in cotton, tobacco, and peanuts, where the decision to limit their production to the effective demands of the market is made by a free people exercising their franchise in an open referendum, a Government program, or is it the exercise of the privileges of democracy within our democratic system? These obviously should be called producer programs. The only function the Government has in these is to help the producers carry out their legitimate objectives to bring supply into some kind of a reasonable

relationship with effective demand. The continual carping criticism of Government, the caustic comments about politicians, the intemperate tirades against the executive and judicial branches of the Federal system, and the snide innuendoes against the integrity and the intelligent good will and interest in the general welfare, which I believe are the true characteristics of this and other Congresses, are an unnecessary and unwelcome addition to the clamor against our democratic system which weakens it at every level. It makes its unwelcome contribution to the breakdown of respect for the Government without which there can be no real law and order. This Government, good or bad, is the result of the use of the democratic processes by a free people expressing their will through their elected representatives. We can disagree with the results, without condemning the system.

Mr. Chairman, and members of this committee, I hope we have made our point that this program is not as bad as it has been painted, nor are the alternatives as good as they have been described. The alternatives to the continuation of this 1965 act are even more discouraging than what we see when we look at the nonsupported crops and their price levels.

THE ALTERNATIVES

The first alternative is that we will revert to pass legislation which has long since proven to be inadequate. Had they been adequate for their times, and for the present, the legislation which we are considering today would not even be on the book. The Grange is not going to be a party to turning back the clock to the 18th century in terms of farm programs, nor do we think this committee will be. The nostalgia for the bucolic past envisioned by the Jeffersonian agrarianism is not a reasonable basis for present farm policy superimposed on an industrial society. The problems of agriculture remain critical in some areas, and extremely serious in most, and these problems are not going to be solved by the blind faith which we might have in a super-savior in the form of "the market."

What if 1965 Food and Agriculture Act is not extended or replaced?

Program for wheat.—Under older unrepealed law, the Secretary would be required to determine and announce whether the supply of wheat is likely to be excessive, and if so to proclaim a marketing quota program subject to grower referendum. Based on an approved national marketing quota, individual farm quotas would be established in terms of acreage allotments.

1. If marketing quotas are proclaimed and are approved by two-thirds or more of the farmers voting in a referendum:

(*a*) Marketing quotas would be in effect.

(*b*) Land-use penalty would apply for failure to make mandatory diversion.

(*c*) Wheat marketing certificate program would be in effect—

Domestic certificates plus loan not less than 65 percent or more than 90 percent of parity;

Variable export certificates as at present; and

Processors would be required to pay full value of domestic certificates.

(*d*) No diversion payments.

2. If marketing quotas are disapproved in referendum:
   (*a*) No marketing quotas.
   (*b*) No land-use penalty.
   (*c*) No wheat certificates.
   (*d*) No diversion payments.
   (*e*) Price supports through loans and purchases to producers who comply with their allotment at 50 percent of parity.
3. If marketing quotas are not proclaimed:
   (*a*) No marketing quotas.
   (*b*) No land-use penalty.
   (*c*) No wheat certificates.
   (*d*) No diversion payments.
   (*e*) Price support through loans or purchases to producers who comply with their allotment at 75 to 90 percent of parity the maximum level depending on the supply percentage.
4. No authority to substitute wheat for feed grains.

Program for feed grains

1. No diversion or price support payments.
2. Price support through loans or purchases for corn at such level not less than 50 percent or more than 90 percent of parity as the Secretary determines will not result in increasing CCC stocks of corn (other feed grains at a level which is fair and reasonable in relation to the level for corn).

Program for cotton

Under older unrepealed law the Secretary would be required to determine and announce whether the total supply of cotton would exceed normal, and if so to proclaim a marketing quota program subject to grower referendum. Based on an approved national marketing quota, individual farm quotas would be established in terms of acreage allotments.

1. If marketing quotas are proclaimed and are approved by two-thirds or more of the farmers voting in a referendum:
   (*a*) Marketing quotas would be in effect.
   (*b*) No diversion or price support payments.
   (*c*) Price support to producers who comply with their allotments through loans or purchases at not less than 65 percent or more than 90 percent of parity as determined by the Secretary.
   (*d*) No authority to make cotton available to domestic mills at the world price if such price is lower than legal minimum price for unrestricted use.
2. If marketing quotas are disapproved in referendum:
   (*a*) No marketing quotas.
   (*b*) No diversion or price support payments.
   (*c*) Price support through loans or purchases to producers who comply with their allotments at 50 percent of parity.
3. If marketing quotas are not proclaimed:
   (*a*) No diversion or price support payments.
   (*b*) Price support at 65 percent to 90 percent of parity.
   (*c*) Compliance with allotments could be required as a condition of eligibility for price support.
4. No authority to sell, lease, or transfer cotton allotments.

Program for wool

1. No price support payments.
2. Price support through loans or purchases discretionary with the Secretary at not more than 90 percent of parity.

Cropland adjustment program

1. No authority to conduct CAP.

THE MYTH OF THE "FREE MARKET"

Some of us remember when we had no place to turn for relief but to "the market." We have a very vivid recollection of the period from 1918 to 1932 when there were no regulations of any kind and only a very minor kind of assistance in the inadequate amount of $500 million for the old food bank in the late 1920's, and that which was thrown around agriculture in a protective tariff which, in turn, brought our international trade to a standstill.

With a productive capacity in the United States alone of from 50 to 70 million acres of land in excess of foreseeable market and relief needs for the foreseeable future, Government assistance is badly needed in a number of areas and must be continued. Even with this assistance, and with other which we are prepared to request of the committee, the plight of agriculture in relationship to the rest of the economy is indeed serious and desperate.

It is rather amazing to this witness to hear the adulation heaped upon the "free market" and the demagogy used to attack what is called "Government manipulation of prices."

It is charged by those opposed to the farm programs that no Secretary of Agriculture or group of agricultural experts can take crop forecast information from our domestic acreage and worldwide production and balance this against estimated market demand and relief requirement for the rest of the world. We will agree that this cannot be done with any great accuracy, but we do not agree that the market, as such, is superior.

The primary reason which leads us to this conclusion is that the market itself is made up of the considered judgment of people and that it is further influenced by speculative activity in the marketplace. This speculation, which is a tug-of-war between the "bulls" and the "bears," presents a continual struggle for advantage in the marketplace which has no relationship to the supply and demand factors but only to the ability to manipulate or out-guess the market.

An example of this was the surge upward in market prices in late 1966 which continued for several weeks after the Government had announced the second of the 15-percent increases in wheat allotments for the 1967 crop year. During this period of time, money had moved out of the stock exchange due to the rather disastrous drop in those prices over into the commodity exchange and the "bulls" got control of the market. By increasing their purchases, they were able to maintain and sustain a relatively long period of market advance which was not justified by basic market factors.

When they had increased the price to the maximum that they thought was possible, they took their profits and sold their holdings and let the market collapse by approximately 25 cents.

We would remind the committee that the same situation exists in the stock market and the same tug-of-war and between the same people. Indeed, it was a manipulation of the market which contributed in part to the stock market crash in 1929. From this came the Securities and Exchange Commission, which was set up to regulate the market and to prohibit market manipulation while permitting a competitive market.

Furthermore, it should be noted that the manipulation of the commodity prices required the passage of the Commodities Exchange Act which was specifically charged with regulating the commodities market and preventing manipulation in that market.

Even the CEA was not able, under its old legislation, to prevent this manipulation as was proven by the so-called salad-oil scandal of a couple of years ago. This was one of the most flagrant cases of outright manipulation in many years in which an operator, with very limited capital, was able to corner both the soybean and the cottonseed oil markets and to do it fraudulently.

This experience lead to the passage by the 90th Congress of legislation granting additional authority to the Commodity Exchange Authority to regulate and prohibit this kind of market manipulation.

The livestock sales system has been held up as a model of the working of the market forces in a free market, especially in the auction system.

However, it became necessary to pass the Packers and Stockyards Act to keep this market honest and competitive and relatively free of manipulation. Complaints against fraud and manipulation which are made to the Packers and Stockyards Division of the USDA number in the thousands every year; and, unfortunately, only a portion of these complaints are serviced by the Division due to the lack of peersonnel and appropriations.

Another example of manipulation in the commodities has been the fact that the small amount of potatoes, primarily from Maine, which have been traded on the New York market has enabled the "shorts" to control the market most of the time for the past decade. This, of course, had a very depressing effect upon the price of potatoes, not only those traded on the New York Exchange, but on the price of potatoes across the Nation as well.

However, the record shows that a Mr. Simplot of Idaho, correctly gaging the fact that the "shorts" were oversold, about 3 years ago went into the market and began buying up these contracts. In a few days of frantic and hectic trading, in which the "shorts" dumped over 1,900 carloads of potatoes on the market in an unsuccessful attempt to break this one man's stranglehold on the market, potato prices rose from less than $1 per hundredweight to over $5 per hundredweight. Unfortunately, farmers did not receive any of these benefits because these were potatoes which had been sold previously on the futures market and benefits were reaped by one man and the price was paid by the general public.

The onions futures market was so completely subject to manipulation that onions were legally removed from futures trading several years ago and an attempt has been made, unfortunately unsuccessfully, to remove potatoes from the futures market also.

The position of the National Grange on this important matter is as follows:

The USDA should be given the authority to exercise a strict control over the futures market, particularly in agricultural commodities traded in small volume and which one or more people may gain control over the market by manipulation or fraud.

Finally, although this list of manipulations is only the most flagrant that we have known in the past few years, and only touching the surface of the record which has been compiled concerning fraud and manipulation in the marketplace, we are interested in the fact, and in complete support of the stated position, that the AFBF wants to strengthen the Packers and Stockyards Division to preserve competition in the marketplace and to prevent manipulation. This appears to us not to be a tacit but an open admission of the fact that the market itself is not some divinely inspired institution which speaks ex cathedra to those who meet there concerning the values of the produce, commodities, and other items which are traded, but is subject to, not only human error, but to human greed and corruption.

On balance, the record will show that whatever influence the CCC stocks have had on the market is determined by the laws which have been passed by the Congress and not by a deliberate attempt on the part of the Commodity Credit Corporation to manipulate the market to the point that farm prices are deliberately depressed and by executive action. As final and conclusive proof of this contention, we would point again to the facts concerning the elleged superiority of the "market system" in providing adequate prices to farmers as compared to the Government programs.

We would like to attach at the end of this testimony a brief of the alternatives to the present program and what would happen if the present programs were not continued. The Grange is firmly convinced that the Agricultural Act of 1965 should be continued and that it should be done this year. We would recommend to the committee that this can be done very simply by removing the termination date from the act. This has a number of advantages, including the relative simplcity of this suggestion and the added advantage of making this the basic legislation which then would be amended at the will of the Congress rather than returning us back to legislation for which there is no support.

RECOURSE VERSUS NONRECOURSE LOANS

The suggestion, apparently serious, has been made to replace the present CCC nonrecourse loan programs with a recourse loan program with Government guarantees to private lenders for up to 6 months.

Such a program would make the problem of adjusting supplies available to the market exceedingly difficult and expensive to the farmer.

First, the unavailability of capital during periods of monetary restraint would make the loan money unavailable or extremely expensive.

Second, the limiting of loans to 6 months would serve to "dump" the crop onto the market at the time of the year when the market is most likely to begin an upward movement. During a large crop year and without a longer term loan program and the possibility of a reseal program, the domestic and foreign buyers would only have to wait for

the farmers to dump their food, fiber, and feed commodities and thus destroy their own market.

The experience in this crop year has shown the need for the present loan program. This year is an example of the need when there is a crop which exceeds the market and Government programs.

Farmers placed 256,662,000 bushels of 1967 crop wheat into the loan through March 31. This was up from 247,154,000 at the end of February. Impoundings from the 1966 crop through March 31 last year involved only 128,640,000 bushels.

A total of 410,879,000 bushels of corn were under loan at the end of last month, up from 386,941,000 bushels a month earlier. The soybean volume was 192,970,000 bushels, up from 189,562,000 bushels a month ago.

Farmers would have had to have raised $1.25 billion in loans from private sources for this purpose had not the CCC loan program been available. At an additional 2-percent interest rate, this would have added $25 million to farm costs.

Experience has shown that large crops cannot enter the market within a few months without damage to the market. Some crops have been held for years before a market opened up. The end result has been to serve well the farm community, the national welfare, and our international commercial markets and relief commitments. The taxpayers have received full value for their expenditures.

The suggestion is a hoax. It does not serve the farmers' welfare. It does not serve the national interests. It does serve the private banking and speculative market interests. Better to destroy the whole program than to hold out false and fraudulent hope to the farmers in the name of a "farm" program.

Again, we would remind the committee that the net cost of the CCC in its 30 years of operation is very small. The Corporation was in the black for many years until about 1954. If the commodities which were donated and otherwise disposed of in noncommercial channels had all been sold, the CCC net costs would have been nil. To kill a program that has served America well and substitute one which would serve only a few greedy and selfish interests makes no sense to the Grange, and we doubt that it does to this committee.

The CCC nonrecourse loan programs should be continued.

FORWARD PLANNING

Agriculture today represents investments by individuals of staggering amounts of money. It requires the maximum of skill and management to be, as well as help to be, profitable. A part of this skill is in the field of crop rotation and production planning, and a part of it is in servicing the debt. These debts have to be assumed even on production loans and machinery loans for several years. At the time they are contracted, it is absolutely essential that the banker know the production plans and schedules and the possibilities of earnings of these farmers.

Agricultural credit and agricultural production plans are not some-

thing that can be turned on and off like a spigot. The ramifications of this are enormous and the financial risk is incalculable. Therefore, this modern and technologically advanced and highly mechanized agriculture, depending upon capital to replace nonavailable or extremely expensive labor, needs the assurance of a continuing program that has some stability to it, rather than the threat of the termination of these programs every 1 or 2 or 4 years, as the case may be.

The Grange would be the first to admit to this committee that this legislation needs some perfecting and does need the considered judgment of this distinguished committee to be applied to the problems of agriculture which still remain. We would mention only a few of them.

STRATEGIC RESERVE

The first is to provide for a storage program which is called either the strategic reserve or the security reserve. We testified in favor of that in 1965. We have mentioned it in testimony since that time. We believe that it was failure to have this included which caused the second increase in wheat acreage in 1966 which proved to be an unwise procedure as we look in retrospect. Had there been some provision in the law whereby the Secretary would have been able to set aside some of the CCC stocks for a security reserve of some kind, and not only for foreign aid but also for the security of the United States in time of trouble, then we would not have had to play it quite so fast and loose with our acreage allotments as we were impelled to do about 2 years ago. The prospect of a starving world is just not one which we are willing to accept on any kind of a moral basis.

If we had some kind of a reserve which we knew was available and yet was not readily available for the market so as to depress market prices, then it would be possible to keep these acreage allotments considerably closer to projected needs without having to have a safety factor of surplus production built into the allotments year by year. This is legislation which would have the first priority if this basic bill can be extended.

Dramatic developments during the first 2 weeks of April 1968 accentuate the need for this legislation now. The first was the projections of the U.S. and world wheat crops for this year, both projected to be bumper crops and the largest in history. The second was related to the first and predictable—a 5-cent drop in the market price.

The market price could be improved by three pieces of legislation. First, the provision for a strategic reserve to remove the threat of a glutted market; second, the extension of the 1965 act; and the ratification of the International Grains Agreement. The first two are in the control of this committee and they need action with an urgency tag tied in a conspicuous place.

COTTON

Although the Grange is not basically in cotton territory, we are aware that there are some problems in the cotton industry. One of them is being considered by the House at the present time which has to do

with the support level for long-staple cotton. Another is concerned with alternatives to a tight control program with the possibility of limitation of payments and the freeing up of this program with the possibility of expanding acreage for export, without any subsidies whatsoever being involved, and bringng this program into relationship with the wheat and feed grains programs.

We believe that both of these pieces of legislation should be incorporated into the act of 1965 and made a part of the permanent legislation. We would also note that to not do so will leave cotton unprotected by the general interest in farm legislation and thus the orphan cotton programs could be endangered.

CROPLAND ADJUSTMENT PROGRAM

The cropland adjustment program has proven to be one of the most popular of the farm programs. It offers to elderly and disabled people a chance to hold their land, avoid the high taxes which would diminish severely their savings if sold before their death, and maintain the value of the land as a personal and public resource.

We now have 4.9 million acres in this program. In this amount are 139 Greenspan projects in 26 States which offer recreational facilities to nearby urban areas developed through the cooperative efforts of the Federal, State and local governmental units. Such programs should be expanded, especially in the East and Far West.

Owners of 1.6 million acres have granted public access to these lands for hunting, fishing, hiking, and the other purposes specified in the bill When private and public lands are both being closed to the public for these purposes, this program meets a great need and has the enthusiastic support of sportsmen, wildlife management people, and conservationists, as well as the farmers.

Under the agricultural conservation programs, over 100 million acres are devoted to wildlife practices with an equal amount being directly affected.

Under the commodity reserve program, 2.5 million acres came out from under contracts in 1967. Contracts will expire in 1968 over 5.96 million acres. Only a small amount will remain in the program until the final termination date in 1970.

The demand for this kind of farm program is far in excess of the program commitments, and is completely justified on the basis of all responsible studies about our land potentials and requirements.

Because of the demand for the CAP, the full appropriation should be made for this program and contracts should be awarded on some kind of a priority basis except first come, first served.

To avoid the old problems of the cropland reserve, those who buy land as a speculation and a hobby should not be given any preference at all.

The highest priority should go to those who are elderly or disabled. This would serve not only the economic objectives of the program, but the social objectives of preserving for needy people a standard of living which meets the minimum requirements for decent living.

Priority should also be given to those who open their land for public

access, thus permitting the public to share in the benefits of the programs as well as their costs.

The Greenspan programs should get a high priority because of their service to the public.

The regulation which limits payments to 40 percent of the predicted value of the crops which could be grown should not include payments for public access.

The cost of transportation for attending the meetings of the Wildlife Advisory Committee for those who come from out of town should be a reimbursable item. Some very wise counsel is at present being denied this committee because of this problem.

The program needs continuing authority which could be provided by eliminating the termination date from the 1965 act. Obviously, the Government should not share in the cost of wildlife-management practices, and so forth, if the practices will be destroyed the next year.

Permission for the Secretary of Agriculture should be provided for the termination of contracts after due notice when the programs no longer serve the national interest. Of course, Congress always has the inherent right to make such changes as its wisdom finds are desirable.

BASE-SURPLUS DAIRY PROGRAM

We would point out to the committee that the dairy industry has shown a marked improvement during the past year and is in less trouble than it has been at any time in my memory. There still are some minor problems in terms of imports, but the major decision to roll imports back to the 1966 level, which the President made last year, eliminated the biggest share of these problems and the rest of them could also be cared for in terms of administrative decisions rather than an attempt to legislate control of all of our foreign trade.

We are concerned at the present time with one provision in the two-price dairy program and with the extension of this program. The Puget Sound order has been using the program now for over a year, and it is beginning to bring their supply into balance with demand and improve the market situation in that great order.

At the present time, the New York-New Jersey milkshed, the giant Federal milk marketing order No. 2, which handles 10 percent of all the milk produced in the United States, is engaged in an educational program concerning this same kind of a base-surplus pricing program which was first approved by the Senate in 1964 and then made a part of the Agricultural Act of 1965. This great market is in difficulty and has been for a number of years, and they should be permitted to use the program which has proved effective in the State markets and in the one Federal market which has already adopted it. However, it is rather unreasonable to expect them to make a major amendment to their marketing order this year which could be in effect for possibly only 1 year.

Our convention has raised questions which we would suggest to the committee when it is prepared to seriously consider what changes it would make in this basic legislation. One of them is in the dairy section of the 1965 act which requires that all increases in sales be allocated

to new producers. The Grange is not unwilling to allocate some of this production to new producers, but it is unrealistic to expect dairy farmers to expand their efforts in milk promotion on the basis of either a checkoff of the promotional amounts from the milk check or a voluntary contribution to the promotional efforts when these same dairymen can have no share in the increase in the market which results from their efforts. We think a system of sharing in this market growth is considerably more equitable for all concerned.

THE WOOL PROGRAM

The wool program has been in the nature of permanent legislation, and it is covered in the 1965 act because there were some changes made at that time, but this also would terminate and it should not. It should be made a part of permanent legislation and made amenable to the will of succeeding Congresses to adjust it as they will have the opportunity to adjust and modify any of the other legislation contained in this basic bill.

WHEAT

The Grange continues to believe that the basic wheat legislation is sound.

1. It has removed the old open-end support system whereby the Government purchased but never sold.

2. It has permitted CCC held stocks to be sold on the international market for a competitive price, thereby adding to the U.S. exports a substantial and critical amount of wheat. It has made the parity level of price the goal for all wheat sold for domestic food use on the commercial market. It is, thus, one of only two commodities whose pricing system is tied to parity.

3. The certificate program is the source of security for farm loans and production loans since it acts as a form of crop insurance which is available even during periods of crop failure.

4. It is not inconsistent with the terms of our international trade agreements and proposals.

5. It recognizes that there is a basic difference in the domestic and foreign markets due to competitive costs advantages of farm producers and the exceptionally high costs of American producers due to those circumstances which are outside the control of agriculture and agricultural programs.

6. It stimulated the dramatic rise in wheat exports for cash.

The program, however, has some basic flaws. The support program is based on the support price at Kansas City backed off to the farm for a national average. This is proper in terms of that part of our wheat which goes into international trade, since any other system would be subsidizing our exports which would probably be in violation of both the proposed International Grains Agreement and the General Agreement on Tariff and Trade.

However, this is not a proper basis for determining the return to farmers from the certificate program. The domestic market for wheat

93-873—68——8

for milling purposes is not concentrated in Kansas City. There are great flour mills in Denver, Seattle, Portland, Buffalo, Minneapolis-St. Paul, Chicago, St. Louis, Baltimore, to name only a few. Most of these flour mills use wheat from the immediate area as far as possible.

To subtract from the farmers' return the freight from Denver to Kansas City and then to add to the consumers' cost the freight from Kansas City to Denver is unfair to both.

A fair and equitable arrangement, and one which the Grange earnestly suggests, is to determine the certificate value on a basis so that the certificates represent the actual difference between the actual market price and parity. The farmer who operates a wheat farm in Colorado or Montana or Pennsylvania has basically the same cost of production, except for land value which may be lower, as those in the immediate area of Kansas City. The cost of the seasonal inputs may be higher. In all fairness, they should have the same return for the same investments.

It is enough to ask them to sell their wheat for our international trade usage, which is approximately 55 to 60 percent of their wheat, at a loan level which represents the difference between the export price at the gulf ports backed off to the farm, but does not even cover costs of production in most areas. This is their contribution to the balance-of-payments problem and a substantial contribution.

It is too much to ask them to accept the same differentials on that part of their wheat which goes for human food when the differentials are not based on fact but on a fiction.

The Grange also has held consistently that the acreage allotment should reflect conservation practices prior to the base periods to those farmers who have practiced proper conservation practices, which have been deemed to be in the national interest and for which the Federal Government has allocated money from the general fund. To not do so puts a severe penalty on the person who has practiced proper conservation practices and gives an undue and unmerited advantage to those who have been exploiting their land by planting from fence to fence.

Public Law 480 distribution and sale should, in our judgment, be paid for at a price not less than parity, including the certificates. This would necessitate the using of some type of a certificate program or other subsidy program for the difference between the loan level and the adjusted parity level.

The Grange also urges that 50 percent of the certificate value be paid at the time of the signup.

FEED GRAINS

The Grange urges the continuation of the present feed grain program, but opposes permitting other grain crops and soybeans to be grown on diverted acres.

CONCLUSION

On balance, the Grange is satisfied with the basic provisions of this legislation and feels that by and large the major problems remaining are administrative and housekeeping problems rather than substantive

changes in the basic legislation itself. Therefore, Mr. Chairman, and members of the committee, the Grange does respectfully and earnestly urge very serious consideration of our proposal to simply eliminate the termination date in the 1965 act, allow it to continue until it is the will of the Congress to change any of the conditions of the bill. This will let us have time, whether in this Congress or the next, to deal in depth with the substantive issues which do remain in and out of the bill, and avoid once and for all the kind of a crash program and frenzied atmosphere that attended the preparation of and the passage of this act in 1965.

This will give us an orderly and reasonable agricultural situation and opportunities to perfect the legislation which we need and which is not going to be available to us when every 1 or 2 or 4 years we have to spend most of our time deciding whether or not the legislation itself should be continued. We believe that this would also be better for the Congress in that we did not have to bring farm legislation up repeatedly for votes in an increasingly urban-minded legislative situation, no more than we bring up the Wagner Act for periodic renewal in terms of labor legislation.

Such a process would not make this legislation permanent, because there is no such thing as permanent legislation. The 1937 act is the permanent legislation but, in terms of the commodity programs which are included in the 1965 act, it has been amended completely out of recognition. The same thing can happen to the 1965 act in future years if our experience and changing situations determine that such changes are necessary.

Some of you gentlemen have served the cause of agriculture on this committee with distinction for many years. We would point out that for some of you time is also running out for one reason or another and that the contributions that you are going to make to the U.S. agriculture, which you have served with devotion and distinction, are going to be made in the relatively near future. The Grange is troubled that the experience and the wisdom that has been gained by these many years of careful attention to the problems of agriculture will not be available to us in the future and, therefore, we are particularly concerned that this present legislation should be given an indefinite continuation at the present time, and that as rapidly as possible the experience and wisdom of this committee should be brought to bear upon the remaining problems which face American agriculture.

In closing, we wish to again thank this committee, and especially its distinguished chairman, for your many years of concern and constructive action in the field of agricultural legislation. We believe that you have lived up to your convictions and the best information which was available to you and that your judgment, at the time, was as good as could be expected and in some instances better than we hoped. You have wrought well. Now, lets improve on what we have done to make the better best.

TABLE 1.—WHEAT PRODUCTION ON NONPARTICIPATING FARMS, 1967

State	Acres	Production (bushels)
South:		
Arkansas	607,000	17,299,000
Alabama	82,000	1,968,000
Georgia	75,000	1,950,000
Kentucky	138,000	4,692,000
Louisiana	71,000	1,846,000
Mississippi	431,000	12,930,000
Maryland	90,000	3,510,000
North Carolina	111,000	3,441,000
Tennessee	230,000	6,607,000
Virginia	76,000	2,660,000
Total	1,911,000	56,903,000
Midwest:		
Illinois	922,000	35,958,000
Indiana	624,000	23,088,000
Michigan	411,000	14,796,000
Ohio	533,000	18,122,000
Total	2,490,000	91,964,000
Northeast:		
New York	77,000	3,080,000
Pennsylvania	282,000	10,152,000
Total	359,000	14,232,000
Grand total	2,510,000	163,099,000

Data source: USDA.

TABLE 1A.—CORN—ESTIMATED 1967 PRODUCTION ON NONPARTICIPATING FARMS FOR SELECTED STATES

State	Planted acres on participating farms	SRS 1967 yield per harvested acre	Estimated production of participating farms (col. 1×col. 2)	SRS 1967 preliminary production	Estimated production nonparticipating farms (col. 4−col. 3)
	(1)	(2)	(3)	(4)	(5)
	Acres	Bushels	Bushels	Bushels	Bushels
Illinois	2,866,604	100.0	286,660,400	1,091,500,000	804,839,600
Indiana	1,475,564	84.0	123,947,376	447,804,000	323,856,624
Iowa	6,481,543	85.0	550,931,155	930,155,000	379,223,845
Kentucky	250,175	80.0	20,014,000	93,440,000	73,426,000
Michigan	442,387	65.0	28,755,155	91,455,000	62,699,845
Minnesota	3,607,868	72.0	259,766,496	355,896,000	96,129,504
Missouri	1,642,490	69.0	113,331,810	198,168,000	84,836,190
Nebraska	3,235,557	73.0	236,195,661	329,230,000	93,034,339
North Carolina	320,925	76.0	24,390,300	107,160,000	82,769,700
Ohio	966,036	79.0	76,316,844	255,960,000	179,643,156
Wisconsin	634,818	80.0	50,785,440	136,240,000	85,454,560
United States	27,981,881	78.2	2,188,183,094	4,722,164,000	2,533,980,906

TABLE 2

WHEAT

	CCC sales (million bushels)	Average seasonal price received by farmers	Average price to program participants
1959–60	143.4	$1.76	
1960–61	207.1	1.74	
1961–62	273.6	1.83	
1962–63	207.1	2.04	
1963–64	344.4	1.85	
1964–65	281.8	1.37	$2.03
1965–66	329.1	1.35	1.80
1966–67	221.3	1.63	1.79
1967–68	[1] 114.3	1.41	2.22

[1] Through Dec. 31, 1967.

TABLE 2—Continued

CORN

	CCC corn sales, (October-September) (million bushels)	Average price	Season average price including price-support payment
1959-60	141.9	$1.09	
1960-61	338.1	1.00	
1961-62	900.7	1.10	
1962-63	720.4	1.12	
1963-64	139.1	1.11	$1.26
1964-65	402.8	1.17	1.32
1965-66	491.4	1.16	1.33
1966-67	19.2	1.24	1.49
1967-68	[2].3	1.07	1.27

[2] Oct. 1, 1967, through Feb. 9, 1968.

Source: USDA.

TABLE 3.—AGRICULTURAL STATISTICS

Year	1957-1959=100		Income (in billions)				Owners' equity (billions)	Population (millions)
	Parity index	Output index	Gross	Costs	Net[1]	Per family		
1934	80	27	$6.4	$4.7	$2.9	$431		32.3
1940	88	36	8.4	6.9	4.5	706	$42.9	30.5
1941	98	39	11.1	7.8	6.5	1,031	44.6	30.1
1942	109	42	15.6	10.0	9.9	1,588	52.4	28.9
1943	116	42	19.6	11.6	11.7	1,927	63.7	26.2
1944	110	44	20.5	12.3	11.7	1,950	75.7	24.8
1945	111	46	21.9	13.1	12.3	2,063	85.9	24.4
1946	113	49	24.8	14.5	15.1	2,543	95.5	25.4
1947	116	50	29.6	17.0	15.4	2,615	107.9	25.8
1948	111	56	30.2	18.8	17.7	3,044	118.6	24.3
1949	100	57	29.8	18.0	12.8	2,233	123.5	24.2
1950	102	61	28.5	19.4	13.7	2,421	120.1	23.0
1951	108	62	32.9	22.3	16.0	2,946	138.4	21.8
1952	101	68	32.5	22.6	15.1	2,896	152.3	21.7
1953	93	71	31.0	21.3	13.1	2,626	148.7	19.9
1954	89	74	29.8	21.6	12.5	2,606	144.3	19.0
1955	85	80	29.5	21.9	11.5	2,463	147.3	19.0
1956	84	86	30.4	22.4	11.4	2,535	150.8	18.7
1957	85	91	29.7	23.3	11.3	2,590	158.3	17.7
1958	88	103	33.5	25.2	13.5	3,189	165.4	17.1
1959	82	106	33.5	26.1	11.5	2,795	178.8	16.6
1960	81	115	34.0	26.2	12.0	3,043	178.6	15.6
1961	83	120	34.9	27.0	12.9	3,389	177.7	14.8
1962	83	127	35.2	28.3	13.1	3,562	183.7	14.3
1963	81	135	37.2	29.6	13.1	3,671	188.9	13.3
1964	80	142	37.1	29.4	12.2	3,510	195.1	12.9
1965	82	155	39.1	30.3	14.9	4,413	201.1	12.4
1966	86	161	43.2	33.3	16.2	4,988	214.1	11.6
1967	79	167	42.5	34.4	14.9	4,705	223.8	11.0

[1] Including inventory changes.

Data source: The Annual Report of the Council of Economic Advisers, February 1968.

TABLE 4.—ANNUAL NET OPERATING RESULTS (REALIZED LOSSES EXCLUDING VALUATION RESERVES) OF THE COMMODITY CREDIT CORPORATION ON PRICE SUPPORT AND RELATED PROGRAMS, FISCAL YEARS 1955-67

[In millions of dollars]

Fiscal year	Realized losses	Farm payments	Net CCC losses
1955-60	9,287.1		
1961	2,081.8	1,500	581
1962	2,799.4	1,700	1,099
1963	2,654.9	1,700	946
1964	3,226.8	2,200	1,226
1965	3,048.0	2,400	648
1966	2,984.9	3,300	+315
1967	3,813.6	3,100	713
Total		15,900	4,528

Source: USDA.

TABLE 5.—GOVERNMENT COSTS OF NON-PRICE-SUPPORTED COMMODITIES

[In millions of dollars]

	Amount	Total
Sec. 32, school lunch and Public Law 480, 1960–67:		
Beef and products	653.4	
Pork and products	107.6	
Total of all meat products		975.0
Total of all fruits and juices		142.5
Total of all poultry		299.5
Potatoes, Irish and sweet		24.0
Tomatoes	25.0	
Peas	14.2	
Corn, canned	10.3	
Canned beans	11.4	
Cabbage	.1	
All vegetables		61.0
Total of all crops		1,719.8

USDA sources.

The CHAIRMAN. I think you have done a good job.

Mr. GRAHAM. I hope it meets your time schedule.

If there are any questions, we will be glad to try to answer them.

The CHAIRMAN. Thank you very much. I do not want to be like a dog chasing a rabbit, but I am sure some of the other members are also as concerned as I am as to whether you feel it is a real bad thing for this committee to have several members on it from Texas and from Mississippi—but I am chiefly inquiring as to Texas, because I know that you, Mr. Graham, did make a statement before the National Farm Institute in Des Moines, Iowa—and it states here: "These fellows, coupled with a reactionary southern element—we have got five men from Texas, two from Mississippi," and you go on down the line, "and you've got a generally reactionary House Committee on Agriculture."

Do you think that it is a bad thing that we have four men on this committee from Texas?

Mr. GRAHAM. I think some of the Northern States have not put some of their men on this committee when they had the chance to do it.

The CHAIRMAN. They had the chance.

Mr. GRAHAM. They sure did.

The CHAIRMAN. And they certainly had the chance.

Do you think it is wrong for the Texans to be on this committee?

Mr. GRAHAM. No, no; I do not think there is anything wrong about that. I do not know how that was written, but that point was: Well, here we have one man from Minnesota, one from Iowa, none from Illinois—Mr. Myers is from Indiana or Wisconsin—the great agricultural areas are not represented as they could be if they wanted to be.

The CHAIRMAN. I think that is true. I think a lot of these people have not been interested enough in agriculture and they are not therefore on the committee. I do not think that you should blame those of us from Texas and point a finger of scorn at us because we were interested enough in agriculture to get on the committee. I think that this record shows that there was more interest shown in Texas than in some other sections, and I think you gave us credit for more people than we actually have, anyhow. You just felt that the four men from Texas did more than five from elsewhere and you have figured that there must be five men. There actually never has been but four, but we are glad that we get credit for some more.

Mr. GRAHAM. Mr. Chairman, this is a speech that was off the cuff, and it was reported in various ways. I would be glad to give you the direct quotes later on. It is not quite the way it is there.

The CHAIRMAN. What I have is supposed to be a transcript of your statement.

And I think you also stated that you considered the Rules Committee a better friend of agriculture than you did the House Committee on Agriculture. I just sort of felt that if that was the case, that we ought to turn this thing over to the Rules Committee. I am afraid, however, that we would get into an awful shape if we did that. I do not mean to reflect on the Rules Committee, but it is not their business to pass upon these matters. But you say, "The Rules Committee has paid more attention to the needs of agriculture than the House Agriculture Committee has."

Just what has the Rules Committee done that has been so helpful to agriculture?

Mr. GRAHAM. I will say two things.

The CHAIRMAN. They killed the REA bill. You know that.

Is that what you are giving them credit for?

Mr. GRAHAM. Not entirely. Let me take half a minute and I will tell you the whole thing. One is that this speech was not necessarily critical as an attack on the committee, because I do not think that anybody has more consistently defended the right of the committee to do as it wished as I have. And just what I said a minute ago was a part of that. We do have the right to evaluate once in a while without just being critical. I have great respect for this committee. I have said so many times. And the members of the committee. I think it was in terms of bargaining that we were talking about out there at that particular time. Most of the farm organizations did oppose S. 109 as it came from the Senate, and we did not have much effect on this committee. We did hold it up in the Rules Committee for quite a while. This was the subject that we were discussing—not all of agriculture.

The CHAIRMAN. Of course, you held it up in this committee as you held it up in the Rules Committee, so far as that is concerned. Actually, you were able to delay action in this committee longer than in the Rules Committee.

[Laughter.]

Mr. GRAHAM. There was not very much support from the agricultural organizations. I was not the only one that opposed that. Even the Farm Bureau opposed it. They said that they would accept it, but this whole discussion had primarily to do with this field of——

The CHAIRMAN. I just cannot help but feel that it is a little harsh——

Mr. GRAHAM. You know this is one of the things that I would not have written.

The CHAIRMAN (continuing). To say the least, to criticize four members from Texas, even though you did give us credit for being five men.

Mr. PRICE. Were we included in the southern reactionary group?

The CHAIRMAN. I suppose we were. We are at least included with good company in that same group.

Mr. GRAHAM. May I say this, Mr. Chairman?

First of all, I was speaking pretty fast off the cuff in a pretty tense situation.

Second, I would not have written this into the speech if I had written it—it would not have been given, that which is shown there. I expect that I am not the only man that ever said something in the heat of speaking pretty fast that he wished he could take back, but there is no way of taking it back except to say that any kind of reflection that was adverse on the committee would not be what I intended to say, and I am certainly certain it was not. I am not unwilling to apologize for that connotation that went with it, but there was a great deal which was said in favor of the committee and in favor of the Congress in the rest of the speech. And that was a small part of the whole thing. I have great respect for both the chairman and the vice chairman you mentioned. I am sorry I told him so. He is not coming back to the Congress this coming year, which I think will be a great loss to the committee.

There are changes, though, in the attitude of the committee.

The word "reactionary" and the word "conservative" deal with semantics, to some extent. Conservative does not mean now what it used to mean. So that even the words are not a condemnation. There are times when some reactionaries may have a very valid position in terms of Government.

As I said this morning, I think that the Congress actually reflects the thinking of the people. This is a published speech, too. I feel very strongly. I did not mean to impugn the chairman or the people from Texas. Golly, if I would take off on somebody I would not do it on Texas. They have quite a bit of size, and we are well aware of it. They have a great interest in agriculture. I am not quarreling with that, especially with this chairman.

The CHAIRMAN. Thank you.

Mr. Abernethy?

Mr. ABERNETHY. I, for one, do not accept your statement and explanation. I think you have had an opportunity—if you had had the opportunity and you had written your statement, you would have covered up the actual feeling that you had in your heart and mind at the time. In a tense situation, you let down your actual feelings about people or situations, and if you will read your own words, a copy of which I have before me, you cannot read into those words the explanation you have made of them. You have suggested that these people should be voting for their friends and against their enemies, with which I agree, but you were indicating that we were the enemies. You unfortunately mentioned the members from Texas and the members from Mississippi, of which I am one, and the other members of this committee from the South. I am not going to be mealymouthed about this; I will tell you I do not appreciate it a bit, and if you want to resent that, it is all right with me. I think you ought to apologize and put it in the record right now, or else you ought not to come back to this committee any more. If you cannot respect the members of this committee you certainly cannot influence them. When you make speeches behind my back, I want you to know that I do not appreciate it, and my people do not appreciate it. I do not think that the committee appreciates it.

Mr. GRAHAM. I thought, Mr. Abernethy, I had apologized. If I have not, I do.

Mr. ABERNETHY. Even that does not wipe out what you said, but I think it is well that you put it on the record.

Mr. GRAHAM. So far as the record is concerned, I am glad to have it part of the record.

The CHAIRMAN. Mr. Mayne?

Mr. MAYNE. Considerable has been said here in defense of members from Texas and the South who were attacked by this witness at the National Farm Institute meeting held on February 15. I would like to ask Mr. Graham about some of the things he said about the new members of this committee, some of whom do not happen to be from Texas.

Do you recall, Mr. Graham, that, at that time, you made the following statement:

> I don't think that we have a friendly Congress to agriculture. I think we had one until two years ago, and some of your fellows forcibly retired some of the best friends agriculture had, and you replaced them with people who vote for the processors every time an issue comes up where the processor and producer interests collide.
>
> Now, I didn't do it; you did it to yourselves.

Parenthetically, you were talking to an audience of Iowa farmers, many of whom I represent.

Continuing the quotes:

> And when you finally learn to vote for your friends and vote against your enemies, we may be able to accomplish some of the things that you think we ought to do, and we can't do that until then. This is just a solid fact of life.

I have had reports from the farmers who were there, that this is what you said, and here is a transcript of it. This is what you said, is it not?

Mr. GRAHAM. What I am quoted as saying, yes.

Mr. MAYNE. Do you think, Mr. Graham, that the statement of yours at Des Moines, Iowa, on February 15, is consistent with your statement here this morning that the farm program should not be made a political football? You had something to say about that in your direct remarks?

Mr. GRAHAM. Politically, you do not make a political football out of it. You can make it a nonpartisan football game.

Mr. MAYNE. What did you think you were doing February 15 when you made these statements I have just quoted?

Were you not making it a political football and asking those people to vote against the members of this committee?

Mr. GRAHAM. No; I do not think so. I say, basically, it is not a friendly Congress. This certainly has had more to do with than this committee; it took in considerably more territory than this committee. This is what has been said by other people in different ways, but the Congress, basically, is such that what we get for agriculture we work for pretty doggone hard. Nobody gives us anything in agriculture in this Congress. That does not mean there are enemies of agriculture; it means we need friendship for agriculture to be characteristic of this good Congress, and I doubt that if changing the party in the number of instances really changed that very much. I think the problem is that there are so few of us today that anytime in the future that we have the committee and Congress that are entirely friendly to agriculture, it will be a kind of rare day in June.

Mr. MAYNE. To refresh your recollection a little further, let us continue this quote from your statement where you left off. You went on to say:

> We got 49 new congressmen these last two years: 17 of them ended up on the House Committee on Agriculture where nobody wants to go if he wants to get anywhere else anyway.

Did you say that?

Mr. GRAHAM. I expect that, unfortunately, it is so. The last part of it was an overstatement.

Mr. MAYNE. Let me read further.

Mr. GRAHAM. But the fact is, and you know, Mr. Mayne, that we have had a continual exodus from this committee, one after another, after another, after another, and this is the thing that I was driving at. People do not stay on this committee, except—in general, there is a tendency to move out, and the record shows that.

Mr. MAYNE. Let me assure you, Mr. Graham, that you are talking to one member of the committee who asked to be put on the committee, who fought to be put on the committee, and who appreciates the privilege of serving on the committee.

Mr. GRAHAM. Let me assure you that I am sorry that this interpretation came out. Probably, it was inevitable.

Mr. MAYNE. What do you mean, "this interpretation?"

These are your words, are they not?

Mr. GRAHAM. There are some people here who are very much interested in agriculture who came on the last time, and you are one. Mr. Zwach is one. And you, I know better than most of these other people. I do not know the others as well as I know you. This was an unfortunate speech, and I apologize.

Mr. MAYNE. You know me a little better now, do you not, Mr. Graham, than you did when you went out to Des Moines, Iowa, and made this kind of an attack on me and other members of the committee?

Mr. GRAHAM. Yes, sir.

Mr. MAYNE. Just continuing this condemnation of the new members, did you not also say, and I quote:

> These fellows, coupled with a reactionary southern element—we have got five men from Texas, two from Mississippi, and you go on down the line, and you've got a generally reactionary House Committee on Agriculture.

May I point out to you, Mr. Graham, this fact: Of all the members of the committee, there are just these 11 who were interested enough in your views, in your testimony, to show up here and to listen to it this morning. Seven of these are some of these new members of whom you spoke in that rather uncharitable manner. They are: Mr. Goodling, Mr. Miller, Mr. Burke, myself, Mr. Zwach, Mr. Price—of course, he has the double strike against him, he is also from Texas—and Mr. Myers.

The CHAIRMAN. Would you yield right there?

Mr. MAYNE. I will be glad to do so.

The CHAIRMAN. And all of those who were interested enough to attend are either new members or reactionary southerners who are here, are they not? [Laughter.]

Mr. MAYNE. These are the ones that I mentioned, among whom are the chairman and Mr. Belcher, the ranking minority member.

The CHAIRMAN. And he is from Oklahoma, which is way down South.

Mr. MAYNE. So, it seems to me, Mr. Graham, that it appears your friends whom you would not like to see defeated, that they are not here. The rest of us at least, are giving you the courtesy of a hearing, and are attaching importance to these hearings this morning. Would you agree with that?

Mr. GRAHAM. May I tell you something else?

This fellow who is sitting on my right, I have been with a long time. I do not know how to recall words that are said. You know that difficulty as well as I do. I did not mean to say that this is a bad committee; I meant to say, and I think the record shows, that this committee has not really—I guess probably the truth of the matter is that you have not had a chance to really come to grips with the basic interests of agriculture until you get this bill right in front of you right now.

Mr. MAYNE. I appreciate your statement. I want to assure you that I had no intention of going into this matter until you made your speech this morning about not making the farm program a political football, but that was really just a little too much for me to sit still for, knowing what my farmer constituents have reported to me as to your partisan remarks at the National Farm Institute in Des Moines, Iowa, in February.

Those are all the questions I have, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. GRAHAM. If it means anything at all, this is one of the situations where the man on the same subject, at the end of the morning session—we were getting pretty dead—and I threw away the script, and I should not have but I did, and so here I sit as contrite as I can, but do not have anything more than that to say.

The CHAIRMAN. I think you have made a good statement to us. It is well prepared. I think that it was poor judgment and a little unfair to make the charges you did in Des Moines.

Mr. GRAHAM. I think, when you go over these comments and the statement, you will be a great deal more pleased. I can assure you that we will say this in the most vigorous terms. I have defended the committee many, many times. I think that this committee has been a very great help to us. I think, basically, you have the interests of agriculture at heart, but there are differences of opinion as to what is in the best interests of agriculture. I do not think there is any question about that.

The CHAIRMAN. Thank you, Mr. Graham.

Mr. NEWSOM. If I may, I would like to say just one word, as master of the National Grange, I'd like very much to apologize to the committee or any member thereof for any statement or implication that Harry Graham may have made at Des Moines or elsewhere that shows a lack of respect for the membership of the committee or for the right of Americans to vote as they see fit on election day. I am a staunch believer in our system of government; I think that this philosophy demands that we have great respect for the Congress of the United

States and all of its Members, and I want you to know that the Grange has that feeling. I am grateful to each of you who have spoken to Harry Graham. He has a great deal of value. I think you have perhaps helped to improve that value—everyone of you who have spoken.

Mr. GOODLING. I would like to ask another question to which I did not get an answer.

Have there ever been any figures published on surplus soft wheat?

Mr. GRAHAM. It depends on what you call surplus. Most of the soft Winter wheat has been exported under public programs. Sixty percent or more of all of the soft Winter wheat has gone outside of the country—it has gone under this—so it would indicate that we could not move it any other way—we could not move it through commercial channels. There has been a surplus, so far as commercial channels are concerned.

The CHAIRMAN. I thank you very much, Mr. Graham, and Mr. Newsom.

We will now hear from Mr. Pat Healy, of the National Milk Producers Federation.

STATEMENT OF PATRICK B. HEALY, ASSISTANT SECRETARY, NATIONAL MILK PRODUCERS FEDERATION, WASHINGTON, D.C.

Mr. HEALY. Mr. Chairman, and members of the committee. My name is Patrick B. Healy, and I am assistant secretary for the National Milk Producers Federation. Our office is at No. 30 F Street NW., Washington, D.C.

I have a statement of some 13 pages which I would like to file and make some brief comments upon it if that is acceptable.

The CHAIRMAN. You may do so. We hope that you can do it as expeditiously as Mr. Graham did with his.

Mr. BELCHER. And I hope that there will not be as many questions asked of you as of Mr. Graham.

Mr. ABERNETHY. And I hope that you have not made any speeches around the country either.

Mr. HEALY. I have been quite circumspect, Mr. Abernethy.

The CHAIRMAN. You may proceed.

Mr. HEALY. I met Mr. Poage earlier this morning, and he reminded me that he had heard that I had been in Dallas last week, and while the committee was questioning Mr. Graham, I hastily searched my memory and my conscience to see if perhaps I had said something, but I did not find anything.

The National Milk Producers Federation is a national farm commodity organization, incorporated in 1916. It represents dairy farmers and cooperative associations marketing milk, on a cost basis, throughout the United States. The cooperative associations affiliated with the federation have dairy farmer members in 49 States and do business in all 50 States of the Union.

Some of the member cooperatives sell milk to dairy processing plants. A substantial part of the milk, however, is processed in farmer-owned plants and is marketed as fluid milk and dairy products.

Dairy farmers are among the principal users of the cooperative form of marketing. The Congress, in numerous legislative enactments, has

recognized the enormous contribution to American agriculture made by farmer marketing cooperatives, and it is the policy of the Congress to encourage their development and growth.

We are pleased to have this opportunity of appearing before this committee to discuss proposals to improve the economic position of the dairy farmer. Dairymen have been plagued with low prices and rising costs for several years. They have benefited substantially from the price support program, the Federal milk marketing order program and from other legislative enactments. However, they have been faced with milk supplies, particularly butterfat, in excess of commercial market requirements. This imbalance between supply and demand has been aggravated, on one hand, by the pressure of imports from abroad, and, on the other, by a persistent decline in butterfat consumption in fluid milk and in butter, which together provide a market for 75 percent of total butterfat in milk sold by farmers.

We will limit our testimony today to a few vital areas which we feel merit the support of this committee and of the Congress.

1. THE DAIRY IMPORT ACT OF 1967—H.R. 3816

We urge your support in seeking passage of the Dairy Import Act of 1967. This bill, H.R. 3816, was introduced early in 1967 and is now sponsored by 200 Members of the House of Representatives. S. 612, a similar proposal has been cosponsored by 59 Members of the Senate.

In our opinion, it was a direct result of support for this legislation by those sponsoring the bill in both Houses of Congress that led to a Presidential proclamation, effective July 1, 1967, limiting the flow of imports of some dairy products from abroad. These imports were largely made in evasion of quotas established by the Tariff Commission under section 22 of the Agricultural Adjustment Act.

The Presidential proclamation, although helpful, did not bring imports under permanent or effective control. Even now, additional commodities are entering the United States. Commodities under quota may find entrance through modifications in container types or sizes. Imports of chocolate crumb, which is milk solids containing sugar, chocolate, and perhaps other ingredients, are increasing. Evaporated milk, which is not subject to quotas but had been controlled by the Import Milk Act, can now be imported in unlimited quantities.

Experience in controlling imports under section 22 of the Agricultural Adjustment Act proves conclusively that new legislation is badly needed.

This last week, I heard from western New York where evaporated milk is being contract packed under New York labels in Holland and being shipped in here at $1.10 under the New York market.

Chocolate crumb, another item which was exempted specifically is coming in at the rate of 10 million pounds a year.

The Dairy Import Act does not cut off all imports. It establishes them at an average of reasonable years of imports and allows for raises in the quota and the lowering of the quota when consumption in the United States justifies it.

As a matter of fact, this last Friday, we have been forced to file with

the Secretary of Agriculture a request for another hearing under section 22, to attempt to control these new imports of evaporated milk. We do hope that it does not take the same length of time to get as it did before, 9 years—that is, to get a proclamation in existence, such as it did under the Junex situation.

H.R. 3816 would provide mandatory quotas on all dairy products imported. The quotas, in total, would equal the average of imports during the 5-year period, 1961 through 1965. The amount would be subject to upward or downward adjustment in response to changes in consumption within the United States.

We should like to submit copies of our booklet entitled "Invasion by Evasion" for the convenience of the committee. The booklet describes the need for new legislation and contains a copy of the Senate bill—S. 612.

2. THE BUTTER PLANT PAYMENT PROGRAM

We urge that this committee support H.R. 16137, a bill authorizing an additional method to maintain and enhance returns to dairy farmers, while making butter available to consumers at lower prices. The proposal is not intended to repeal, eliminate, or replace the CCC purchase method of price support for milk and butterfat.

The mechanics of the program are relatively simple. It is designed to strengthen the market for dairy farmers, but, in effect, it is a consumer subsidy. Many are loathe to consider such a program on its merits on the basis that they do not approve of subsidies. But, it should be recognized that subsidies exist, not only in agriculture, but in many other lines of industry.

When compared to the present purchase program for price support, the proposal would be more costly insofar as Government funds are concerned. The total public outlays under the proposal, however, would be much more favorable. The public outlays include both the cost to the Government, which is paid in taxes and the amount of money spent in the market for dairy products. When the proposal is viewed from that standpoint, the Butter Plant Payment Program would not be costly because consumers would have the benefit of lower butter prices.

The federation submits copies of our brochure entitled "A Program for the Benefit of Consumers and Producers of Butter" for the convenience of the committee. The brochure fully explains the proposal, including estimates of costs and estimates of gains to consumers.

In a companion effort to reverse the trend toward lower butterfat consumption in fluid milk, we are developing for consideration by the federation membership a modification of the pricing system under present law. If adopted, this pricing system could be made operative under present law.

We are calling this matter to your attention only to illustrate that dairy farmers are making efforts on their own behalf to improve the market without additional Government expense. If you desire it, we will gladly explain the pricing system; but we are not submitting it since it does not require legislation.

3. AMENDMENTS TO THE AGRICULTURAL MARKETING AGREEMENT ACT OF 1937

The Federation has appended to this statement drafts of proposed amendments to the Agricultural Marketing Agreement Act of 1937, as amended, for the following purposes:

(a) *Class I base plan.*—The authority for base plans as contained in the Food and Agriculture Act of 1965 will expire December 31, 1969. The Food and Agriculture Act of 1965, perhaps inadvertently, created some serious problems which should be corrected by further amendment to the Agricultural Marketing Agreement Act of 1937. The extension of the authority is necessary and provides an opportunity to make appropriate revisions so that the law will be in harmony with the needs of the milk markets and desires of dairy farmers.

The amendments to the class I base plan which we propose, and the reasons therefore, are as follows:

(i) The new authority should have no termination date. A termination date of authority for provisions of Federal milk marketing orders is impractical. Present procedures, for practical purposes, require a year and sometimes more to develop details for a proposal, hold public hearings, and otherwise abide by the administrative procedures necessary to make an order or a base plan effective.

(ii) Our proposal would authorize use of marketings of milk during a representative period not limited to 1 year and not restricted to a single period of time.

The 1965 Act, as interpreted by the Department of Agriculture, requires the use of a single representative period of time to establish a permanent history of marketings by a dairy farmer.

If a farmer does not initially establish such history of marketings during the representative period, he is destined to participate in the market as a new producer, unless he obtains a history of marketings by transfer or purchase from another dairy farmer. This type of provision is too rigid.

(iii) The proposed amendment would authorize use of allocations of fluid milk utilization among dairy farmers on the basis of their respective histories of marketings, which allocations also would be subject to adjustment from time to time.

The 1965 act, as interpreted by the Department of Agriculture, allocates utilization among dairy farmers on the basis of their histories of marketings and for the same period of time as was used in establishing such histories of marketings. Under these conditions, all market growth each month is set aside for allocation to new producers (new dairy farmers) and for the alleviation of hardship and inequities among dairy farmers before any can accrue to the month-by-month benefit, if any, of established producers. Thus, for any given month, new producers or hardship producers can receive allocations and average prices which are higher than those obtainable by established producers.

In fairness to dairy farmers who have supplied the market, their allocations should be at least as high, on the average, as alloca-

tions to new producers or allocations made in the interest of equity among producers.

(iv) The new authority should enable the Secretary of Agriculture to provide methods of establishing histories of marketings and allocations of utilization for new producers and to make adjustments to alleviate hardship and inequity among producers, but these should not necessarily be contingent on market growth.

(v) The new authority should not preclude reduction of histories of marketing for farmers who do not deliver their allocations of the fluid milk requirements of the market. If a farmer delivers less than his allocation of the fluid milk requirements of the market, his history of marketings should be subject to reduction if provided in the order.

(vi) The new amendment should provide specific authorization for making seasonal variations in prices paid producers (dairy farmers) without regard to seasonal variations in prices charged handlers for milk in each use classification.

Cows instinctively produce more milk in the spring and early summer months than at other times of the year, but the requirements of consumers for fluid milk do not vary from season to season. Dairy farmers can be encouraged to improve herd management in a manner to result in milk production more nearly in accordance with the needs of consumers. This encouragement can best be made through a price adjustment—increasing prices during the fall and winter months of the year and decreasing prices during the spring and early summer months.

For other reasons, it is desirable to maintain prices to handlers at the same level from month to month throughout the year. Under the proposed amendment, money would be accumulated during those months when milk production was at its highest level and disbursed as a means of increasing prices to farmers during months when milk is more urgently needed. Several of the orders now contain such plans under the incidental clause of the act, and we wish to provide a more specific authorization for them.

(vii) The new amendment should provide individual voting by dairy farmers on referenda on base plans which allocate fluid milk utilization among producers (dairy farmers), but representative voting by cooperative associations on behalf of their members with respect to other base plans and on all other matters.

(b) *Advertising.*—For some years, dairy farmers and their cooperative associations have supported efforts to increase sales and improve the image of the dairy industry through organizations established for this purpose. These efforts have been financed for the most part through voluntary contributions on the part of the farmers. Nevertheless, in many areas of the country, there is a lack of participation, and particularly in some of the larger fluid milk markets.

It was for the purpose of requiring participation among all farmers supplying a Federal milk order market, if approved by two-thirds of the producers in a referendum, that the Federation adopted a policy seeking amendment to the Agricultural Marketing Agreement Act of 1937 to authorize the use of producer funds for marketing research,

advertising, sales promotion, and other programs designed to improve or promote the consumption of milk and its products.

We support legislation to give effect to our membership resolution concerning this matter which is as follows:

"The federation will support amendments to the Agricultural Marketing Agreement Act to provide authorization to establish pool fund deductions for marketing research and development projects and advertising, sales promotion, educational and other programs designed to improve or promote the marketing and consumption of milk and its products. The moneys so derived shall be expended under direction of producer representatives of a market using this program. The order amendment providing for the program should be subject to separate approval of producers in the same manner as provided for the approval of marketing orders without jeopardizing other order provisions."

(c) *Administrative review procedures for producers.*—In section 8c(15)(A) of the Agricultural Marketing Agreement Act of 1937, an administrative procedure within the USDA is established for handlers. Handlers are required to use this review procedure within the Department in challenging the application of an order provision as applied to them, or its legality, before they are privileged to seek redress in Federal courts. This review procedure has worked well, both from the standpoint of the handlers' complaints and from the standpoint of the program's operations. The Department is afforded the opportunity of considering the merits of each complaint and, at the same time, to view it from the point of view of the effects on the program as a whole. When the appeals are made to the Federal courts, the courts are thus provided with a comprehensive analysis of the problem which greatly facilitates them in their work.

Heretofore, no such procedure has been provided for producer complaints. The omission has been on the grounds that producers were not regulated by Federal milk marketing orders. As a matter of fact, producers are directly affected by the orders and, to some degree, are regulated. An example of producer regulation is the Base Plan.

It is the view of the federation that the act should be amended authorizing a procedure for judicial review by the Department of Agriculture on complaints of producers and cooperative associations with respect to the application of order provisions to producers, or with respect to their legality, before such complaints may be subject to review by the Federal courts.

(d) *Reimbursement for services performed by cooperative associations.*—Cooperative associations marketing milk under Federal orders perform many services which benefit all producers as well as handlers and consumers. Oftentimes, the cost of such services cannot be recovered in marketing milk. An example is the cost of balancing supplies among handlers and providing a market for milk which is in addition to the requirements of handlers. In some instances, cooperatives maintain milk plants to manufacture the reserve supplies, and the cost of maintaining these plants is borne by member producers when the milk is diverted to the fluid milk market to supply the requirements of handlers and consumers. Consequently, the federation recommends that the Agricultural Marketing Agreement Act of 1937 be

93-373 O—68——9

amended to authorize the use of pool funds as provided by order provisions developed by the Secretary of Agriculture through hearings, to reimburse cooperatives for services performed on behalf of all producers.

4. IMPROVED COOPERATIVE BARGAINING

Dairy cooperatives have a long and successful history of representing the interest of dairy farmers in price negotiations and in marketing activities. Consequently, it has an interest in legislative efforts directed toward improving the bargaining position of dairy farmers.

The federation believes that farmers need additional bargaining strength. Insofar as milk is concerned, though, such bargaining power should be achieved by strengthening cooperative marketing associations rather than through committees. The federation believes, therefore, that any bargaining for dairy farmers under the Agricultural Marketing Agreement Act of 1937, should be through producer-owned and controlled cooperative marketing associations.

The federation has reservations about provisions of H.R. 15695 or H.R. 16513 and their likely effect. We do believe, if the Agricultural Marketing Agreement Act is amended to improve the bargaining position of farmers, the amendment should provide authorization for a qualified cooperative association or federation of qualified cooperative associations representing more than half of the dairy farmers supplying the market, to be certified by the Secretary of Agriculture to represent and perform marketing services on behalf of all dairy farmers supplying the market with milk.

The cooperative association or federation of cooperatives would perform the services instead of the committees specified in these bills. This would include the bargaining for price and for other terms of sale. We would suggest that any qualified cooperative associations so certified be required to offer proportionate representation to other qualified cooperative associations or federations of qualified cooperative associations who desire to participate.

It would be our position that the provisions of these bills not be made applicable to milk and dairy products. Both title I and title II would make it extremely difficult for the cooperative associations to effectively market the milk on behalf of their members, and to represent their dairy farmer members in bargaining for price and other terms of sale. Also, title I raises serious question as to the continued operation of the Federal milk marketing order program authorized by the Agricultural Marketing Agreement Act of 1937 and of the price support program authorized by the Agricultural Act of 1949. Furthermore, these bills authorize the use of marketing allotments. The federation membership opposes the use of marketing allotments but instead supports the use of base-excess plans under Federal milk marketing orders as already discussed.

Title II of these bills appear to be an alternate to title I, rather than a supplement to it. It would seem that the two titles would provide the mechanism for regulating the same commodities.

From the viewpoint of dairymen and the dairy industry, the use of marketing orders has been highly successful, even though the act should be amended to improve the effectiveness of the program.

If title II were enacted for the purpose of affording additional commodities the benefits of marketing orders, we would recommend that the provisions relating to milk not be changed. As mentioned, the federation would oppose authority for marketing allotments as applied to milk. Also, it would oppose the use of elected committees, independent of the cooperatives already marketing the milk. The committee functions would seriously hamper cooperative operations and impede their success. Also, in the event the bargaining procedure is provided, we would need assurance that the procedure would not displace minimum prices established by the Secretary of Agriculture under present procedures.

It should be emphasized that efforts to enhance farm prices through improved bargaining on the part of dairy farmers, with or without marketing allotments, will be a futile and misleading effort unless imports of the same commodities are strictly controlled. Methods of controlling imports, in our opinion, would be necessary under both titles I and II of these bills.

For many years, the National Milk Producers Federation has advocated legislation authorizing cooperative associations, singly or in groups, to bargain in good faith with handlers, singly or in groups, for prices and other terms of trade. Such authority would add bargaining strength to farmers, and should be authorized.

5. *Pesticides indemnity program.*—An important item to dairy farmers is the indemnity payment program for pesticide residues in milk. A number of dairy farmers have had their milk barred from the market because it contained minute traces of pesticide residues, even though the use of these pesticides had been recommended by the Federal Government or were caused by factors outside the control of the farmer, such as spray drift or contaminated purchased feed. The number of dairy farmers involved has been small and the expense to the Government has not been significant. However, so long as a farmer can suffer extreme economic loss after following procedures recommended by the Federal Government, it would be inequitable to discontinue the program.

BASE PLANS

A BILL To amend the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is further amended by striking in subparagraph (B) of subsection 8c(5) all that part of said subparagraph (B) which follows the comma at the end of clause (c) and inserting in lieu thereof the following:

"(d) a further adjustment, equitably to apportion the total value of the milk purchased by any handler, or by all handlers, among producers and associations of producers, on the basis of their marketings of milk during a representative period of time, which need not be limited to one year, and further adjustments to provide for the accumulation and disbursement of a fund to encourage seasonal adjustments in the production of milk, and (e) a further adjustment, equitably to apportion the total value of milk purchased by any handler, or by all handlers, among producers and associations of producers, on the basis of their marketings of milk during a representative period of time, which need not be limited to one year and which may be either a fixed period of one or more years, or a moving average of one or more years, as provided in the order, and which basis may be

adjusted, and readjusted from time to time, to reflect the utilization of producer milk by any handler or by all handlers in any use classification or classifications. In the event a producer holding a base allocated under this clause (e) shall reduce his marketings, such reduction shall not adversely affect his history of production and marketing for the determination of future bases, or future adjustments of bases, except that an order may provide that, if a producer reduces his marketings below his base allocation in any one or more use classifications designated in the order, the amount of any such reduction shall be taken into account in determining future bases or future adjustments of bases. Bases allocated to producers under this clause (e) may be transferable under an order on such terms and conditions as may be prescribed in the order if the secretary of Agriculture determines, in connection with such order, that transferability will be in the best interest of the public, existing producers, and prospective new producers. Provision shall be made in the order for the allocation of bases under this clause (e) to new producers and for the alleviation of hardship and inequity among producers, and prescribing terms and conditions under which new producers may earn bases. Producers holding bases so allocated or earned shall thereafter participate pro rata in the market in the same manner as other producers. In the case of any producer who during any accounting period delivers a portion of his milk to persons not fully regulated by the order, provision may be made for reducing the allocation of, or payments to be received by, any such producer under this clause (e) to compensate for any marketings of milk to such other persons for such period or periods as necessary to insure equitable participation in marketings among all producers. Notwithstanding the provisions of Section 8c(12) and the last sentence of Section 8c(19) of this Act, order provisions under this clause (e) shall not become effective in any marketing order unless separately approved by producers in a referendum in which each individual producer shall have one vote and may be terminated separately whenever the Secretary makes a determination with respect to such provisions as is provided for the termination of an order in subparagraph 8c(16)(B). Disapproval or termination of such order provisions shall not be considered disapproval of the order or of other terms of the order."

Sec. 2. Such Act is further amended (a) by adding to subsection 8c(5) the following new paragraph: "(H) Marketing orders applicable to milk and its products may be limited in application to milk used for manufacturing."; and (b) by amending subsection 8c(18) by adding after the words "marketing area" wherever they occur the words "or, in the case of orders applying only to manufacturing milk, the production area".

Sec. 3. The legal status of producer handlers of milk under the provisions of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, shall be the same subsequent to the adoption of the amendments made by this Act as it was prior thereto.

Advertising

A BILL To amend the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is further amended, by adding at the end of subsection 8c(5) the following new subparagraph (I):

"(I) Establishing or providing for the establishment of marketing research and development programs, other research programs, and advertising (excluding brand advertising), sales promotion, educational, and other similar programs, designed to improve or promote the domestic marketing and consumption of milk and its products, to be financed by producers in a manner and at a rate specified in the order, on all producer milk under the order. Producer contributions under this subparagraph may be deducted from funds due producers in computing total pool value or otherwise computing total funds due producers and such deductions shall be in addition to the adjustments authorized by subparagraph (B) of subsection 8c(5). Provision may be made in the order to exempt, or allow suitable adjustments or credits in connection with, milk on which a mandatory checkoff

for advertising or research is required under the authority of any state law. Such funds shall be paid to an agency organized by milk producers and producers' cooperative associations in such form and with such methods of operation as shall be specified in the order. Such agency may expend such funds for any of the purposes authorized by this subparagraph and may designate, employ, and allocate funds to persons and organizations engaged in such programs which meet the standards and qualifications specified in the order. All funds collected under this subparagraph shall be separately accounted for and shall be used only for the purposes for which they were collected. Programs authorized by this subparagraph may be either local or national in scope, or both, as provided in the order, but shall not be international. Order provisions under this subparagraph shall not become effective in any marketing order unless such provisions are approved by producers separately from other order provisions, in the same manner provided for the approval of marketing orders, and may be terminated separately whenever the Secretary makes a determination with respect to such provisions as is provided for the termination of an order in subsection 8c(16)(B). Disapproval or termination of such order provisions shall not be considered disapproval of the order or of other terms of the order."

Reimbursement for Marketwide Services

A BILL To amend the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is further amended, by adding at the end of subsection 8c(5) the following new subparagraph (I):

"(I) Establishing or providing for the establishment of programs to reimburse cooperative associations of producers, or federations thereof, for services performed on behalf of all producers and the market, including but not limited to the balancing of supplies in the market and the maintaining of plants for handling reserve and standby supplies of milk, to be financed by producers in a manner and at a rate specified in the order, on all producer milk under the order. Producer funds for use under this subparagraph may be deducted from funds due producers in computing total pool value or otherwise computing total funds due producers and such deductions shall be in addition to the adjustments authorized by subparagraph (B) of subsection 8c(5)."

Administrative Review for Producers

A BILL To amend the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (15) of Section 8c of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is amended to read as follows:

"(15)(A) Any handler subject to an order, and in the case of milk and its products any dairy farmer or cooperative association of dairy farmers affected by an order or any provision of an order, may file a written petition with the Secretary of Agriculture, stating that any such order or any provision of any such order or any obligation imposed in connection therewith is not in accordance with law and praying for a modification thereof or to be exempted therefrom. He shall thereupon be given an opportunity for a hearing upon such petition, in accordance with regulations made by the Secretary of Agriculture, with the approval of the President. After such hearing, the Secretary shall make a ruling upon the prayer of such petition which shall be final, if in accordance with law.

"(B) The District Courts of the United States in any district in which such dairy farmer, cooperative association or such handler is an inhabitant, or has his principal place of business, are vested with jurisdiction in equity to review such ruling, provided a bill in equity for that purpose is filed within twenty days from

the date of the entry of such ruling. Service of process in such proceedings may be had upon the Secretary by delivering to him a copy of the bill of complaint. If the court determines that such ruling is not in accordance with law, it shall remand such proceedings to the Secretary with directions either (1) to make such ruling as the court shall determine to be in accordance with law, or (2) to take such further proceedings as, in its opinion, the law requires. The pendency of proceedings instituted pursuant to this subsection (15) shall not impede, hinder, or delay the United States or the Secretary of Agriculture from obtaining relief pursuant to Section 8a(6) of this title. Any proceedings brought pursuant to Section 8a(6) of this title (except where brought by way of counterclaim in proceedings instituted pursuant to this subsection (15) shall abate whenever a final decree has been rendered in proceedings between the same parties, and covering the same subject matter, instituted pursuant to this subsection (15)."

(A paper entitled "A Program for the Benefit of Consumers and Producers of Butter" submitted by Mr. Healy follows:)

A PROGRAM

FOR THE BENEFIT OF

CONSUMERS AND PRODUCERS OF BUTTER

Published by:
National Milk Producers
Federation
30 F Street, N.W.
Washington, D.C. 20001

March, 1968

THE BASIC PROBLEM

The most important basic marketing problem affecting dairy farmers and dairy cooperatives is the steady decline in the utilization of butterfat in dairy products in commercial marketing channels.

The primary and most spectacular example of such decline, of course, has been the continued decrease in butter consumption. But the problem also exists in fluid milk marketing, inasmuch as the butterfat content of fluid beverage milk products is declining steadily. This is due in large part to the greatly increased utilization of low-fat and skim milk sold in beverage form, and non-dairy product coffee whiteners, toppings, and the like. At the present time, the sale of filled milk threatens to capture an important share of the fluid milk market.

These declining trends constitute the total problem of declining use of butterfat.

As a result of these declining trends in butterfat utilization in other dairy products, the butterfat so displaced increases the volume of butterfat used in butter.

This brochure is for the purpose of describing the proposal, advanced by the National Milk Producers Federation, which is designed to correct the butter consumption aspect of the total problem.

Before the Federation's proposal can be put into operation, it will be necessary to secure enabling legislation. Passage of such legislation, currently before the Congress, will require the coordinated efforts of every member association of the National Milk Producers Federation. It will need the wide understanding and support of every dairy farmer in America. The facts are clear and unmistakable. They are summarized in this brochure. Your reading time will be well invested.

METHODS MUST BE FOUND TO INCREASE CONSUMPTION OF BUTTER

The most important aspect of the continuous downward trend in butterfat consumption is the drastic decline in the per capita consumption of butter. It is extremely important to dairy farmers that some means be developed to arrest and reverse this trend. Accordingly, it is necessary to increase the per capita consumption of butter.

Increased consumption of butter is necessary to strengthen the market for butter and provide dairy farmers a satisfactory income.

Increased consumption of butter is necessary because butter prices undergird the prices of all other dairy products, including fluid milk.

Increased consumption of butter is necessary to prevent a serious shrinkage of the dairy industry -- a shrinkage that would cause disorderly marketing conditions for other dairy products, and more farmers to leave their farms.

We think the best method of securing an increase in butter consumption is to develop a butter plant payment program, which in effect is a consumer subsidy, such as is described in this brochure. This proposed program is designed to supplement the price support program, not to replace it.

The program is intended to encourage increased consumption through making lower retail prices possible while still maintaining and enhancing returns to producers for their milk.

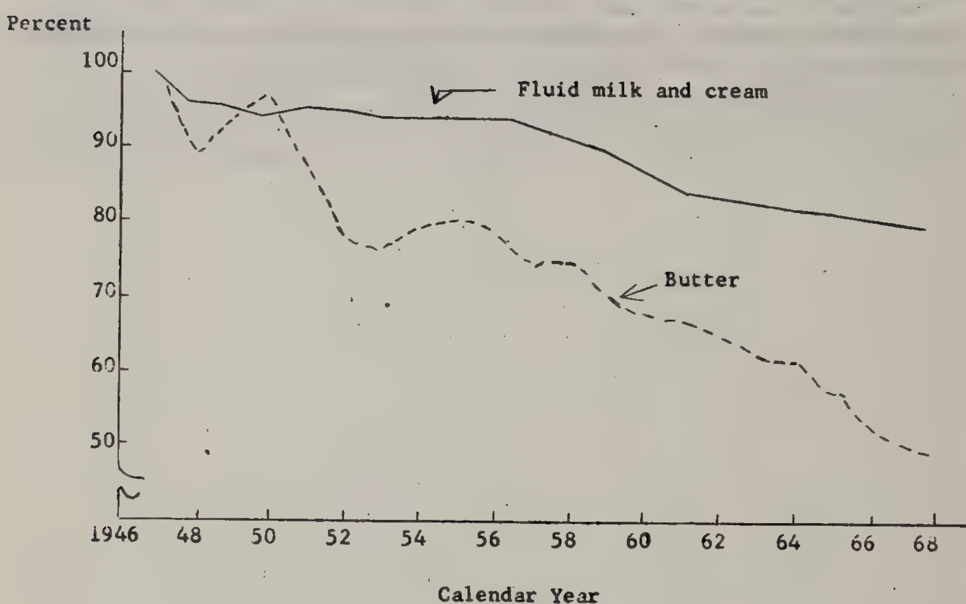
Therefore, it would appear that the consuming public should be favorably inclined towards the proposed program, and should support it.

CHANGES IN CONSUMPTION OF MAJOR DAIRY PRODUCTS

The per capita consumption of all dairy products (whole milk equivalent -- fat basis), has shown a declining trend for a number of years from 819 pounds in 1940 to 584 pounds in 1967, a drop of about 29 percent.

This declining trend has not been consistent among all dairy products, but has been quite significant in butter and fluid milk and cream, which together account for about 75 percent of all milk sold from farms in the United States. These trends, excluding the war period when normal consumption relationships were distorted by wartime programs, are shown graphically in the following chart, with per capita consumption each year expressed as percentages of such consumption in 1947.

Chart 1. - Trends in the per capita consumption of fluid milk and cream, and of butter, expressed as a percentage of such consumption in 1947.
(1947=100)

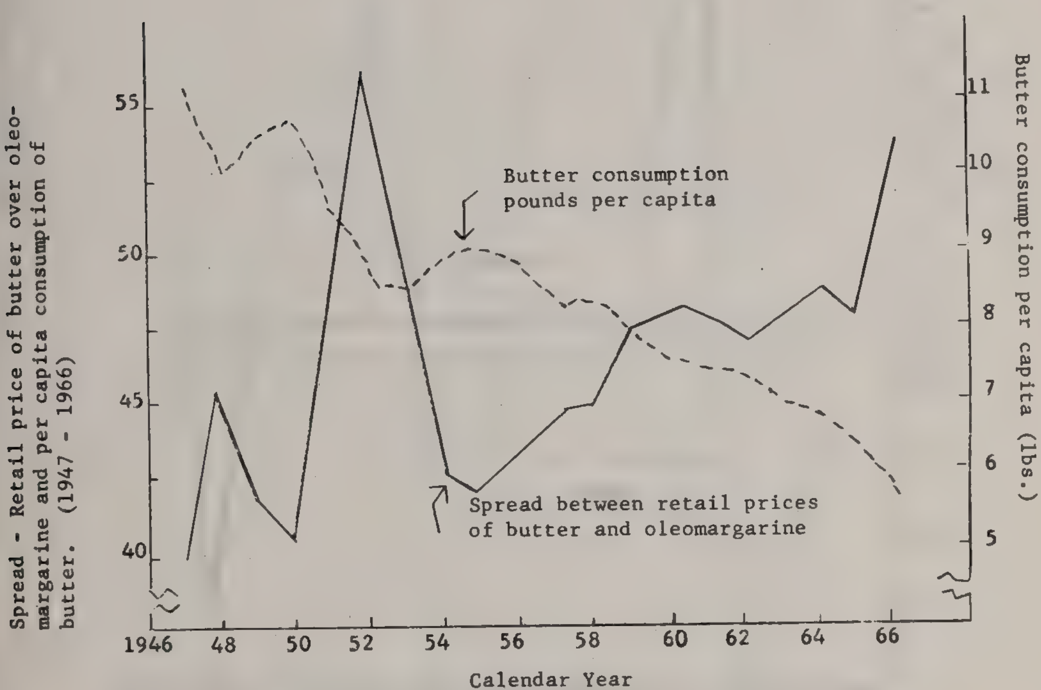


FACTORS AFFECTING BUTTER CONSUMPTION

We think that the major reason for the continuous decline in butter consumption is due to the fact that retail prices of oleomargarine are so much lower than butter. Since 1947, oleomargarine retail prices have averaged about 46 cents per pound less than butter, and are now over 50 cents per pound less.

Chart 2 shows that, as the spread between retail prices of butter and oleomargarine increases, butter consumption declines. This fact is emphasized further in Chart 3, which shows that, although the combined per capita consumption of butter and oleomargarine has changed very little since 1947, oleomargarine consumption continues to grow while butter consumption steadily declines. Thus, these data show that the "weight conscious" and the so-called cholesterol argument are without foundation in fact. The data show the real cause of the decline in butter consumption is the wide retail price spread between butter and oleomargarine.

Chart 2. - Changes in the retail price spread between butter and oleomargarine and per capita consumption of butter. (1947 - 1966)



OPERATION OF THE PRICE SUPPORT PROGRAM

Under the Agricultural Adjustment Act of 1949, as amended, the prices of milk and butterfat must be supported at not less than 75 percent nor more than 90 percent of parity, with the actual level of price support that the Secretary of Agriculture determines will assure an adequate supply. The method of price support is by purchase of, or loans on, the products of milk and butterfat. Butter, Cheddar cheese, and nonfat dry milk have been the products purchased under the program.

Since 1949, purchases (milk equivalent -- fat basis) have varied, depending upon supply, demand, and the level of price support. They have ranged from as little as 12 million pounds in 1951 to as high as 10.3 billion pounds in 1953. The yearly variation in purchases, expressed as a percentage of total milk marketed from farms, is shown below in Chart 4.

Chart 4. - CCC price support purchases, milk equivalent -- fat basis, expressed as a percentage of total milk marketed from farms, 1949 - 1967.

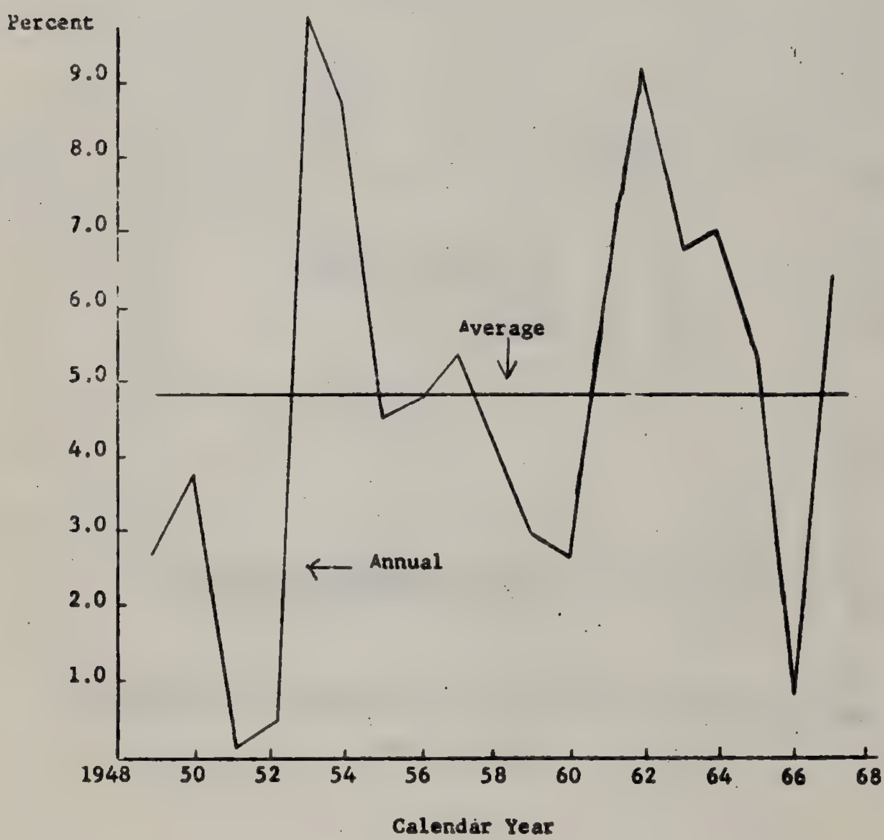
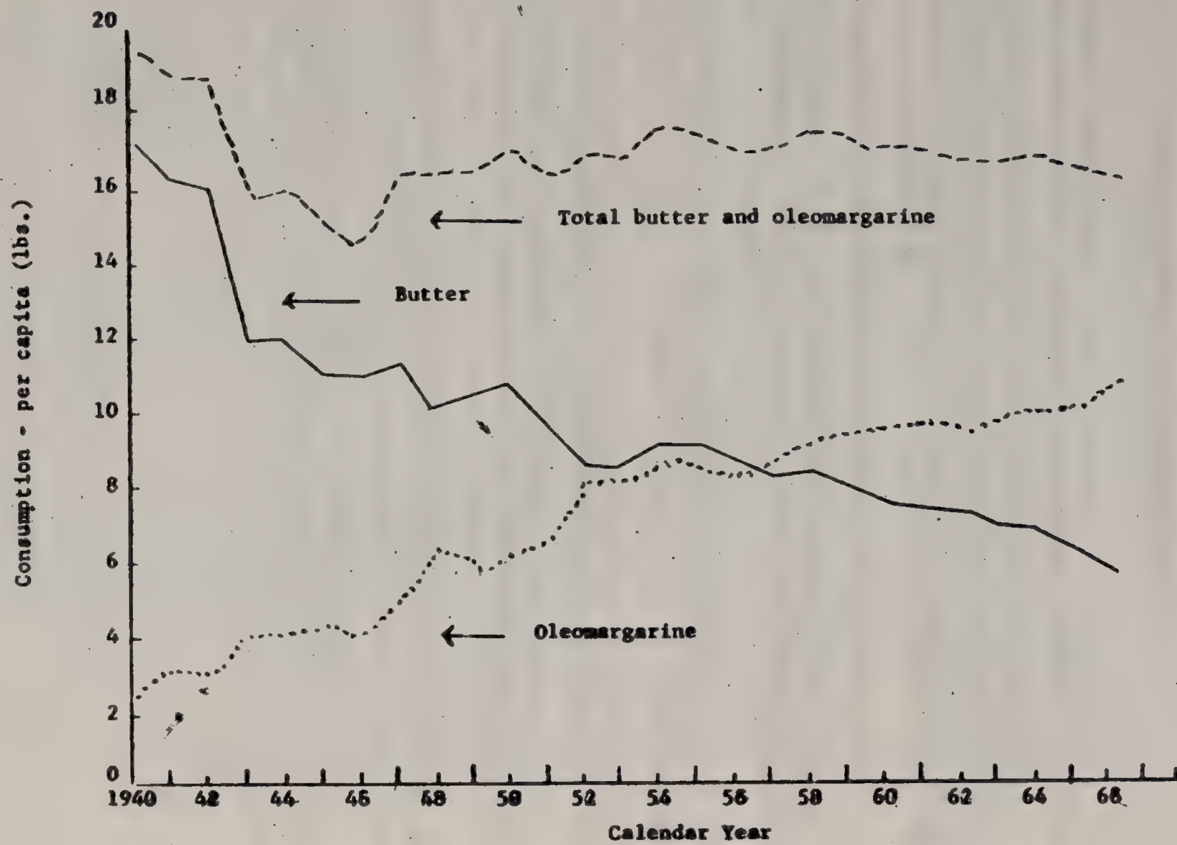


Chart 3. - Per capita consumption of butter, oleomargarine, and total, United States, 1940 - 1966



THE PROPOSED BUTTER SUBSIDY PROGRAM

It is felt that a program which would encourage consumer demand for butter is a desirable supplement to the purchase method of price support.

Accordingly, the Federation proposes that legislation be enacted authorizing an additional method to maintain and enhance returns to dairy farmers in the United States, while making butter available to consumers at lower prices. The proposal is not intended to repeal, eliminate, or replace the CCC purchase method of price support for milk and butterfat.

The mechanics of the program are relatively simple, as follows:

1. At the beginning of the marketing year, as at present, the Secretary of Agriculture would announce the price support level to producers for milk and butterfat.

2. The Secretary would announce the amount of the minimum payment to plants per pound of butter for the marketing year. The payment could be increased during the year, but not reduced.

3. The Secretary would also announce the level at which he would stand ready, through CCC, to purchase butter, cheese, and nonfat dry milk.

The purchase price of butter, as thus announced, when added to the butter plant payment, would be sufficient to return to producers the support price for butterfat.

Although the program is designed as one method of maintaining and enhancing returns to dairy farmers, in effect it is a consumer subsidy because consumers would be able to purchase butter at lower prices.

A bill, S.2527, authorizing the proposal, has been introduced by Senator Mondale, and is now co-sponsored by Senators McGovern, Mundt, McCarthy, Young of North Dakota, Burdick and Carlson. A copy of S.2527 is included in this brochure.

COMPARISONS OF COSTS OF PROPOSED BUTTER PLANT PAYMENT PROGRAM AND THE PRICE SUPPORT PROGRAM

Naturally, a proposal such as the butter plant payment program encounters a number of questions. Many people are loathe even to consider such a program on its merits on the basis that they do not approve of subsidies. But it should be recognized that subsidies in fact exist, not only in agriculture, but in many other lines of industry. The proposed butter plant payment program is no more a subsidy than is the current price support program and other programs of assistance to agriculture.

As to whether the proposed program would be prohibitively more expensive than the current program, no one can estimate the cost of any program with guaranteed accuracy. This holds true whether it is the cost of acreage diversion program, a straight price support purchase program, a loan program, building roads, or developing spacecraft to land men on the moon.

Be that as it may, we have tried to make such estimates relative to the cost of the proposed butter plant payment program as accurate as possible in view of the available information.

The public outlays under any type of program include the cost to Government, which the public pays in taxes, plus the amount of money it spends on the amount of commodity it buys under the program.

Based on the latest revised USDA data for 1967, we have developed estimated total public outlays under three different programs, as follows:

1. Program A - The current price support program, with 967 million pounds civilian commercial consumption:

(a)	CCC purchases	-	$184 million
(b)	Retail value of civilian consumption	-	810 million
	Total		$994 million

2. Program B - Butter plant payment program, with CCC purchases for school lunch and welfare of 115 million pounds, and civilian commercial consumption of 1,097 million pounds:

(a)	CCC purchases	-	$ 80 million
(b)	Plant payment	-	158 million
(c)	Retail value of civilian consumption	-	765 million
	Total		$1,003 million

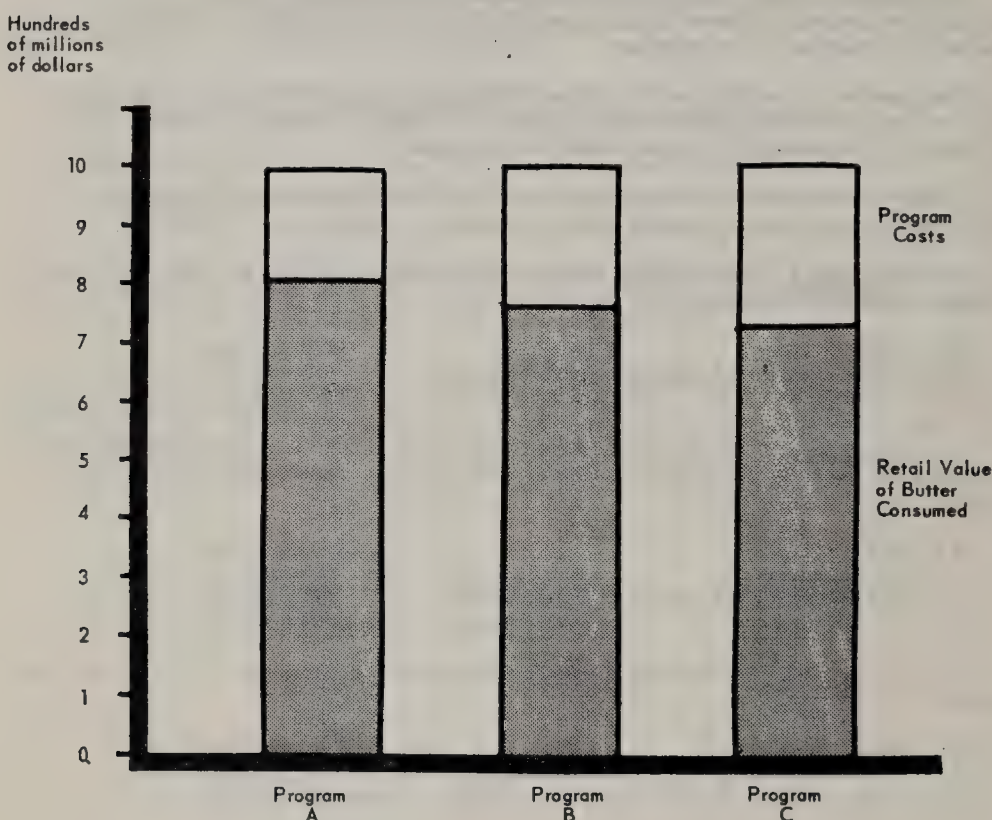
3. Program C - No CCC purchases, and civilian consumption of 1,212 million pounds:

(a)	Plant payment	-	$270 million
(b)	Retail value of civilian consumption	-	734 million
	Total		$1,004 million

Total public costs under Program B, with 115 million pounds purchased by CCC for school lunch and welfare distribution, exceeds total public outlays under the price support program by $9 million but consumers use 130 million more pounds of butter.

Total public costs under Program C, with no CCC purchases, exceeds total public outlays under the price support program by $10 million, but consumers use 245 million more pounds of butter.

Chart 5. - Total public outlays under three programs: A - CCC purchase program; B - payment program and CCC purchases of 115 million pounds for school lunch and welfare; and C - payment program with no CCC purchases.



90TH CONGRESS
1ST SESSION

S. 2527

IN THE SENATE OF THE UNITED STATES

OCTOBER 12, 1967

Mr. MONDALE introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

A BILL

To encourage the movement of butter into domestic commercial markets.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That whenever the Secretary of Agriculture finds that purchases of butter for price support purposes will exceed for any marketing year the volume to be utilized for domestic distribution, including the school lunch program, he shall encourage the movement of butter into commercial domestic consumption by effecting a reduction in prices to consumers by payments made at the processing level on butterfat used in butter. The Secretary also may make such payments on butterfat used in the manufacture of dairy prod-

II

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ucts for which butter can be used, or he may exclude from such payments butter used in the manufacture of other dairy products, whichever the Secretary determines will best effectuate the program. The Secretary shall provide, whenever possible and consistent with the requirements of this Act, a further reduction in the price of butter for low-income consumers, using any statutory authority available to him.

SEC. 2. The Secretary may prescribe such regulations as he deems appropriate to carry out the provisions of this Act.

SEC. 3. There is hereby authorized to be appropriated such sums as may be necessary to carry out the purposes of this Act.

(A booklet entitled "Invasion by Evasion—Imports and the Dairy Farmer" submitted by Mr. Healy follows:)

INVASION BY EVASION
Imports and The Dairy Farmer

NATIONAL MILK PRODUCERS FEDERATION

DAIRY FARMERS AND THEIR COOPERATIVES

NATIONAL MILK PRODUCERS FEDERATION
Washington, D.C.

90th CONGRESS
1st Session

S. 612

IN THE SENATE OF THE UNITED STATES

January 24, 1967

Mr. Proxmire (for himself, Mr. Aiken, Mr. Allott, Mr. Brewster, Mr. Burdick Mr. Carlson, Mr. Church, Mr. Cooper, Mr. Curtis, Mr. Dirksen, Mr. Dominick, Mr. Eastland, Mr. Ervin, Mr. Fannin, Mr. Gruening, Mr. Harris, Mr. Hart, Mr. Hartke, Mr. Hruska, Mr. Inouye, Mr. Jackson, Mr. Jordan of Idaho, Mr. Kuchel, Mr. Long of Missouri, Mr. Magnuson, Mr. McCarthy, Mr. McGovern, Mr. Miller, Mr. Mondale, Mr. Monroney, Mr. Morse, Mr. Mundt, Mr. Nelson, Mr. Prouty, Mr. Scott, Mr. Sparkman, Mr. Symington, Mr. Thurmond, Mr. Young of North Dakota, and Mr. Young of Ohio) introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

A BILL

To regulate imports of milk and dairy products, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Dairy Import Act of 1967".

Sec. 2. No imports of dairy products shall be admitted into the United States for consumption except pursuant to

II

authorizations issued by the Secretary of Agriculture in accordance with the provisions of this Act.

SEC. 3. No authorizations for imports of dairy products shall be issued by the Secretary which would result in total imports for consumption in any calendar year of butterfat or nonfat milk solids, in any form, in excess of the respective average annual quantities thereof which were admitted for consumption during the five calendar years 1961 through 1965.

SEC. 4. In the event that total annual domestic consumption of milk and milk products in any calendar year shall be greater or less than the average annual domestic consumption of milk and milk products during the five calendar years 1961 through 1965, the total volume of imports for such calendar year authorized under section 3 shall be increased or decreased by a corresponding percentage. For the purposes of this Act, the Secretary may estimate such total annual domestic consumption on a quarterly basis and reflect adjustments of such estimates in the level of imports authorized in subsequent quarters or in the subsequent year. In computing or estimating such annual domestic consumption under this Act, milk and milk products used in Federal distribution programs shall be excluded.

SEC. 5. The President may permit, if he finds such action is required by overriding economic or national security

interests of the United States, additional quantities of imports of any dairy product. Additional imports permitted under this section shall be admitted for consumption under special authorizations issued by the Secretary. No additional imports shall be admitted for consumption under this section at a time when prices received by dairy farmers for milk on national average as determined by the Secretary are at a level less than parity, unless the Secretary shall, at the time such imports are authorized, remove from the domestic market, in addition to and separate from other price support purchases and operations, a corresponding quantity of dairy products. The cost of removing such dairy products from the domestic market shall be separately reported and shall not be charged to any agricultural program.

Sec. 6. "Dairy products" for the purpose of this Act includes all forms of milk and dairy products, butterfat, nonfat milk solids, and any combination or mixture thereof, and includes also any article, compound, or mixture containing 5 per centum or more of butterfat, or nonfat milk solids, or any combination of the two.

Sec. 7. The Secretary may prescribe such rules and regulations as he deems necessary for the effective administration of this Act.

Sec. 8. Nothing contained in this Act shall be construed to repeal section 22 of the Agricultural Adjustment

Act or any import limitation established thereunder; but the total annual quantitative limitations on imports of butterfat and nonfat milk solids prescribed by this Act shall prevail, and all imports authorized under said section 22 or any other law shall be included in computing such total.

90th CONGRESS
1st Session

S. 612

A BILL

To regulate imports of milk and dairy products, and for other purposes.

By Mr. PROXMIRE, Mr. AIKEN, Mr. ALLOTT, Mr. BREWSTER, Mr. BURDICK, Mr. CARLSON, Mr. CHURCH, Mr. COOPER, Mr. CURTIS, Mr. DIRKSEN, Mr. DOMINICK, Mr. EASTLAND, Mr. ERVIN, Mr. FANNIN, Mr. GRUENING, Mr. HARRIS, Mr. HART, Mr. HARTKE, Mr. HRUSKA, Mr. INOUYE, Mr. JACKSON, Mr. JORDAN of Idaho, Mr. KUCHEL, Mr. LONG of Missouri, Mr. MAGNUSON, Mr. McCARTHY, Mr. McGOVERN, Mr. MILLER, Mr. MONDALE, Mr. MONRONEY, Mr. MORSE, Mr. MUNDT, Mr. NELSON, Mr. PROUTY, Mr. SCOTT, Mr. SPARKMAN, Mr. SYMINGTON, Mr. THURMOND, Mr. YOUNG of North Dakota, and Mr. YOUNG of Ohio

JANUARY 24, 1967

Read twice and referred to the Committee on Agriculture and Forestry

INVASION BY EVASION

The most important dairy farmer need in 1967 is the strengthening of import controls on foreign produced dairy products. Ever since quotas were first invoked in 1953, they have been continuously eroded. The one remaining recourse is legislation.

To achieve remedial legislation will require the coordinated efforts of every member association of the National Milk Producers Federation. It will need the wide understanding and support of every dairy farmer in America. The facts are clear and unmistakeable. They are summarized in this brochure. Your reading time will be well invested.

Published January 17, 1967, by:
National Milk Producers Federation
30 F Street, N. W.
Washington, D. C. 20001

IMPORT CONTROLS ARE INDISPENSABLE

Effective control of dairy imports is indispensable to dairy farmers and of vast long-range importance to the general public.

Effective import controls are necessary in order that farmers may have an opportunity to achieve parity prices for their milk and butterfat. Achievement of parity prices as a goal of national public policy is clearly set forth in all major agricultural legislation, including the Agricultural Adjustment Act of 1933, the Agricultural Marketing Agreement Act of 1937, and the Agricultural Act of 1949. This parity price goal cannot be attained if large scale imports are permitted because they either will (1) render the price support program ineffective, or (2) involve the government in the purchase of such large volumes of products displaced by imports so as to cause the discontinuation of the program.

Effective import controls are necessary to provide dairy farmers a level of income commensurate with that received by other segments of our economy, and to enable farmers to maintain a strong and progressive industry in the face of ever-increasing costs. Prices to farmers for milk and butterfat last reached the parity level in 1952. Since that time they have been considerably below parity. In four of the last five years they have barely been above 75 percent of parity.

Effective import controls are necessary also to assure an adequate supply of fluid milk and other dairy products for our growing population, to meet our needs for national defense and security, to meet the critical needs of our government for use in foreign nations as an integral part of our foreign policy, and to provide for essential uses within the United States. If imports are allowed to impair our production capacity, it cannot be quickly restored.

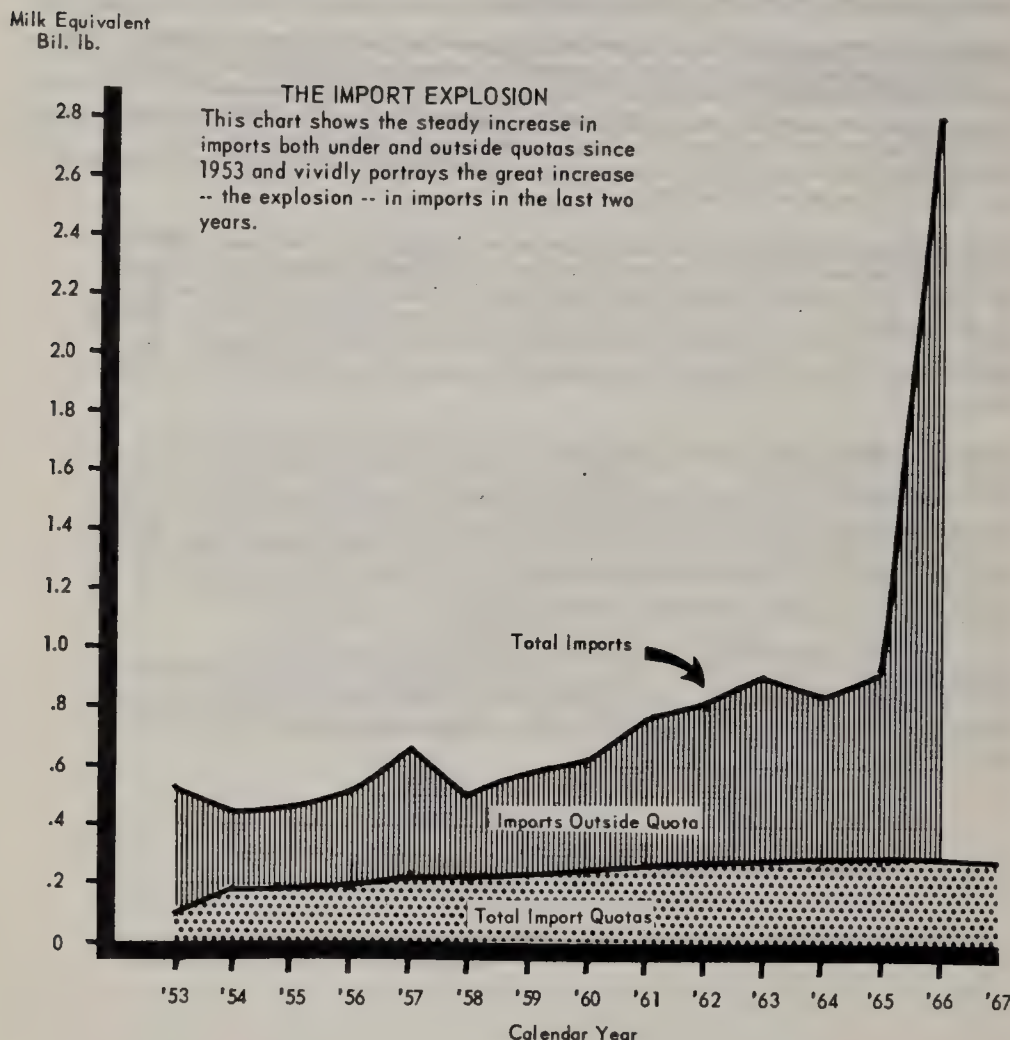
Effective import controls are necessary to provide an opportunity for U. S. dairy farmers operating in our high-price and high-wage economy to compete free from inroads of large supplies of foreign products made cheap through subsidy arrangements. In the common market countries minimum import prices for butter range from a low of 70 cents per pound in the Netherlands to 94 cents per pound in Belgium and Luxemburg. Such prices are maintained by import levies. These same nations export butter at prices as low as 20 cents per pound.

Effective import controls are necessary to neutralize the great pressures which are generated by the vast difference in subsidized world market prices and the prices which public policy demands be received by American dairy farmers.

BRIEF HISTORY OF DAIRY IMPORTS

Imports will show an increase of 567 percent -- almost 7 times above 1953 -- if U.S.D.A. estimates of dairy product imports for 1967 are realized. Last year imports showed a startling increase. Whereas from 1953-1965 the increase in imports was 75 percent, in 1966 this jumped to 433 percent.

The first dairy proclamation under Section 22, issued in 1953, established annual quotas equal to 189 million pounds of milk equivalent in the form of dairy products. In that year total imports were 525 million pounds. U.S.D.A. estimates that in excess of 3-1/2 billion pounds of milk equivalent will be imported in 1967.



IMPORT QUOTAS ESTABLISHED BY PRESIDENTIAL PROCLAMATION 3019,

EFFECTIVE JULY 1, 1953 AND MILK EQUIVALENT (FAT BASIS)

PRODUCT	QUOTA (POUNDS)	MILK EQUIVALENT (POUNDS)
Cheese:		
Cheddar	2,780,100	27,244,980
Blue Mold	4,167,000	37,890,531
Italian	9,200,100	73,416,798
Edam & Gouda	4,600,200	34,869,516
TOTAL CHEESE	20,747,400	173,421,825
Butter	707,000	15,235,850
Dried Cream	500	9,300
Malted	6,000	15,900
Dried Whole	7,000	51,450
Dried Skim Milk	1,807,000	
Dried Buttermilk	496,000	709,280
TOTAL MILK EQUIVALENT OF QUOTAS		189,443,605

INVASION BY EVASION

Quotas intended to limit entry of dairy products into the U. S. were established July 1, 1953, by Presidential Proclamation 3019. The proclamation reasonably could have been expected to have established maximum quantities of dairy products which may be imported.

The ink on the proclamation was scarcely dry, however, before exporters abroad and importers within the U. S. quickly discovered that import quotas were easy to circumvent and reprisals by the executive branch would not result from such circumvention. It was soon found that any product -- irrespective of whether it had ever been imported or even existed -- could be imported in unlimited amounts. Such imports establish a "history of imports" which was useful to foreign exporters and U. S. importers in later establishment or enlargement of quotas.

The first overt circumvention of established quotas involved the splitting of "loaves" of Italian-type cheese. The original quotas specified in original loaves. As a consequence, Italian-type cheese began entering the U. S. as "split" loaves. Also, varieties of cheese, not specified in the original proclamation, entered the market. The import quotas as established were not full or effective since cheese imports outside the quotas exceeded those permitted by a ratio of 3 to 2 the first year.

The tug of war over cheese imports continues to this day. At present the big noncontrolled item is Colby cheese, a product practically identical to Cheddar cheese. Colby cheese is entering the country at a rate ten times the volume established as a quota for cheddar.

When Section 22 of the Agricultural Adjustment Act was invoked July 1, 1953, imports of butter were limited to 707,000 pounds annually, but this was circumvented immediately by the importation of butteroil, a product not previously imported. After much urging and a hearing, the Tariff Commission established an import quota on butteroil at 1,200,000 pounds annually. Total imports of butterfat (as butter and butteroil) thus became nearly three times as great as intended when the 707,000-pound quota was established.

Once the quota for butteroil was made effective, evasion and circumvention of such quotas took the form of butterfat-sugar mixtures.

Exylone, the first product of this type to be imported, was used principally in the ice cream trade as a replacement for domestic cream. The domestic cream, of necessity, was churned into butter for sale to the government under the price support program at lower returns to dairy farmers.

The Tariff Commission held another hearing. This time, however, it relied upon a representative period predating imports of Exylone, and established a quota for Exylone at zero.

In barring imports of Exylone, however, the regulation applied only to products containing 45 percent or more of butterfat. The dairy industry argued that this limitation would merely invite new imports in mixtures containing less than 45 percent butterfat. This happened at once.

A new mixture, called Junex, promptly made its appearance. Junex contained 44 percent butterfat and 55 percent sugar. In 1966 alone, 104.5 million pounds entered the United States, dwarfing the quota on butter and butteroil to meaningless terms.

As a substitute for action under Section 22, the executive branch negotiated with Australia, Ireland, and New Zealand, limiting imports for Colby cheese, cream and butterfat-sugar mixtures, all nonquota products, in 1962 through 1964. These agreements could not bind nonsignatory countries. As shipments from the latter countries increased, the agreements were abandoned. In mid-1966 the Secretary of Agriculture promulgated regulations under the Sugar Act limiting the importation of products containing 25 percent and more of sugar.

This regulation, too, proved ineffective. Mixtures containing 44 percent butterfat, 24 percent sugar, and 31 percent nonfat milk solids were at sea before the regulation was issued. In 1966 imports of butterfat-sugar mixtures displaced a market for U. S. dairy farmers equal to 10 percent of total ice cream production.

Imports of dairy products thus continued to increase. The U. S. Department of Agriculture predicts that the total of imports in 1967 will approximate 3.5 billion pounds of milk (calculated on a butterfat basis). This level of imports is 12 times the total authorized by import quotas.

LEGAL BACKGROUND OF IMPORT CONTROLS

In earlier years the dairy industry in the United States was largely self-sufficient, and the small differences in domestic and foreign prices were offset by modest tariffs.

Following World War I, the butter tariff was increased from 2.5 cents to 12 cents per pound to reflect increasing price differentials. The Tariff Act of 1930 set the tariff rate at 14 cents per pound on butter with corresponding rates on other dairy products. Although these were fixed rates, they operated effectively for several years.

These tariff rates were subsequently reduced to inadequate levels under the trade agreement acts. The reduced tariffs were unrealistic in that they failed to take into account the substantial price differences which were developing between domestic and world price levels for dairy products.

The tariff reductions were not correlated with the programs of the Department of Agriculture and the results were at cross purposes. Moreover, ready use by foreign nations of heavy export subsidies, currency devaluation, exchange manipulations, and similar practices operated to render fixed tariff rates practically meaningless and to require the use of import quotas.

Import quotas were imposed on major dairy products in 1942 under the Second War Powers Act. This was done primarily to keep fats needed in the allied countries from being drawn to the high-priced American market, and to help carry out an international allocation of dairy products.

These controls continued in part through 1948. Later, in the 1949-51 period, imports of butter were controlled under special legislation to permit the orderly liquidation of stocks the government had acquired under the support program.

To prevent excessive imports from resulting in unnecessary expenditures under the price support program, Congress in 1951 authorized import quotas in Section 104 of the Defense Production Act. These controls were maintained until 1953, when they were shifted to Section 22 of the Agricultural Adjustment Act.

Section 22 of the Agricultural Adjustment Act was enacted back in 1935 as a part of the agricultural programs designed to provide fair returns to agricultural producers as measured in terms of parity prices. Its purpose was to assure that the government programs would not be rendered ineffective by imports. It was materially strengthened in 1951 when Congress amended it to state clearly and forcefully that the protection which it had authorized for the agricultural programs would take precedence over the trade agreements.

Although Section 22 has been available since 1935, it was not until 1953 that use of it was made to protect the agricultural programs provided by Congress for dairy farmers.

Since that time, the controls set up in 1953 have been continuously eroded because administration of the section has been weak and ineffective.

Particularly in more recent years, evasion of the import controls has become a popular and profitable pasttime for importers and foreign nations. Huge quantities of imports are being brought into the country in open and flagrant evasion of the import quotas.

These have resulted in millions of dollars of added and unnecessary cost to the dairy price support program, and they are interfering substantially with the attainment of the goal of the program which is parity prices in the marketplace.

"DAIRY IMPORT ACT OF 1967"

The National Milk Producers Federation, after careful study and consultation with members of Congress, developed a new import control program which was incorporated in a bill introduced last year by Senator Proxmire and 21 other Senators. Numerous similar bills were introduced in the House.

Legislation has now been introduced in the new Congress, and the Federation will make an all-out fight for its passage. This will not be an easy task, since it must be assumed that there will be strong opposition. The bill should be supported because it sets a fair guideline under which government and industry can operate.

Opposition will arise in spite of action by other nations, such as those in the European Common Market, to protect their own agriculture, and in spite of tremendous differences between our domestic prices and world export prices which make free trade concepts with respect to dairy products completely visionary and unrealistic.

The legislation proposed would use as a base the average annual quantities of butterfat and nonfat milk solids imported during the five calendar years 1961-65. 1966 would not be included in the base because it was not a normal year. Heavily subsidized exports of surplus production in foreign nations, coupled with price increases in this country needed to stop a dangerous decline in domestic production, resulted in abnormally large volumes of imports of evasion-type products during 1966. The same condition threatens serious harm to American dairy farmers in 1967, unless Congress acts to fix a limit on imports under this legislation.

The 1961-65 average would be an automatic control and would not require lengthy and unsatisfactory Tariff Commission proceedings as under present law.

The controls would be flexible as between products and countries, subject to the overall limitation that the annual total of all dairy-product imports could not exceed the 1961-65 average. This would permit recognition of any legitimate new dairy products which might be developed while at the same time preventing evasion.

Provision is made to permit the President to authorize additional imports in the national interest. If additional imports are admitted under this provision, at a time when dairy farmer prices are below parity, a corresponding quantity of dairy products would be removed from the domestic market. This would permit the market to respond to domestic market forces and help attain the goal of the agricultural program authorized by Congress, which is parity prices in the marketplace for American dairy farmers.

The bill also provides that as the domestic market expands due to population or other factors, the import total would increase in the same ratio.

Thus foreign countries would share in the growth of the United States market in the same relative proportion as our own farmers, but their exports to this country could not grow by displacing domestic production. This would prevent serious impairment of our dairy industry which is much too important to our national economy and national security to be sacrificed for concepts of free trade which, so applied to the dairy industry, are unrealistic and impractical.

Most important, the new bill would put an end to the subterfuge and evasion practiced under the present inadequate import controls.

Furthermore, a definite and known level of imports would be established to which the market could adjust and on which our own farmers and foreign countries could make sound future plans.

93-873 O - 68 - 11

A BILL

To regulate imports of milk and dairy products, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Dairy Import Act of 1967."

Sec. 2. No imports of dairy products shall be admitted into the United States for consumption except pursuant to authorizations issued by the Secretary of Agriculture in accordance with the provisions of this Act.

Sec. 3. No authorizations for imports of dairy products shall be issued by the Secretary which would result in total imports for consumption in any calendar year of butterfat or nonfat milk solids, in any form, in excess of the respective average annual quantities thereof which were admitted for consumption during the five calendar years 1961 through 1965.

Sec. 4. In the event that total annual domestic consumption of milk and milk products in any calendar year shall be greater or less than the average annual domestic consumption of milk and milk products during the five calendar years 1961 through 1965, the total volume of imports for such calendar year authorized under Section 3 shall be increased or decreased by a corresponding percentage. For the purposes of this Act, the Secretary may estimate such total annual domestic consumption on a quarterly basis and reflect adjustments of such estimates in the level of imports authorized in subsequent quarters or in the subsequent year. In computing or estimating such annual domestic consumption under this Act, milk and milk products used in Federal distribution programs shall be excluded.

Sec. 5. The President may permit, if he finds such action is required by overriding economic or national security interests of the United States, additional quantities of imports of any dairy product. Additional imports permitted under this section shall be admitted for consumption under special authorizations issued by the Secretary. No additional imports shall be admitted for consumption under this section at a time when prices received by dairy farmers for milk on a national average as determined by the Secretary are at a level less than parity, unless the Secretary shall, at the time such imports are authorized, remove from the domestic market, in addition to and separate from other price support purchases and operations, a corresponding quantity of dairy products. The cost of removing such dairy products from the domestic market shall be separately reported and shall not be charged to any agricultural program.

Sec. 6. "Dairy products" for the purpose of this Act includes all forms of milk and dairy products, butterfat, nonfat milk solids, and any combination or mixture thereof, and includes also any article, compound, or mixture containing 5 percent or more of butterfat, or nonfat milk solids, or any combination of the two.

Sec. 7. The Secretary may prescribe such rules and regulations as he deems necessary for the effective administration of this Act.

Sec. 8. Nothing contained in this Act shall be construed to repeal section 22 of the Agricultural Adjustment Act or any import limitation established thereunder; but the total annual quantitative limitations on imports of butterfat and nonfat milk solids prescribed by this Act shall prevail, and all imports authorized under said section 22 or any other law shall be included in computing such total.

The CHAIRMAN. If the members will forgo questioning, I will declare a recess right now.

We are very much obliged to you, Mr. Healy.

Mr. HEALY. Thank you.

The CHAIRMAN. We will stand in recess.

(Recess.)

The CHAIRMAN. We will now resume the hearing.

We have now before us an old friend who was long a member of the staff of this committee, John Heimburger.

We are always glad to have you back, John.

We will be glad to hear your statement on behalf of the Puget Sound Milk Producers.

STATEMENT OF JOHN J. HEIMBURGER, ON BEHALF OF THE INDEPENDENT MILK PRODUCER-DISTRIBUTORS ASSOCIATION OF THE PUGET SOUND MILK ORDER AREA

Mr. HEIMBURGER. Mr. Chairman and members of the committee, it is quite a thrill for me to be back before the committee.

When the Agriculture Act of 1965, the bill which became that act, was before this committee, your class I base-pricing plan went into the act as title I. Considerable apprehension was expressed at that time by the producer-handlers of milk throughout the country that the adoption of the class I pricing plan might be the occasion for bringing these little producer-handlers, who are independent businessmen as well as independent farmers, under the pooling provisions of the marketing orders which had been set up under the act of 1937. Responsive to these fears, the committee wrote into title I of the 1965 act, section 104, which said, in effect, that the legal status of the producer-handler under the new amendment authorizing the pricing plan should be the same as it was before the adoption of this amendment. And, in effect, that if a producer were not subject to regulations prior to that time he should not, by the mere virtue of a class I pricing plan, be subject to regulation after that time.

My only purpose in appearing before you this morning, Mr. Chairman, is to urge the committee, when it rewrites the Agriculture Act of 1965, to continue, or strengthen if necessary, the protection of producer-handlers of milk which the act now contains.

Let me say, Mr. Chairman, I think that my job is substantially easier by the fact that the Milk Producers Federation in their proposed amendments of title I of the act have included, as nearly as I can tell without referring to the law, as a proposed part of their amendment the same language which the committee put into the act in 1965, and I appreciate this very much.

With that statement, Mr. Chairman, I will not read my complete statement, if you have no objection. This is what it says. I would ask, sir, that the letter from Senator Holland to the Secretary of Agriculture on this subject which is attached to my prepared statement be made a part of the record.

The CHAIRMAN. Without objection, it is so ordered.

Mr. HEIMBURGER. It does occur to me that since the Puget Sound order area is the only area in the country where this class I pricing

plan has been put into effect, the committee might like to have a little information as to how it has worked out there. If this is your desire, I will be glad to give you a few observations received from my clients as to how this plan has worked in the Puget Sound area.

The CHAIRMAN. We will be glad to have you submit such information. I will not tell anyone how to present his presentation.

Mr. HEIMBURGER. I do not want to take up your time unnecessarily. I think the committee, however, will be interested in this. I will try to highlight it very briefly.

I have a great deal of information here which they sent in at my request. I think they are unprejudiced observers of how the class I plan is working. And let me say that some of their observations seem to me to support the position which the federation is taking with respect to certain amendments which need to be made to this law.

In the first place, there was a fear expressed when the class I plan was being discussed that a good many of the then producers might decide to become producer-handlers in order to have complete freedom under the new regulations. This did not turn out to be true.

In July 1966, there were 33 producer-handlers in the Puget Sound area market. In August 1967, the last month under which the order operated without amendment, the number had decreased to 29. Each month since then, since the date the price plan went into effect, the number has been 28. Neither base sellers nor new producers have invaded the producer-handler business; although there are a good number of these groups, none of these people have changed from being a producer to a producer-handler. In the market there are 50 new producers and 35 other producers. They did not choose to become producer-handlers. So, this fear has not materialized.

There was a fear expressed that the producer-handlers on the Puget Sound market might somehow take advantage of this class I basing situation to increase substantially their retail sales. This did not develop. The total sales of the producer-handlers in the market area has, in fact, gone down very slightly since the plan was adopted.

Now, one of the things that surprised our people out there was the number of transfers which did take place. As you know, the law permits that class I base may be sold, and the large number of people who took advantage of this surprised our producer-handlers out there. In September 1967, the market administrator issued 2,129 bases. Before December 31—and this is the latest figure I have—the administrator had recognized 583 transfers of base involving 823 persons. As the result of these transfers of total or partial base, only 1,671 producers owned base in December. In these 4 months, 350,225 pounds of milk were transferred. This is 17.8 percent of the total class I base issued. The value of the base transferred estimated to average $12 a pound, was $4,211,100. The 417 producers who purchased base in the first 4 months now control 43 percent of the total base. This represents a considerable concentration of market control.

Another surprising thing to my clients out there was the fact that they were surprised by some of the people who decided to sell their base, Mr. Chairman. I know that the committee thought, when this bill was being worked on, that it would be largely the small marginal producer who would decide: "Well, these 12 or 16 cows are not making

me much money. I might just as well sell my base and get out of the dairy business."

To their surprise they found some of the largest and the most prosperous and most modern dairy farmers—probably the most efficient dairy farmers in the area—were among the first to sell their bases. One of them was an official of the local cooperative who had been very prominent in advocating the class I plan. Another was a man with a very sizable herd who had, in 1965, won the State DHIA championship, for proficiency in dairy operation. Both of them sold out lock, stock, and barrel. I believe the man who had the DHIA championship got something like $40,000 for his base.

The third thing that surprised us is that not all of the producers who had a base and sold it went out of the dairy business. As a matter of fact, this appears in table II appended to my prepared statement. Out of 402 people who sold all their base, more than 220 of them continued in the dairy business, in the same place, sending milk to the same handlers and simply preferring to operate without a class I base and to take whatever they could get for their milk. The others did go out of business.

Another aspect of this was that several of the dairymen in the Puget Sound order who sold their bases turned around and started shipping their milk into the Oregon market which did not have a Federal order and continued in the milk business under this new arrangement.

It was anticipated by the committee that the adoption of the class I base would make the production and distribution of milk more efficient and it would be more centered on class I milk, rather than manufacturing milk. It is a little early to reach any kind of judgment on this, but let me say that this, too, has not taken place. In December 1966, in the Puget Sound-Washington marketing area, there were 51 million pounds of milk used for class I purposes, and almost 56 million pounds of milk were used for class II purposes. In December 1967, 4 months after the adoption of the plan there were 53 million pounds of milk used for class I purposes and 49 million used for class II purposes, representing a small decrease in the delivery of surplus milk but nothing like as large as you might anticipate from the 402 producers who sold their bases out entirely under the program.

One other thing that has been surprising to our people out there, which was touched upon by Mr. Healy in his testimony, is the amount of base which a new producer is getting under the language which the committee wrote into the law.

New producers coming into the Pudget Sound area are entitled to a share of the growth of the increase in the class I milk over some predetermined period. And I think, to everybody's surprise, in January, which is, again, the last figures I have for new producers, they received a base for the month equivalent to 50 percent of their production in contrast to the older producers who were buying their bases who were receiving class I bases for 68 percent of their production. There might have been something unusual about this, I do not know, because after being 48 percent class I base in September, it dropped to 27 percent and 23 percent and 28 percent the following months, and then back up to 50 percent in January 1968.

This is about it, Mr. Chairman. If there are any questions that the committee would like to ask about this operation, I will try to answer them from my secondhand knowledge of the situation. All of this is derived from the people out there who are very much concerned about it.

The CHAIRMAN. Are there any questions?

If there are not, we are very much obliged to you.

Mr. HEIMBURGER. Thank you.

(The prepared statement submitted by John J. Heimburger, together with the attachments, follows:)

STATEMENT OF JOHN J. HEIMBURGER, ATTORNEY, INDEPENDENT MILK PRODUCER-DISTRIBUTORS ASSOCIATION OF THE PUGET SOUND MILK ORDER AREA

My name is John J. Heimburger. I am an attorney with offices at 1030 Fifteenth Street, Northwest, Washington, D.C. I am appearing here today on behalf of a group of producer-handlers of milk under the Puget Sound (Washington) Federal order called the Independent Milk Producer-Distributors' Association and on behalf of Mr. Floyd McKennon, a member of that association.

My purpose in appearing before the Committee, Mr. Chairman, is to urge the Committee—when it revises or extends Title I of the Food and Agriculture Act of 1965—to continue, or strengthen if necessary, the protection of producer-handlers of milk which Congress wrote into that legislation when it was enacted.

Let me review the situation briefly. Producer-handlers, as I am sure the Committee knows, are those dairy farmers who market their own milk direct to the consumer. It is the oldest form of dairying in the United States. Except for order provisions defining what a producer-handler is, and requiring them to limit their sales essentially to milk produced on their own farms, the Department of Agriculture has never sought to regulate these independent dairymen—that is, bring them within the pooling provisions of a Federal milk order.

There are, however, those who have sought for years to destroy the independent status of these producer-handlers. So it was that when Title I of the 1965 Act was under consideration, fear was expressed by producer-handlers that establishment of the class I base price plan, as authorized in this title, might be used as an excuse to bring producer-handlers, for the first time, within the pooling provisions of a Federal order.

Congress was sympathetic to these fears and the House Agriculture Committee wrote into Title I a section 104, which reads:

> The legal status of producer-handlers of milk . . . shall be the same subsequent to the adoption of the amendments made by this title as it was prior thereto.

> In its report on the bill the House Committee said:

> The committee wishes to make it clear that it approves of the practice of keeping the producer-handlers' avenue of marketing open to dairy farmers without unduly burdensome restrictions and that *this legislation shall not be deemed to be a justification for producer-handler inclusion in the pooling requirements of any Federal order*. This is the purpose of section 104 of the bill.

> This section means that this legislation is not to be regarded as a reason for, nor as any new legal authority to include producer-handlers in the pooling arrangements of Federal market orders and that *if justification and legal authority for such inclusion did not exist prior to the enactment of this legislation, it will not exist thereafter by virtue of any provision of this bill.* (Italics added.)

When the bill went to conference, the Senate accepted verbatim the language of Title I of the House bill—thereby accepting also, of course, the explanation of that language in the House report.

In spite of this stated policy of Congress with respect to producer-handlers, within a few months after the bill became law there was the following surprising development:

In April 1965, before enactment of the law, the Department of Agriculture had held a hearing in the Puget Sound area for the specific purpose of considering a proposal to bring producer-handlers in that area under the pooling pro-

visions of the milk marketing order and *had determined that such a move was not justified.*

In August 1966 a hearing was held on the proposal to incorporate the class I base price plan into the Puget Sound order—the first such hearing under the new law. In connection with this hearing, it was again proposed to bring producer-handlers into the pool.

In spite of the fact that the Department examiners in charge of this hearing found that there were *fewer producer-handlers* in the Puget Sound area than at the time of the 1965 hearing and that they were marketing a *smaller percentage of the milk*, the Department proposed that they should become "fully regulated handlers, and their milk should be pooled under the order."

This action appeared to be in such complete disregard of the policy Congress had sought to establish in the Act that it drew a strong protest to the Secretary from members of both the Senate and House agriculture committees. Nine members of the House committee—comprising chiefly the dairy subcommittee—addressed a letter to the Secretary calling the proposed action "illegal."

On the Senate side, Senator Holland of Florida wrote a letter to the Secretary on May 12, 1967, thoughtfully examining the situation and reaching the conclusion that the proposed action was "in direct contravention of the clear intent of Congress." Rather than reading that letter, Mr. Chairman, I ask that it be made a part of the record at this point.

Following these letters from members of the committees, the Department reversed its position and recommended against inclusion of producer-handlers in the revised Puget Sound milk order.

And that, presumably, would have been the end of the matter, except for two things: (1) the Department, in its revised Puget Sound findings, threatened to re-open the matter if there was "any increase" in the marketings of producer-handlers in the area; and (2) in the only hearing which has taken place since that time on adoption of the class I base price plan (as an amendment to the milk marketing order for Southeastern Florida) the Department has again entertained proposals to bring producer-handlers under the pooling provisions of the order if the pricing plan is adopted.

It would appear from this that those who would like to eliminate the producer-handler completely from the Federal milk market areas are still with us. I hope, therefore, that whatever action this Committee may take in extending or revising Title I of the 1965 Act, it will continue, or even strengthen if it feels such action to be desirable, the protection the Act now affords these small, independent, farmer business men known as producer-handlers.

Exhibit I

SELECTED STATISTICS FOR PUGET SOUND MILK MARKETING ORDER

	Percent producer-handler sales is of total fluid sales	Number of producer-handlers	Number of producers	Number of pool plants
1966:				
July	7.49	39	2,314	29
August	7.36	37	2,305	29
September	7.05	37	2,289	30
October	6.36	35	2,257	33
November	6.23	34	2,242	34
December	6.11	32	2,230	33
1967:				
January	6.83	34	2,215	31
February	6.92	33	2,210	30
March	6.91	32	2,190	30
April	6.90	30	2,184	30
May	6.04	29	2,179	31
June	6.63	30	2,179	30
July	6.74	30	2,170	29
August	6.60	29	2,165	29
September	6.68	28	2,133	29
October	6.88	28	2,100	29
November	6.80	28	2,067	29
December	6.94	28	2,034	29
1968:				
January	6.91	28	2,025	29

Source: Figures are Market Service Information compiled March 1967 and Monthly Reports for Market Service Information issued by Market Administrator for Puget Sound Milk Marketing Order.

EXHIBIT II

Tabulation of class I base statistics

BASE TRANSFERS BETWEEN SEPT. 1 AND DEC. 31, 1967

September 1967 bases issued	2, 129
Persons transfered all base	402
Base forfeited	1
Total off base	403
Persons receiving base not previously owning base	35
Net number of base holders Dec. 31, 1967	1, 761

PRODUCERS REMAINING ON MARKET, DEC. 31, 1967

(1) Base holders	1, 761
(2) Nonbase holders who—	
(a) Transferred all of their base to others	223
(b) Never held class I base	50
Total	273
Total producers	2, 034

NOTE.—Figures extracted from an article in the January 1968 issue of "Marketing Service Information" for the Puget Sound, Wash., marketing area published by the Market Administrator.

Hon. ORVILLE L. FREEMAN,
Secretary of Agriculture,
U.S. Department of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: Permit me to call to your attention a proposed action by officials of the Department which appears to me to disregard the intent of Congress as expressed in section 104 of the Food and Agriculture Act of 1965.

In April 1965 the Department held extensive hearings on proposals to bring producer-handlers under the pooling regulations of the Puget Sound milk marketing order. After consideration of all of the evidence and supplemental statements, the Department determined that application of the pooling regulations and restrictions to producer-handlers in that area was not justified.

In October 1965 the Congress enacted and the President signed the Food and Agriculture Act of 1965. Title I of that Act authorized the use of a Class I base pricing system in Federal milk market orders.

Representatives of producer-handlers of milk from all parts of the United States expressed the fear that adoption of the plan would be used as an excuse to impose pooling regulations and other restrictions on these small-business producers. No producer-handlers were under such regulation at that time—nor are they now.

The Congress was sympathetic to the fears of producer-handlers and responded by including in Title I of the Act section 104, which reads in substance: "The legal status of producer-handlers of milk . . . shall be the same subsequent to the adoption of the amendments made by this Act as it was prior thereto."

This section originated in the House Agriculture Committee and in establishing the meaning of the language the Committee said in its report: "Traditionally all Federal orders have exempted producer-handlers from such requirements . . . The Committee wishes to make it clear that it approves of the practice of keeping the producer-handlers' avenue of marketing open to dairy farmers without unduly burdensome restrictions and that this legislation shall not be deemed to be a justification for producer-handler inclusion in the pooling requirements of any Federal order. This is the purpose of section 104 of the bill."

Although the Senate had adopted a somewhat different provision relating to Class I base pricing, in Conference the Senate accepted the House language in toto, including without change the provision of section 104. In doing so the Senate adopted and concurred in the interpretation of that section expressed by the House in its committee report.

In August 1966 (after enactment of the above legislation), the Department conducted another hearing on the Puget Sound order for the primary purpose of determining whether a Class I base pricing plan should be proposed.

According to the Department's own finding as the result of this hearing, there were fewer producer-handlers in the area in 1966 than there were in 1965 and they had a smaller percentage of the market than in 1965.

In spite of this finding, the Department officials responsible in this matter have proposed that "producer-handlers should become fully regulated handlers, and their milk should be pooled under the order."

In view of these facts, I can reach no conclusion other than that the proposed inauguration of the new pricing plan is to be used as an excuse or "justification" for imposing pooling regulations on producer-handlers in that area in direct contravention of the clear intent of Congress as spelled out in the report.

The seriousness of this situation is magnified by the fact that this is the first formal action on the pricing plan authorized in the 1965 Act. If this policy is permitted to stand in this case, it is reasonable to assume that it will be followed in every future action on adoption of the plan and that every one of these small independent operators in Federal order areas will be regulated out of business.

Before any such damaging precedent is established, therefore, I urge you to reverse this proposal to regulate producer-handlers and permit them to remain in operation in accordance with the intent of Congress.

With kindest regards, I remain

Sincerely yours,

Spessard L. Holland,
Chairman, Subcommittee on Agricultural Production, Marketing and Stabilization of Prices.

The Chairman. Our next witness is Mr. F. Marion Rhodes, president of the New York Cotton Exchange.

We will be glad to hear from you now.

STATEMENT OF F. MARION RHODES, PRESIDENT, NEW YORK COTTON EXCHANGE, NEW YORK, N.Y.

Mr. Rhodes. Mr. Chairman, my name is F. Marion Rhodes. I am president of the New York Cotton Exchange and am appearing here today on behalf of that organization.

Let me say at the outset that I welcome the initiative of the distinguished Chairman of this committee in holding these hearings which we hope will result in the extension of title IV of the Food and Agriculture Act of 1965 before this session of Congress adjourns. My remarks will be confined to cotton.

The enactment of the Food and Agriculture Act of 1965 in November 1965 was a major turning point in the history of the U.S. cotton industry.

During the past 2 crop years, the cotton industry has succeeded in halting the deterioration that had been taking place at an increasing rapid rate for more than two decades. In my opinion, the present program is the first economically sound program American cotton farmers have had since 1935. Despite the fact this legislation has been in effect for only 2½ years, it should be apparent to everyone that the U.S. cotton industry is now moving in the right direction. The first 2 years of the 4-year program has resulted in the following improvements in our cotton situation:

1. U.S. grown cotton has moved into domestic textile mills and into export channels at the same price.

2. Domestic consumption of cotton in the United States has increased substantially. Although it is impossible to forecast accurately,

it is generally recognized that without the 1965 act domestic consumption would have continued to decrease at a rapid rate.

3. Exports of cotton during the 1966–67 and 1967–68 marketing years are expected to average about 4.5 million bales compared with an average of about 3.5 million bales for the 2 preceding years.

4. The August 1, 1966, record high carryover of 16.9 million bales of cotton is expected to be reduced to about 6.7 million bales by August 1, 1968. About 5.5 million bales of this carryover will be held by the private trade rather than the Commodity Credit Corporation.

5. The August 1, 1966 record high Commodity Credit Corporation stock of cotton consisting of 12 million bales has been reduced to slightly more than 600,000 bales as of this date.

6. The Commodity Credit Corporation is expected to acquire about 1.6 million bales of cotton from the 1966 and 1967 crops of cotton. This compares with 10.2 milion bales of cotton acquired from the 1964 and 1965 crops of cotton. These statistics are positive proof that under the 1965 act American cotton has been moving through normal trade channels from the producer to the American mills or into export channels instead of into the CCC loan program.

7. The U.S. Government loan rate for middling 1-inch cotton, at average location, in 1966 was 21 cents per pound, and in 1967 and 1968 was reduced to 20.25 cents per pound. These loan rates compare to an average loan rate of 31.4 cents per pound for the 5 years 1961 through 1965.

8. With the liquidation of CCC stocks of cotton and the lower loan, prices soon became sufficiently free of the influence of Government price support programs to fluctuate freely with changes in supply, demand and substitutability. The New York Cotton Exchange responded to these changing conditions by designing a new cotton futures contract based on middling 1 1/16-inch cotton. Trading in the new contract during the current marketing year has already exceeded 15 million bales. The New York Cotton Exchange has returned to normal operations and again performs the important function of providing a hedging medium for producers, merchants and textile mills. This hedge protection has enabled business to operate on a smaller margin and still make a profit. Producers have hedged millions of bales of their anticipated 1968 production either directly or through participating merchants and mills.

9. The fluctuations of spot-cotton prices well above the CCC levels have encouraged cotton producers to concentrate on producing those staple lengths and qualities of cotton that are in greatest demand by domestic mills and for export. For example, more than 62 percent of the 1967 crop was 1 1/16 inches and longer, up from the previous high of 56 percent in 1966.

I submit, Mr. Chairman, that this is an impressive list of accomplishments for a program that has been in operation for just a little more than 2 years. It is particularly impressive when we consider that farm income has been maintained while these other adjustments have been worked out. It is true that substantial Government payments have been necessary to bridge the gap between world market prices and the price which a cotton producer must receive if he is to recover his production costs and receive a fair return on his investment in

land, equipment, et cetera. Cotton producers will continue to need the helpful cooperation of the Government if they are to stay in business. The direct-payment approach is the most effective way this assistance can be provided. All of the taxpayers' money spent under this type program goes directly into the hands of the producer, the party the program is designed to help.

It is also noteworthy that the initial producer opposition to the current cotton program has long since evaporated. In fact, I haven't heard an actual cotton producer complain about the basic provisions of the program since it went into effect.

The following basic provisions of the current program are essential and should be maintained:

1. A competitive one-price system which makes cotton available to U.S. textile mills at the same price paid by foreign mills must be maintained on a permanent basis.

2. The CCC loan program, if there is to be one, must be fixed at a sufficiently low level so as to avoid interference with the marketing of cotton. The loans available to cooperators should be substantially below the estimated world price of cotton.

3. For the time being, until cotton producers of the United States can be competitive on their own with producers in foreign-producing countries, the direct payment program must be continued.

4. The 16 million minimum national acreage allotment is necessary to assure an ample supply of the desired qualities of cotton for domestic consumption and for export.

5. There should be no maximum dollar limitation on producer participation in, or benefit from, a support or payment program.

On the other hand, Mr. Chairman, we realize that some changes and modifications of the current program may be desirable in order to reduce program costs. We suggest that you and your committee give consideration to the following changes:

1. Base the price-support payment on the difference between the average farm market price of cotton and a predetermined fair price. The fair price should be based on a fixed percentage of parity or on the U.S. Department of Agriculture's estimated cost of production. The payment should be made on the domestic allotment acreage. Producers could plant their full farm acreage allotment but would not receive payments for production on the acreage in excess of the domestic allotment.

2. Since the burdensome surplus of cotton has almost been eliminated, the authority to offer diversion payments for not planting cotton should be limited to situations where the carryover exceeds a specified quantity. The experience of the past 2 years indicates that the diversion payment rate specified in the current law are unnecessarily high and they could be reduced.

3. Eliminates all provisions in current legislation pertaining to projected yields and base price support payments on actual cotton production. The projected yield concept has been very complicated and difficult to administer and has caused widespread confusion among cotton producers. More important, since the projected yields have been established substantially higher than actual production, program costs have been increased by millions of dollars. It is true

that basing price support payments on projected yields insures cotton producers of a minimum income. Since USDA operates an independent crop insurance program it does not seem necessary to maintain this complicated and costly procedure merely for the insurance protection it offers.

It is of the utmost importance that everything possible be done to increase exports of American cotton. However, American cotton cannot compete with foreign grown cotton unless our price is competitive and unless we produce ample supplies of the qualities in export demand. Competitive prices and ample supplies are the two factors that will discourage continued increased cotton production in foreign countries. We must not overlook the fact that once cotton is produced in any foreign country, it will be sold regardless of price—foreign producers simply do not have the financial resources to store and hold a crop for a higher price.

The drastic increase in cotton prices during the past session no doubt stimulated increased cotton acreage in foreign countries. The production from this increased acreage will replace a part of our export market for the coming year. It is also axiomatic that high prices of cotton during the past season encouraged both domestic and foreign textile mills to increase their consumption of manmade fibers at the expense of cotton. Once a market is lost, it is extremely difficult to regain.

Mr. Chairman, we would like to urge this session of Congress to extend the 1965 act, with appropriate amendments, as permanent legislation. To postpone consideration until next year will greatly increase the uncertainty that exists now with respect to the type of cotton program that we will have in future years. Not only cotton producers, but the consumers of cotton need to make forward plans if we are to continue with the reestablishment of a dynamic cotton industry in the United States.

Should Congress fail to extend the current cotton program we would automatically revert back to the old program of above-market Government loans to producers, and export subsidies. In simple language, we would be going back to a program that has been tried in the past and found to be ineffective. We would be going back to a program that keeps the U.S. Government in the business of buying (through the nonrecourse loan procedure), transporting, storing, and selling cotton. I am certain we would be going back to a program under which another huge carryover would be accumulated. Mr. Chairman, the American cotton industry does not want to travel this road again.

The continuation of the basic principles of the current program will enable the cotton industry to grow and prosper.

The Chairman. Thank you very much. Mr. Price wants to ask you a question.

Mr. Price. I would like to ask you this question: Considering the financial condition of our country, knowing that we grow a lot of cotton in the South, a figure that was presented to this committee in our hearings was to the effect that the cost per bale for the disposal of this cotton was $116 per bale by the Federal Government, and unless I am mistaken in the figures, the testimony said the cost to the Government was $960 million in subsidies which was supposedly more than the en-

tire cotton crop was worth. It makes it very difficult for members of this committee and the people who are trying to represent agriculture to continue to sell this kind of a program to the people when it is costing the taxpayers this amount of money—when it costs $116 per bale to get rid of this cotton, and $960 million which is more than the cotton crop was worth. It does not seem to me that is very good. We should have something that does not cost the taxpayers so much money. And it is said that the cotton farmer is entitled to this. I agree that perhaps he is, but we cannot do a good job of selling this to the public when it is costing $116 per bale, as it did. What would be your comments on that?

Mr. RHODES. I have two comments: First, I have heard those figures. I cannot either confirm or deny them. They are referring to the liquidation of the tremendous stock of cotton that accumulated under prior programs. I pointed out in my statement, that the Government had 12 million bales of cotton 2 years ago. They liquidated those 12 million bales to where it is less than 600,000 bales today. We are over the hill on that. It was a tremendously expensive program. The legislation we had prior to the act of 1965 caused this tremendous outlay of funds, and if you will take the time to read my complete statement, you will see that I did recommend that we needed amendments in the program to reduce the cost. I think that the present program is excessively costly. There is no need for diversion payments at all under the present circumstances. Basing price support payments on the projected yield concept also costs many millions of dollars. There are many ways that these costs can be reduced, and I hope that the Congress does reduce the cost of the program.

Mr. PRICE. Do you feel that skip-row and suggestions for increased production next year would be going back into a rather smaller surplus than we have had or a rebuilding of a surplus. This is the fear of many of the people I have talked to, that this might build up another surplus like wheat did, when there was a 15 percent increase, and then another increase and wheat got into the position it's in today.

There are fears that cotton perhaps will get into that same position.

Mr. RHODES. I hope that I am wrong, Congressman Price, but my personal opinion is that it is highly unlikely that there will be enough cotton produced in 1968 to fulfill the export and domestic demand. We need a carryover of 5 or 6 million bales of cotton in the country to have available the qualities that the mills and the merchants need. As I have pointed out the carryover will be down to less than 7 million bales and unless we have an exceptionally good growing season, we will fail to produce what we will need in 1968.

Mr. GATHINGS. You have given us a most impressive statement this morning, Mr. Rhodes, as you always do.

Mr. RHODES. Thank you.

Mr. GATHINGS. I see that the New York Cotton Exchange has designed a new futures contract based on $1\frac{1}{16}$-inch cotton?

Mr. RHODES. Yes, sir.

Mr. GATHINGS. I also see in your statement that in the current marketing year that the trading in the New York Cotton Exchange exceeded 15 million bales. Would you compare that 15 million bales with the trading in contracts some 3 or 4 years ago?

Mr. RHODES. Congressman Gathings, 3 or 4 years ago we were almost a defunct organization. At that time trading would not have exceeded 400,000 bales. The New York Cotton Exchange has been holding on by the skin of its teeth since 1958. For 10 years we have just kept the market open, but have had practically no business. If we go back 20 years, this 15 million bales compares with something like 45 or 50 million bales—about one-third of what we used to consider a normal market.

Going back farther, it was 100 million bales. We are back in business, as we point out. We have a contract designed to meet the needs of the merchants, the mills, and the producers of the better qualities of cotton. I am talking about $1\frac{1}{16}$-inch cotton. The new contract was designed for this particular type of cotton.

I might add that we are also at the present time developing a new contract designed essentially for the short-staple cottons, $\frac{15}{16}$-inch, $\frac{31}{32}$-inch, and 1-inch staple. We will then have a contract tailored to the needs of both the short- and the long-staple producers. We used to have one contract which covered all the qualities of cotton produced in the United States.

Mr. GATHINGS. Thank you. That is all.

The CHAIRMAN. Mr. Miller?

Mr. MILLER. Mr. Rhodes, you said that the direct payment program should be continued, and then you made the statement that no maximum amount should be put on what one person should receive.

Do you have figures to indicate what the maximum amount was that any one person has received this year?

Mr. RHODES. There was no maximum. Under the current program, there is no limit to what any one person can receive. I am merely pointing out that it should be continued that way. We have had limits, I am sure, under prior programs. We even had a $50,000 limitation on loan programs back years ago. At that time, I was in the Department of Agriculture, and it was impossible to administer satisfactorily. I think it was a complete failure.

Mr. MILLER. My question is: What was the highest amount that any one person received last year?

Mr. RHODES. You mean the highest amount?

Mr. MILLER. The highest amount, yes.

Mr. RHODES. That anyone received for cotton—I could not answer that.

Mr. MILLER. You say that no limit should be put on it?

Mr. RHODES. I cannot answer that question, because I do not know who received the highest amount among the cotton farmers.

Mr. MILLER. Or what that amount might have been or an approximation of what the amount might have been?

Mr. RHODES. There were a few high ones, but I would not know the top amount. It would be over a million dollars. I am sure of that.

Mr. MILLER. Over a million dollars that one cotton farmer would have received?

Mr. RHODES. It could have been a corporation or an individual, either publicly held or privately owned.

Mr. MILLER. Thank you.

The CHAIRMAN. Mr. Goodling?

Mr. GOODLING. Can you tell us the approximate value of the cotton crop in 1967?

Mr. RHODES. Of 1967?

It was the shortest crop in about 100 years. It was something like, say, 8 million bales, and if you figure that at $150 a bale, it would be $120 million if my arithmetic is right; rather, $1,200 million.

Mr. GOODLING. Someone made the statement that the cottongrowers received in direct and indirect subsidies about $943 million in 1967. Is this a correct statement?

Mr. RHODES. I think it is about right, yes.

Mr. GOODLING. It was well over $900 million. Does not that seem like a great amount when the total crop is not worth more than you just said?

Mr. RHODES. Let me point out two things: In the first place, you are talking about the poorest crop in 95 years. We had a catastrophe in the Cotton Belt of the United States last year. It was a very, very difficult year, more so than the year before. Last year was a catastrophe. In the second place I would like to reiterate that I do not think that the cotton program needs to cost as much as it is costing. I made recommendations in my statement as to how you can reduce the cost, and I hope that you will do so.

Mr. GOODLING. Do you think it is proper to ask the American taxpayer to pick up the tab for the cotton producers to that extent?

Mr. RHODES. I certainly do, so long as they are picking up the tab for almost everybody else in the country.

Mr. GOODLING. They do not take the tab for all things.

Mr. RHODES. I said nearly every other thing. There are exceptions to all rules.

Mr. GOODLING. Somewhere along the line I picked up a figure that if every farm commodity had received subsidies to the same extent that the cotton producers have, our agriculture budget would have been somewhere around $42 billion a year in subsidies alone. What is going to happen if we put everybody in the same category?

Mr. RHODES. You cannot stop people from figuring. I do not know how they got to the $42 billion figure, but I cannot prove or disprove that. I have never heard of it. I do not believe it, but I cannot comment on it because I do not have any information as to how they arrived at that figure.

Mr. GOODLING. Thank you. That is all.

The CHAIRMAN. I may be wrong, but does not the $900 million figure that is being bandied around include the Commodity Credit Corporation loans on the sales which have nothing to do with marketing the crop?

Was it not from other years?

Mr. GOODLING. The statement was made right here.

The CHAIRMAN. I am trying to determine what the statement included. I know what you say, that we had accumulated a great deal of cotton. As Mr. Rhodes pointed out, under the old programs, we had 12 or 13 million bales of cotton which was not grown in 1957. It was grown as far back as 1953 and more.

Mr. RHODES. More than that in some instances.

The CHAIRMAN. And a great deal of that cotton, some 5 or 6 million bales of it was disposed in 1967. In that year we had the smallest crop

in history, and did they not figure their losses on sales which are really attributable to the production over a period of 5 or 6 years at least? It is true that it appears in the 1967 budget, but I think it is equally true that a very small part of that cotton was the 1967 crop. There was practically none of the 1967 crop that went into the loan. The result was that most of that loss must be attributable to other years, production must have been over a period of not 1 year but a period of 6 or 7 years, and that is why it looks like a tremendous loss in 1 year. Much of that had been from other years. Is that not the situation?

Mr. RHODES. The production of cotton in 1967 was only two-thirds of the disappearance for the year. There was no loss to the Government on the handling of the 1967 crop as such.

The CHAIRMAN. None in 1967?

Mr. RHODES. Even less.

The CHAIRMAN. Actually, it was due to the big accumulation of cotton from the previous years.

Mr. RHODES. That is correct.

The CHAIRMAN. Which the present program has been eliminating. It was not that we acquired that under the new program, but it was acquired under the old program. That is the way it seems to me. It is true that it shows up in the 1967 budget, but your losses were not occasioned and bore no relation to the amount of cotton produced in 1967.

Mr. GOODLING. Inasmuch as that has come up in several instances, would it not be desirable to have the Department of Agriculture put in the record just what you are talking about? It would clarify the matter.

The CHAIRMAN. Yes, sir; I think we have that. I think that is correct.

Mr. GATHINGS. Do you have those figures?

Mr. RHODES. I want to point out that we are over the hump that we are talking about. We had 12 million bales in the Commodity Credit Corporation's stocks 2 years ago, and there is less than 600,000 bales there now. So, we have accomplished the purpose here. Now we can go ahead on a much different basis.

Mr. GATHINGS. Under our system a person can start small and grow big. There has been mention made of large businesses that in some instances received $1 million in benefits. Is that usual or unusual?

Mr. RHODES. For years we have had payments over $1 million in sugar and in the wool programs, and there are such payments in the wheat program. That is nothing unusual where you have a few substantial or real large people in operation.

Mr. GATHINGS. As a matter of fact, farms are being enlarged?

Mr. RHODES. Yes.

Mr. GATHINGS. As against 10 or 20 years ago?

Mr. RHODES. Yes.

Mr. GATHINGS. Let me ask you this: What percentage of cotton is produced on 5 acres or 10 acres?

Mr. RHODES. It is a very small percentage. I would not want to guess at it.

Mr. GATHINGS. What percent of the farmers; that is, cotton farmers, get these large checks?

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Mr. RHODES. It is a small number that would get the large checks—a fraction of 1 percent would be getting the large payments. The bulk of the cotton is produced by the middle-sized farmers who have 25 to say 40 acres of cotton allotment.

Mr. GATHINGS. Thank you.

The CHAIRMAN. But the important thing is that if you try to keep some producers from getting payments, there would be no incentive for them to get into the program and your whole program would break down—your smaller producers would be penalized, because they would not be able to get the benefit of the protection which the whole program gives them when the larger producer has an incentive to go into it. We now treat them the same, percentagewise, the large producers, and the others. And he makes the program work.

Mr. GATHINGS. If you will yield?

The CHAIRMAN. Yes.

Mr. GATHINGS. If a large operator in this or any other crop puts his commodity in the Commodity Credit Corporation loan during the harvest season at a time when the market would be glutted, and if he took it out in the spring the Government of the United States would not suffer any loss. At the same time it would make for the orderly marketing of the crop. It would stabilize the price and benefit the small and all size growers.

The CHAIRMAN. If there are no further questions, we are very much obliged to you, Mr. Rhodes.

We will now hear from Mr. Joe Mott, secretary of the Louisiana Cotton Producers Association of Oak Ridge, La.

We will be glad to hear from you now.

STATEMENT OF JOE MOTT, SECRETARY, LOUISIANA COTTON PRODUCERS ASSOCIATION, OAK RIDGE, LA.

Mr. MOTT. Mr. Chairman and gentlemen of the committee. My name is Joe Mott. I am a cotton farmer from Oak Ridge, La., Morehouse Parish. Today I appear before you as the spokesman for the Louisiana Cotton Producers Association, Inc., a newly formed organization composed of some 200 top cotton farmers across the State of Louisiana. On behalf of my organization, which I serve as secretary, I want to express my appreciation for this opportunity to present briefly our views on cotton legislation, both present and future.

Our organization favors a continuation of the Food and Agricultural Act of 1965 as it applies to cotton. We feel that this act has accomplished the purposes for which it was enacted; namely, the reduction of the gigantic surplus while maintaining farmer income. I believe that a carbon copy of the 1968 program provisions for the future would be very well received in Louisiana. Speaking about the future, we are not certain when the absolute best time to try for new legislation is. Basically, we believe that you men in Congress should guide us as to the proper time to spell out anew what we want. We do not feel that same thought should be given to going or permanent legislation. The whole cotton economy would be the beneficiary of a long-term approach, we believe.

Briefly, our perogatives for any new law are these:

1. Maintenance of cotton farmer income, thereby promoting a viable cotton economy which includes a very board and basic industry in this country. This would mean a continuation of the 65 percent of parity concept.

2. Continuation of the 16-million-acre minimum concept—basic to begin with.

3. Vastly increased exports. To quote Mr. Freeman: "Cotton is a crop that must export or die." A 6-million-bale average should be our constant goal.

4. Protection in any law against placing limitations of any kind on the intention of the original act. In our present law this is commonly called the snapback provision.

5. Skip-row regulations to be as they are for 1968.

6. Sale and lease of allotments unlimited within a State.

7. Commodity Credit Corporation stocks of cotton kept intentionally low and never allowed to compete with crops in farmers' hands.

8. Farm labor should not be placed under the National Labor Relations Act. The perishable, seasoned nature of farming should be obvious to everyone.

Let me say thank you for the time you have given me today and assure you that when more specific recommendations are needed, we will be very happy to present them for consideration.

The only thing that I would ask, Mr. Chairman, is that there are many statements in this very brief text that should be talked about, and I do not mind sitting here as long as you would care to have me answer them. Let me say that the cotton bill is not simple. It is complicated. We have thoughts, but we are trying to keep this thing to a bare skeleton, to an outline.

The CHAIRMAN. Thank you very much, Mr. Mott.

Without objection, we will include in the record at this time point a statement by the Missouri Cotton Producers Association.

(The prepared statement of James N. Conner, executive vice president, Missouri Cotton Producers Association, Portageville, Mo., follows:)

STATEMENT OF JAMES N. CONNER, EXECUTIVE VICE PRESIDENT, MISSOURI COTTON PRODUCERS ASSOCIATION, PORTAGEVILLE, MO.

Mr. Chairman and Members of the Committee, the Missouri Cotton Producers Association represents the Cotton Producers of Missouri. It is indeed a great privilege for me to have this opportunity to submit to you with the recommendations and the support for the continuation of the Agricultural Act of 1965 which expires at the end of 1969, with the following recommendations:

1. In view of the fact that 1968 is an election year, a reorganization of the Congress will take place in 1969. This will delay action on any new legislation, including a farm program to replace the Food and Agriculture Act of 1965. The Department of Agriculture should be in a position to announce provisions of the commodity programs no later than July, 1969. President Johnson in his message to the Congress on February 27, recommended that hearings begin at the earliest possible date. He pointed out that farmers, like all businessmen, should be in a position to make plans well in advance. And the only way this can be assured is through the enactment of legislation in 1968.

2. Greater assurance that producer income will be maintained or improved.

3. Guarantees against limitation of payments or other programs benefits.

4. Better and more equitable methods for determining projected yields.

5. A "total market" concept to replace the current "domestic market" concept.

6. A continuation of the 16 million acre legal minimum allotment and urgent efforts toward domestic and export consumption that will justify production from that minimum acreage.

7. Adequate flexibility to allow the adjustment of production to keep in line with total market needs.

These recommendations as written were approved by the full membership of the Missouri Cotton Producers Association at their Annual Meeting, in Kennett, Missouri, April 5, 1968.

The CHAIRMAN. The committee will stand adjourned until 10 oclock tomorrow morning.

(Whereupon, at 12:15 p.m., a recess was taken until 10 a.m., Tuesday, April 23, 1968.)

EXTEND THE FOOD AND AGRICULTURE ACT OF 1965

TUESDAY, APRIL 23, 1968

House of Representatives,
Committee on Agriculture,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 1301, Longworth House Office Building, the Honorable W. R. Poage (Chairman) presiding.

Present: Representatives Poage, Gathings, McMillan, Abernethy, Abbitt, Jones of Missouri, Purcell, O'Neal, Foley, de la Garza, Vigorito, Dow, Montgomery, Belcher, Teague, May, Mathias, Mayne, Zwach, Kleppe, Price, and Myers.

Also present: Christine S. Gallagher, Clerk; William C. Black, General Counsel; Hyde H. Murray, Assistant Counsel; L. T. Easley, Staff Consultant; and Fowler C. West, Assistant Staff Consultant.

The Chairman. The committee will please come to order.

We are meeting this morning for the further consideration of extending the Food and Agriculture Act of 1965.

We have as our first witness this morning Mr. Bob Hoffman, president, National Association of Farmer Elected Committeemen, from Alden, Iowa.

We will be glad to hear you now, Mr. Hoffman.

STATEMENT OF ROBERT J. HOFFMAN, PRESIDENT, NATIONAL ASSOCIATION OF FARMER ELECTED COMMITTEEMEN, ALDEN, IOWA

Mr. Hoffman. Mr. Chairman and members of the committee, I want, first, to thank you for giving the National Association of Farmer Elected Committeemen an opportunity to be heard at the time you are considering this subject so very important to farmers. My name is Robert J. Hoffman, and I am President of the Association. I am a farmer producing feed grain in Hardin County, Iowa. The three gentlemen with me are farmers. I would like to introduce them to you, and we will hear from them shortly. Mr. Clifford Daleness is a wheat farmer from Roseglen, N. Dak. Mr. Harold Callahan is a rice, cotton, and grain farmer from Walnut Ridge, Ark. Mr. John Lockamy is a farmer producing tobacco, cotton, and feed grain from Clinton, N.C. All three are area directors of our Association.

Before I start, I just would like to say a few more words. You are looking at four farmers actually doing the farmwork. I have had the opportunity of serving on school boards, elevator boards, and the like,

and I have to commend you gentlemen—thank you—for coming up with a farm program as you have in the past. I wonder how you do it, with all the ideas that you are given, and then to come up with something like this. I want to commend you gentlemen very highly on this.

The CHAIRMAN. Thank you very much, sir. We are always glad to be commended.

Mr. HOFFMAN. I know that at times you are not. We appreciate it.

Since our association, in age, is an infant organization and has not previously appeared before you, a few words about it would seem to be in order.

We are formally organized at this time in 22 States. We have about 30,000 members. Organizations in other States are presently being formed. Our membership is composed entirely of farmers, since eligibility for membership requires being either a current or past elected county or community farmer committeeman. Our association and the Congress are the only elected groups that speak for farmers. Our members are typically members of one or more of the major farm organizations and are members of different political parties. Our objective is to promote, strengthen and improve the farmer-elected committee system for local administration of farm programs. We will strive to maintain effective farm programs which will (1) increase and improve farm income until it reaches parity with nonfarm income; (2) promote and preserve the family type farm; (3) eradicate rural poverty; (4) build and conserve the soil, water, and forestry resources of the Nation; (5) promote new uses of agricultural products, and (6) expand foreign markets for agricultural products.

This committee undoubtedly favors these objectives. It is understandable that there may be differences in viewpoint as to methods of attainment.

We have concluded, after long study and after full discussion with thousands of farmers from all over the Nation, that it would be a disservice to farmers and to rural communities as a whole, if the programs authorized by the Food and Agriculture Act of 1965 were not extended in 1968, during this session of the Congress. Time does not allow this statement to develop the proposition which we believe self-evident anyway, that the economic health of the farm community exerts a great impact today, as it always has, on the economic health of the Nation's entire business universe.

The Food and Agriculture Act of 1965 authorized realistic programs through 1969 that enable farmers voluntarily to gear production to demand and when this is accomplished farm income is improved. This year's record sign-up of farms in the wheat and feed grains programs shows both the farmer's acceptability of the program and his need for the program. For example, 842,000 participating wheat farmers have 85.4 percent of the national wheat acreage allotment.

Net farm income in the 1960's averaged about $2 billion a year more than in the preceding 7 years. This is not as bright a picture as it looks because, as you gentlemen realize, all production costs have gone higher and continue to rise. The farmer is in a cost-price squeeze that puts farming operations in extreme jeopardy when anything is done or left undone that will stifle or set back the farmers marketing position.

We believe the results of studies made by leading economists that indicate that discontinuing programs for the major commodities would reduce net income about one-third to about $5 billion below the 1966 figure of $16 billion. Prices to farmers for wheat would be from $1 to $1.10, about 70 cents for corn, and about $1.90 to $2 for soybeans.

We are aware that suggestions have been advanced to make certain revisions in the law. Experience shows that consideration of proposed revisions is time consuming and we do not know if the Congress would have the time, at the current session, to make those deliberate decisions and succeed in enacting legislation. Our position is that it would be in the interest of farmers to extend the law as written with the understanding that studies could proceed in those areas where amendment was being considered and that they would be the subject for review by you in the future.

Our association is on record in favor of efforts to develop a program that will enhance the bargaining power of farmers. We have by resolution approved in principle the objectives of legislation that will establish strategic reserves of certain major commodities.

Gentlemen, in summary, we are asking that farmers be given a continuing farm program. The Congress has passed permanent legislation governing labor and many segments of business. The farmer, however, has been forced to operate almost on a year-to-year basis. Many times in the past, the current program has been made available so late that he just cannot handle his business in an orderly or efficient manner.

Extending the Food and Agriculture Act of 1965 would give farmers a base of operating knowledge which would allow them to proceed with the many plans they must make such as renting land, setting up crop plans, making personal adjustments that affect necessary financing, all ahead of seeding time and which would not otherwise be possible.

I believe I have used my time and the gentlemen with me have information that we hope will be helpful to this committee and to farmers. Thank you.

The CHAIRMAN. Thank you very much, Mr. Hoffman.

You raise one point which I would like to stress, and when I ask the question, it will be in conjunction with what is proposed. I want to know whether this bill will hurt or help the farmers; that is, as to what you suggest. This question is as to what you suggest.

You suggest:

> Our Association is on record in favor of efforts to develop a program that will enhance the bargaining power of farmers. We have by resolution approved in principle the objectives of legislation that will establish strategic reserves of certain major commodities.

This committee has, of course, had under consideration some of those questions. Everybody is trying to find how to improve the bargaining power of the farmers. We need to know just how we can do it. I want to improve the bargaining power of the farmers, and I think that every member of this committee wants to do likewise.

You suggest one of the ways of improving the bargaining power of the farmers is to have strategic reserves. I recognize the need, perhaps, for strategic reserves. It has been impressed on me more since my trip

to Japan, the importance of being able to say to our foreign purchasers that we have the goods and we have the ability to deliver them. But, on the other hand, what does a reserve of any kind do to the bargaining power of the farmers?

Does it in anyway strengthen the bargaining power? If you have 100 million bushels of wheat in storage, does not that depress the market?

Mr. HOFFMAN. Going back to the question of bargaining power and the strategic reserve, the details, as far as our association is concerned, on how to work this, we have always expected the Congress to work these things out. I believe that bargaining power and strategic reserve in a bill could sort of work hand in hand.

The CHAIRMAN. I know that is what you said, but to me, what I want to have explained, is why does the strategic reserve or any kind of accumulation of stocks, no matter what name you put on them—any accumulation of stocks, why does not that weaken the bargaining power of the farmers?

Mr. HOFFMAN. Well, talking to the strategic reserve plan, I believe if we have a reserve over here of grain that we could sort of balance this thing out. When we had too much, we could put it in the reserve, and when we did not have enough we could bring it out to help the farmers of America.

The CHAIRMAN. Does not the fact that you have lots of grain or cattle or hogs or anything else—does not the fact that you have a supply on hand always weaken the market?

Mr. HOFFMAN. That is correct, if you have too much. I believe if you had a program; that is, a farm program, along with the strategic reserve program, that you could control it in this respect, if you have this reserve.

The CHAIRMAN. Do you not think that the reserve itself is very visible?

Mr. HOFFMAN. Yes, sir.

The CHAIRMAN. You do not think that this Congress can control those reserves so that the traders would not take them into consideration—that we could so hide them that they cannot see them?

Mr. HOFFMAN. I hope that it could be worked out so that it would not happen in that way; I mean, that it could be.

The CHAIRMAN. That is one of the things that has been suggested to be done. I am not talking about the details of it. I am talking about the general principle.

Are we not talking here in the same paragraph about two utterly inconsistent things, one of which destroys the other?

I mean, do you not weaken your bargaining power when you just dump more of any commodity that you have into the market?

Do you not weaken the bargaining position you have when you have more of the commodity?

Mr. HOFFMAN. Really, I do not think so. To me it is something to give the American farmer confidence, which I do not think we always had. The farmer is the type of fellow who will raise more corn and more hogs or wheat, but he does very little about what he will do with it. To me, this would help the farmer, I think.

The CHAIRMAN. All I am saying is that the more he has the lower the price will be. Two years ago, we had 13 million bales of cotton in

reserve. The price dropped down just about to the bottom, and then we had two bad crops the past 2 years, and we cut that reserve more than half—in two—and the price got so high that it priced itself out of the market.

Is it not true that an excess or a surplus weakens the market?

I do not know why it would not come out the same way if you put too much in a warehouse, it would destroy your price.

Mr. HOFFMAN. Well, I do not think that you would. I cannot look at it in that way, as to the strategic reserve bill. If we had some way to level it out, to go in when we did not need it, and if we had a drought throughout the country, to bring it out.

The CHAIRMAN. We had that cotton in the warehouses. It was not in the farmers' hands. It was in the Government's hands; it was in reserve. All you had to do was to stamp strategic on it, and you would have had a strategic reserve. I can see merit to a strategic reserve. I can see some things that it will help. But I also see dangers.

You say that it will help the farmers' bargaining power. I do not see that. I am not saying that there is no merit to it at all. I think there is some merit, but I think that we are fooling ourselves if we believe that we can increase the bargaining power of farmers by increasing our stocks that are available for sale.

Mr. HOFFMAN. I look at it this way: I do not think we would be increasing our stocks if we had a farm program along with it to help control it. I think that so far as food in America is concerned that we should have reserves of food. We should have them because of the possibility of disaster. I believe that food is the most important thing in this world.

The CHAIRMAN. I can find a lot of reasons for a reserve. I am just trying to rationalize the thing. It seems to me that we make a mistake if we try to support a program on an unsound basis, because we think that it is sound for some other reason and that the reserve would be sound for other reasons, but it seems to me that we kid ourselves into thinking that it will help us in the process of bargaining, and that if we do we are just in for disillusionment.

Mr. Purcell?

Mr. PURCELL. Don't you believe that if you had not put the term as you did, the farmers bargaining power and the strategic reserve, in the same paragraph, maybe it would not have gotten this response?

The CHAIRMAN. That is what I am talking about.

Mr. PURCELL. If you had just talked about the strategic reserve, it would have been one thing. Let us, you and I, do that. Farmers' bargaining power overwhelms me. While very interested, I just do not have any specific suggestion on that at all.

Don't you feel that if you had a strategic reserve or a reserve, call it whatever you want, that whenever the commodities would be allowed into the reserve, you would take them into the reserve at the time that they reached a certain low level, and then they could not be released until they reached a very desirable, relatively higher price, because of a disaster or a shortage in the world, or whatever it might be? Would not the fact that these commodities can be put into the reserve, taking them off the market at that time, strengthen the farmers' price during the time it was going in?

Mr. HOFFMAN. I certainly think it would. I just happened to think about when we had to put on an extra 15 percent for wheat acreage. I think if we had had a bill at that particular time it would have helped. I believe this, and this could be the balance wheel in here.

Mr. PURCELL. I think that the bottom price of wheat has not been more than $1.43 or $1.45, and that would be better than $1.25.

Mr. HOFFMAN. Yes, sir.

Mr. PURCELL. I think that is what wheat is going for. I do believe that if we had a reserve that could only be released when the price was high enough, it would not be jeopardizing the price of that commodity in other hands, and that we could make it work for the benefit of the farmer and assure a supply for all and all would benefit.

I would suggest that you stay off the farmer bargaining subject. I do not think that anybody has got sense enough to know whether it will work, in my judgment.

Mr. BELCHER. I do not think that you can figure it out.

Mr. HOFFMAN. I think we have men here now who can figure this thing out.

Mr. MONTGOMERY. I would like also to comment that I was thinking about considering this bill. After this discussion, I am thoroughly confused.

Mr. BELCHER. With about 500 million bushels of wheat in storage it would not help the price of wheat.

Mr. PURCELL. But you could not release it until the price got pretty high.

Mr. BELCHER. If you did not have the 500 million bushels of wheat, it would do the same thing, would it not?

Mr. PURCELL. We had the 500 million bushels and did not know where to put it.

Mr. BELCHER. Instead of trying to get rid of the commodity in the market in an orderly fashion, you would want to dump 500 million bushels in the hope that it would increase the price a few cents right now and then forever stop the market from then on.

Mr. PURCELL. I want to set up machinery that will make it so that anytime in the future when we get a certain amount built up we will have something to do with it, rather than having all of it being dumped on the market. I think it will work.

Mr. BELCHER. It will never work on the market.

Mr. PURCELL. It would break the farmer's back otherwise.

Mr. BELCHER. How much do you think that 500 million bushels of wheat would sell for right now? Would it increase the price of wheat?

Mr. PURCELL. It would not. I think if orderly marketed it would increase it about 15 or 18 cents.

Mr. BELCHER. How much?

Mr. PURCELL. 15 to 18 cents, without it.

Mr. BELCHER. For what year?

Mr. PURCELL. Right now.

Mr. BELCHER. And by next year we would be just as badly off as we are right now.

Mr. PURCELL. You would not have 500 million bushels.

If we had bought 50 million bushels the last time, I think that it would have prevented the price of wheat going below $1.43 or $1.44.

Mr. BELCHER. I still say that you would not have done any better.

I do not think that I have to agree with what I think is a complete fallacy.

Mr. PURCELL. I know that you do not believe that.

The CHAIRMAN. Mr. Mayne?

Mr. MAYNE. Mr. Hoffman, I notice in your testimony that you refer to suggestions to make certain revisions to the law?

What suggestion are you talking about?

Mr. HOFFMAN. Mr. Mayne, let us put it this way: We have had a lot of complaints on farm programs. We feel this way: There are details that we feel that could be taken care of afterward. We do not feel that we have a program in the offing like we have now. We would like to see this one kept, and then if there are any changes or things that should be changed in the different programs, such as cotton or wheat or the like, that could be done later.

Mr. MAYNE. My question is: What suggestion or suggestions are you talking about?

You refer to suggestions. I am particularly interested in the feed grains program. You said, and I quote:

> We are aware that suggestions have been advanced to make certain revisions in the law.

My question is: What suggestions are you talking about?

Mr. HOFFMAN. There have been suggestions from different groups.

Mr. MAYNE. What are these suggestions that you have testified about? I would like to know what you are referring to in that statement. What are the suggestions that you refer to?

Mr. HOFFMAN. Let us go back to the setting up of bases, taking for instance, the 1959–60 period. We will use that for setting up the farm bases. I think that maybe that could be updated to the times, the way that we farm. Maybe we should look at that.

Mr. MAYNE. As presently administered, has there been a change in the program?

Mr. HOFFMAN. At this time—I mean, whatever the committee would set up. They would have to start with somewhere, and they used 1959–60, and maybe we should look at this now.

Mr. MAYNE. What is your own view about whether that should be changed?

Mr. HOFFMAN. There are instances, where I think yes, there should be some changes in this.

Mr. MAYNE. In what way?

Mr. HOFFMAN. For instance, in some places where you came in with the 1959–60 history of conserving bases, I believe that the farmer today needs a conserving base, and he will have that regardless. That is one particular one that could be looked at.

Mr. MAYNE. Would you take different years for the base, or how would you handle it?

Mr. HOFFMAN. It could be. There could be another year taken, because we have some of the farmers coming in who are getting more specialized in farming. Some are dropping milking; we are farming differently. I cannot pick out the details of this, but I think that if you will look at the overall picture, it will help. I think that we have

to upgrade it, like we modernize the tractor. We modernize our farm programs. I think it can be done with the program that we have.

Mr. Mayne. You have told us about one specific suggestion, which is to change the base. What other suggestions do you have in mind that you referred to in your prepared testimony?

Mr. Hoffman. Well sir, I do not have any right at the present time.

Mr. Mayne. You said here: "We are aware that suggestions have been advanced to make certain revisions in the law."

Is that the only one that you are aware of, that you have mentioned? Is a change in the base the only one? Is that your testimony?

Mr. Hoffman. Well, speaking of different ones, I am sure, as you know, that people are critical of the farm programs and some suggest that we do not have one like we have now, that we take it all out.

And we have what we call conservation reserve programs. I believe that has been suggested in the past. There are many ideas on it, but so far as our association is concerned, our thinking is concerned, it is that we have something now that we could live with. We could go back to the record of the people who participated this past year. I think we have a real good plan.

Mr. Mayne. I did not ask you whether you agreed with the suggestion. I just asked what are the suggestions that you are aware of that you have considered other than the suggestion of a base change. You said something about the amount of payments, did you not, earlier?

Mr. Hoffman. Yes. We talked about it. So far as taking a stand on them, we have not done so.

Mr. Mayne. What is the suggestion?

Mr. Hoffman. Well, really, I would not commit myself here at this time, because we will talk this over and visit together about it. I would rather not say at this time.

Mr. Mayne. Does your organization favor any changes at all in the Farm Act of 1965?

Mr. Hoffman. At the present time, no. We would like to see the 1965 act extended.

Mr. Mayne. Do you think there is any way in which the program could be improved?

Mr. Hoffman. Well, I certainly have confidence in people like you, Mr. Mayne. This is your business. I am a farmer. I do my own work. I have the confidence in you fellows to do this—I really do.

Mr. Mayne. I am appealing to you and asking you if your organization thinks there is any way in which this act can be improved, that you tell us how it can be improved, if at all.

Mr. Hoffman. We would like to have you extend this act, and then we would like, if there is any way that you need help on it, we certainly would like to give it if we can. We have confidence in the Congress.

Mr. Mayne. But you do not have any specific suggestions for improvement of this act?

Mr. Hoffman. Not at the present time, no.

Mr. Mayne. Thank you.

The Chairman. Are there any further questions?

Mr. Mayne. Yes, Mr. Chairman.

I cannot quite understand your statement, "Experience shows that consideration of proposed revisions is time-consuming, and we do not

know if the Congress would have the time at the current session to make those deliberate decisions and succeed in enacting legislation."

The act has more than 16 months to run, does it not?

Mr. HOFFMAN. That is right.

Mr. MAYNE. Is that not quite a long period in which to consider possible changes and would not this be the time to do that rather than to wait until later?

Mr. HOFFMAN. I am not at all worried about it. I have watched our legislatures and they take time to get these things done. I do worry about the wheat farmer and these younger farmers who have purchased machinery on the strength of what they are going to have the coming year. And what I worry about is that we do not have a farm program that we can depend upon and that we do not know where we are going without it, and we do not know what will happen next year. And, really, I think that this hurts the economy of America. We have fellows who have bought machinery on the strength of the farm programs. That is the way that farming is done. And we are very hesitant to see this go on and on and not get a farm program that we have now which we are assured of.

Mr. MAYNE. Do you think that we ought to extend it permanently just as is?

Mr. HOFFMAN. Yes. I think there are details that will come up that can be changed after we get this program. I feel that way.

Mr. MAYNE. And that for the 16 months it will still run, we should not make any effort to improve it, but should just pass the act permanently after the 16 months run out? Is that the position of your organization?

Mr. HOFFMAN. Sir, I have confidence in you, and if we have anything seriously wrong, that you gentlemen will take care of it in the next 16 months before you reenact it or even after it is enacted.

Mr. MAYNE. That would be locking the barn door after the horse is stolen, would it not?

Mr. HOFFMAN. Sir, I do not believe there is that much of a problem with this program.I just do not feel this way. I have been a committeeman for a good many years; like you gentlemen, I have been elected by my neighbors, and I feel that I know the problems out there, of these farmers. They have not had much complaint about it.

Mr. MAYNE. In your testimony, you say that this is an infant organization.

Will you tell us a little bit about it, how long has it been in existence?

Mr. HOFFMAN. This association is roughly 3 years old. It started among committeemen in Iowa and Missouri. We have no paid people. Our national office is at our secretary's home.

Mr. MAYNE. Where is that?

Mr. HOFFMAN. His name is Ernest Wilhelm at Bosworth, Mo. He is the secretary and treasurer.

At this time, I would like to hand this in to the reporter, which is a list of our national offices, and our area directors. I submit this for the record, if you do not mind.

The CHAIRMAN. Without objection, it will be inserted into the record at this point.

(The list referred to follows:)

NATIONAL ASSOCIATION OF FARMER ELECTED COMMITTEEMEN

NATIONAL OFFICERS

President: Robert J. Hoffman, Alden, Iowa
Vice President: Nelson Hundstad, Bath, South Dakota
Secretary-Treasurer: Ernest Wilhelm, Bosworth, Mo.

AREA DIRECTORS

Midwest: Ray Wax, Newman, Ill.
Northwest: Clifford Daleness, Rose Glen, North Dakota.
South Central: Harold Calahan, Walnut Ridge, Ark.
Southeast: John Lockamy, Clinton, N. Carolina.

The CHAIRMAN. The Chair will make a ruling right now.

The Chair will hold that in the future that any questions about the organization of those organizations that come before us will be out of order unless the member shows some reason why the information needs to be brought into this record. If it is necessary to go into these things, we will go into them, but if we ask every witness who comes up here all about his organization, when it was created, what its purpose was, and who its officers are and where they live, we, of course, could never proceed. It would take too long.

You may go ahead now, Mr. Mayne, because I had not made any such ruling before; but I am going to hold these things as being out of order in the future, unless the member will predicate it with some reason for asking the question.

Mr. BELCHER. If you do not know a single thing about an organization a man is testifying for, Mr. Chairman, it looks like to me that we should, because it appears to me that it is very pertinent to the questioning to find out something about the organization. I never heard of this organization before in my life, and I do not know what a committeeman is, whether it means a Democratic Precinct Committeeman or a Republican Precinct Committeeman or some other type of committeeman. I would, personally, like to know about that.

The CHAIRMAN. I am not going to try to tell you. I am not going to attempt to prevent you from knowing that, but I simply do not want to go through this with every witness.

Mr. HOFFMAN. Very quickly, I might say for any of you gentlemen who would like to know about our organization, we are A.S.C.S. committeemen. We would be happy to give you that information. This is composed of absolutely all farmers. I have to be elected out of the community, as well as the others. That is the only way you can be in the organization, and, so help me, we are farmers.

Mr. MAYNE. I will ask this question of the witness: Does your organization contemplate any further political activity other than appearances before congressional committees?

Mr. HOFFMAN. Wherever we can help a farmer we want to help him, Mr. Mayne. We are young; we are new; we believe in farm programs. We believe in the farmer committee system. We believe in the farmers running their own programs.

Mr. MAYNE. Do you have any policy about political activity?

Mr. HOFFMAN. Political activity?

Mr. MAYNE. Yes.

Mr. HOFFMAN. So far as political activity is concerned, as you know, we have members in every farm organization—we have members in every political party so far as political activity is concerned, we have them all.

Mr. MAYNE. Do you have any policy against taking sides in any partisan election?

Mr. HOFFMAN. We cannot take sides, because as I have told you, being in all political parties and in all farm organizations, we cannot take sides, but we believe that as far as the farm programs are concerned, the big percentage of the people we have are in those, and that really answers the question. I mean the people really do believe in farmers, and they are the ones we want to help.

Mr. MAYNE. Do I understand you correctly that it is your policy not to encourage the people to vote for or against any candidate on a partison ticket?

Mr. HOFFMAN. That is up to him alone. He will have to decide that. He will look the record over and look the fellow over. That is the individual's job, so far as our association is concerned.

Mr. MAYNE. That has always been your organization's policy?

Mr. HOFFMAN. Absolutely. We feel that we can run an association of this kind only in that way.

Mr. MAYNE. What has been the attitude of the Department of Agriculture toward your organization?

Mr. HOFFMAN. Very good. There are times when we do not agree with the Department. We tell them so. And there are times when we do agree with them. Of course, when we do agree with them, we will defend them. Either way. If there is something wrong, we tell them about it, because we feel that we know the problems in our community.

Mr. MAYNE. Did the Department assist you in setting up your organization?

Mr. HOFFMAN. No. I have asked those people, maybe, yes, a name or two, but outside of that, no, absolutely not. This was started among the committeemen and by committeemen.

Mr. MAYNE. I assume that they furnished you with the names of all of the committeemen that you asked them for, to join your organization?

Mr. HOFFMAN. I think that anyone can write to the Department and get the names. I am sure that they are available. They are available to anyone, so far as getting the names of committeemen is concerned, but in most States the committeemen know those in their communities.

Mr. MAYNE. I thank you very much, Mr. Hoffman, for your testimony and for your answers to my questions.

Mr. HOFFMAN. Thank you.

The CHAIRMAN. Mr. Zwach?

Mr. ZWACH. Mr. Chairman and Mr. Hoffman. On page 2 of your testimony, you state: "Increase and improve farm income until it reaches parity with nonfarm income," and "promote and preserve the family type farm." I am a farmer, and I want to welcome, first, a group of farmers here. And I would hope that they are going to be very, very helpful to this committee in improving the farm income and saving the family type farmer, neither one of which we have accomplished with the speed that we would like. You know, since 1966

we have had the worst decline in farm income since the 1930's and that the farm income-parity in comparison, regardless of anybody else is only 73 percent. We have lost 1 million farmers since 1960 from the farms. So, your objectives are good, but there must be some way to improve things. Our farmers are desperate now. So, I do not like your position that we should extend this act and then wait until future years to try to increase the farm parity and farm income, although I will admit that I think that farm income will go up in 1968. I look for that. I think that the sign-up—I have it for my county—indicates such.

I have been in the farm program every year I have operated. I have been sort of disappointed that parity is now lower than it has been since the 1930's, but I think that maybe you farmers can really come up with some solution which can be used to improve this program. If you cannot, I do not know where they are going to come from, but I am willing, personally, to help. In 1967, I attended 72 meetings of this committee out of 74 meetings. And I am willing to work 7 days a week, 10, 15 hours, like I do on my farm, to help. Our farmers cannot wait any longer. They cannot wait forever. They cannot wait until 1969. To be honest about it, if this is extended this way, there will not be much thought and effort given to it, because Congress is too busy with a myriad of things. This is really the time to improve this act.

I am with you fellow-farmers today, anxious to know of any suggestions as to how we can come out of this 74 percent of parity and get up to 100 percent of parity and how we can better gear this program to the family-type of farm which, in a few years, will have almost slipped into oblivion. I know that you can do that; I know that you can do better than anyone else in America. You can come up with suggestions. You work at this every day. My Minnesota committeemen work on this every day. I am getting suggestions from them, but I certainly expect the national association to be prepared to come up with that in the next 16 months before the act is passed. Let us do better, if that is possible. Let us see how we can save the family farm; let us get your suggestions on this.

Really, have you not got anything that you want to tell us in this area?

Mr. Hoffman. Well, first, what our situation would be scares me if we did not have the farm program. I am still scared, that if we lose this one, what are we going to have? I feel this way.

Mr. Zwach. Every year our parity has slipped. We have had some better years. I think I agree with you that unless we have farm bargaining strength somewhere, somehow, we certainly cannot abandon the program. I agree with that. I certainly think you must agree that we have got to improve it.

Mr. Hoffman. That is right.

Mr. Zwach. We cannot drag along. We have to save our young farmers, and to save our family-farms. I am one of a few on this committee who is actually a farmer who works at this everyday, and who has to balance the farm books and the accounts, and I know more about this than many. I am looking to you fellows to do something. Yesterday, we had people from the New York Cotton Exchange and so on, and I notice that tomorrow there will be witnesses from various

other groups. You are the farmers that are going to have to give answers.

Mr. HOFFMAN. I am not trying to get out of this, Mr. Chairman, but I would like to have you listen to these other fellows, and when they get through I will be right here to answer any questions you may have.

The CHAIRMAN. The Chair would like to see that done. I do not want to cutoff questions of this gentleman. But we have taken more than one-half of our time this morning for this one witness.

I want to thank the witness, because I think you have made a credible statement. I think that your suggestion is a reasonable one, whether I agree with it or not, that we renew the legislation and then consider any changes to it. I think, like Mr. Zwach, that we hope to make some improvements in it at this time. I thank you for all of your presentations. I think you have made a very reasonable presentation.

The next witness is one that Mr. Kleppe would like to introduce.

Mr. KLEPPE. This will be off the record. Mr. Chairman.

The CHAIRMAN. Off the record.

(Discussion was had outside the record.)

The CHAIRMAN. We will be glad to hear from you now, Mr. Daleness.

STATEMENT OF CLIFFORD DALENESS, NORTHWEST AREA DIRECTOR, NATIONAL ASSOCIATION OF FARMER ELECTED COMMITTEEMEN, RYDER, N. DAK.

Mr. DALENESS. Mr. Chairman, members of the committee.

My name is Clifford Daleness. I am a North Dakota grain farmer, chairman of my local cooperative elevator board in Ryder, N. Dak., and chairman of McLean County ASC Committee. Our county office is located in Garrison, N. Dak. I am also chairman of the North Dakota Association of Elected Committeemen, and I am a 6-State area director of the Committeemen's Association.

I am pleased to be here today, representing the Committeemen's Association and the thousands of farmers who participate in farm programs in my State and the district I am privileged to represent. I thank this committee very sincerely for the opportunity to appear and be heard by you.

The farmers I represent, like the present farm programs; they would like to see them kept, and strengthened. There is ample evidence that they do like the programs because in my State 95 percent of all wheat farmers are signed up in this voluntary program. In my home county, the figure is 97.7 percent. Those who do not sign up, generally speaking, are the very small tracts, so small that they do not consider it worthwhile. Over 98.6 percent of the eligible acres in my county are enrolled to participate and will comply. Year after year, these figures run about the same.

In a lifetime of farming experience, with and without programs, it is evident that the average farmer cannot survive without farm programs. The Nation's largest industry would suffer a one-third drop in net income without supply adjustment and price support programs to keep surplus production from overloading markets. Many studies bear this figure out.

Wheat farmers, it seems to me, are the group that will be hurt the most if this law is not extended this year. By this time next year, wheat growers will be seriously affected in their planning it they do not by then have assurance as to the program and the kind of program that will be available to them for the 1970 wheat crop.

By that time, the 1969 wheat crop will already be in the ground—the last crop under the present law—and winter wheat will be almost into harvest season. So it is crucial to wheat farmers to have their program extended this year so that, as they go into the 1969 crop, they can plan ahead with some degree of confidence.

I urge, therefore, in behalf of all wheat farmers, that the 1965 act be extended this year. I urge that we do not delay it for minor amendments but that we move the legislation forward in time to permit farmers to do the necessary decent amount of planning.

If we were, as wheat farmers, to make some major amendments and the price would be helped, this would be accepted wholeheartedly, I will tell you.

Wheat farmers know that we have the ability to overproduce the market. Most of us remember the years of overproduction and low prices—and we do not want to see a rebuilding of the wheat surpluses. Many of us favored the mandatory approach that Congress approved in 1962; however, since that program did not prove generally acceptable to farmers, we urge a continuation of the voluntary certificate program that has proved so popular with farmers.

The reason that I mentioned the mandatory approach, in my own county we have many farmers who had mandatory controls and they just did not want to have anything to do with it. You all realize, we had to force them. When it has become voluntary the problems come along with it 100 percent. This has been a surprising thing to me as a county committeeman. And this is why we can do very well with a voluntary program.

North Dakota farmers have a strong interest in the feed grain program and the stability that program has brought to livestock production and marketing. We feel that the recovery that we have seen in cattle prices since the low period of 4 and 5 years ago would not have been possible without stable prices for feed grain, as a result of the feed grain program. The present good prices for cattle—$3 and $4 above a year ago—would certainly not be possible in a cheap-feed livestock economy.

Again I thank you for this opportunity to appear before you. I am confident that you will give our problem the same serious and favorable consideration that you have in the past. We do not believe our requests are selfish or greedy, but rather are in the best interests of all the people, producers and consumers alike, of this great Nation. We are sure that we cannot do the job we would like to do and in the interest of our Nation you would like done, without the continued help of farm programs.

The Chairman. Thank you.

Are there any questions?

Mr. Kleppe?

Mr. Kleppe. Mr. Daleness, you have some rather impressive figures on the first page about the signup in the voluntary program. Let me

ask you this: What do you think the percentage of the farmers in North Dakota would be who would agree with this present program that we have, an extension of it?

Mr. DALENESS. You mean upon a vote from these farmers?

Mr. KLEPPE. Yes.

Mr. DALENESS. I have got to give a figure of 95 percent of the actual farmers.

Mr. KLEPPE. You think it would be that high?

Mr. DALENESS. This is true.

Mr. KLEPPE. It is obvious that in your area you have a pretty good view of the situation. Do you think this would be generally true throughout North Dakota?

Mr. DALENESS. I have heard the figure mentioned many times.

Mr. KLEPPE. I do not want to belabor the point that we spent a lot of time on with Mr. Hoffman. You made the statement here: "The farmers I represent like the present farm programs; they would like to see them kept and strengthened." Do you, Mr. Daleness, before we belabor this, have any one specific point that you would like to bring out here now for the record?

Mr. DALENESS. Practically every farmer I have talked to talks of the export certificate on wheat. This is the one thing that the farmers come to me with, that we do need an export certificate for this low-priced wheat.

Mr. KLEPPE. One more question along this line. You heard the previous questioning regarding the strategic reserve approach. Do you, basically, believe that this has merit insofar as helping the farmers is concerned?

Mr. DALENESS. It should be locked at the warehouse until the market reaches a certain price. I believe it is better off there than out in the hands of the farmers; like it is now, on any day, we never know when the thing will hit the market. Sometimes I live in fear of that. I live in a Durum-producing area.

Mr. KLEPPE. You mean now, as controlled by the Commodity Credit Corporation?

Mr. DALENESS. We should say, by the farmers right now. In the Commodity Credit Corporation, we are actually not taking over any wheat in North Dakota. It is practically all sold on the market. But if in just one day Durum hit the market in such tremendous amounts it would hit the prices. If this amount of wheat of Durum was locked away in the reserve and the market would have to reach a certain price, say, 125 percent of the loan value before it could be sold, I do believe that it would strengthen the market.

Mr. KLEPPE. Thank you, Mr. Chairman. That is all.

The CHAIRMAN. Mr. Price?

Mr. PRICE. Your organization is in favor of a permanent program, is it? Or if not, how many years do you think it should be?

Mr. DALENESS. Naturally, we are in favor of a permanent program. We will accept the 4-year extension.

Mr. PRICE. Just to shed some light on this. On the first page, you say:

> Those who do not sign up, generally speaking, are the very small tracts, so small that they do not consider it worthwhile.

I represent the Panhandle of Texas where there is quite a bit of wheat grown. We have people with 10 or 15 sections that plant wheat wildcat. The same thing is true in other areas, such as in Nevada, with no wheat allotment. I think this would present a problem. In some areas, 95 percent might sign up when there is a hole in the bucket someplace else. I think we have to give some thought to remedying this situation to have any kind of a program work, would you not agree?

Mr. DALENESS. This is true, but the only way that you could control it would be with mandatory controls.

Mr. PRICE. And this is a voluntary program.

I think that there is a lot of work that needs to be done in this area if we are going to have a program that is workable.

Then, you state here:

"The Nation's largest industry would suffer a one-third drop in net income"—Do you have any facts to put into the record to substantiate this comment?

Mr. DALENESS. As a wheat farmer, I am going to say that our wheat certificates at the present time are practically one-third of our income. This is a figure that I have used.

Mr. PRICE. You are speaking of one-third of all of the farmers?

Mr. DALENESS. I do not have any figures on that.

Mr. PRICE. I wondered if you had any figures on that.

Mr. DALENESS. I do not.

Mr. PRICE. I have another question.

We farmers know that we have the ability to overproduce the market.

Let us look at the cattle industry. They too have the capacity to overproduce, yet they have been able more or less to hold their numbers in line and still get a substantial raise in price for their product.

Could you enlighten me a little bit as to how you feel about the grain and wheat commodities?

I know that they are related to the feeding of cattle, that is, feed grains, and so forth. Could you substantiate that a little more?

Mr. DALENESS. It appears to me that the wheat farmers can go in and out of it much faster than the livestock people. I have got to say this: I used to raise livestock. We did have a livestock operation. You could not make a living with grain farming then. Since grain farming has become more attractive, we do not have any livestock at all. This is one of the reasons I say it protects the livestock producer as well as giving a little better income to the grain farmer.

Mr. PRICE. Do you feel that the present farm programs are stopping the exodus of people from the farms?

Do you really feel that it is solving that problem?

Mr. DALENESS. The answer that I give there—and I am asked this many times at home—is: We are, on an average, over 700-acre farms in North Dakota. Why cannot a farmer make a living on one-half of a section like we used to?

My answer always is: If we want to go back and live like they did in those times, we still could do it. I think that we are going to see the farmers off the small farms regardless of what we do.

Mr. PRICE. In fact, I know that the net worth of the farmers at this time is more than it was before because his income is spread among

fewer farmers. However, the farmer today has a 50-percent more indebtedness than he had in 1960.

Mr. DALENESS. This is not true in North Dakota.

Mr. PRICE. We have to look at the whole country, not just one area. So, when I look at these things and I see 100,000 farmers leaving the farms each year and their indebtedness is 50 percent more than in previous years, and parity is 74 percent and the price of the things that the farmer has to buy is up, it has a tremendous effect on the farmer, does it not?

Mr. DALENESS. Certainly, I have to agree.

Mr. PRICE. Do you not think that we ought to take some time this year in hearings to try to find better ways and better methods?

Mr. DALENESS. This is absolutely true.

Mr. PRICE. Thank you.

Thank you, that is all, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Price.

If there are no further questions, we are much obliged to you, Mr. Daleness.

Mr. DALENESS. Thank you.

The CHAIRMAN. Our vice chairman will introduce the next witness.

Mr. GATHINGS. It is a real privilege for me to introduce the witness who is about to take the chair. I have known Mr. Callahan only a few years, since his county has been placed in the First Congressional District. I believe I met him for the first time about 1966 when he came here heading a group of farmers and talked about the problems involved in connection with the administration of the 1965 Farm Act. I have a genuine respect for his knowledge of agriculture. He has given of his time and energies and talents to help the farmers and farm people. I am sure that he will bring us a good statement.

It is a pleasure to introduce Harold Callahan of Walnut Ridge, Ark. He has served as chairman of the ASC committee in Lawrence County for many years.

The CHAIRMAN. We are very glad to have you here, Mr. Callahan. You may proceed.

STATEMENT OF HAROLD CALLAHAN, SOUTH CENTRAL AREA DIRECTOR, NATIONAL ASSOCIATION OF FARMER ELECTED COMMITTEEMEN, WALNUT RIDGE, ARK.

Mr. CALLAHAN. Thank you, Mr. Chairman, and you, Mr. Gathings. It is certainly a pleasure for me to be here, and I am grateful to you gentlemen for the opportunity. I have appeared before a subcommittee of this committee in previous years, and it has always been a great pleasure to be able to come from the farm to the top level and talk to the people who are in the positions to formulate farm programs for the farmers.

I am Harold Callahan, south-central area director of the Association of Farmer Elected Committeemen. The south-central area is composed of Texas, Oklahoma, Louisiana, Mississippi, and Arkansas. Also, I am a farmer and chairman of the Lawrence County ASC Committee, Walnut Ridge, Ark. I am a farmer who drives a tractor. I load rice. I shovel soybeans. I am still making a hand on the farm.

I have covered the entire State of Arkansas in 1966 and 1967 and have gone through some of the other States getting the farmers' ideas in regard to the 1965 Agriculture Act so that we might pool our thinking, you being elected by the people and we, as committeemen, being elected by the people, the only two groups that can serve the farmers and the only two groups that are elected and in a position to advance the thinking on the farmers' problems.

The American farmer has a fundamental right to share in the prosperity of the Nation he feeds. This is basic justice but it is also basic economics. His financial condition affects all of our Nation's industries. Although the number of farmers gradually decreases each year, he provides work for 43 percent of the employed population of this Nation.

I would like to quote the last figure I have had available to me as to the number of farmers that that represents, which is 5.4 percent that provide work for 43 percent of the employed population of this Nation. If you will take those two figures and add them together, the farmers are not nearly in the minority as might appear from some of the news media that publicizes the minority of the farmer group.

The Food and Agriculture Act of 1965 was enacted to maintain farm income, to stabilize prices and assure adequate supplies of agricultural commodities, to reduce surpluses, lower Government costs, promote foreign trade, and to afford greater economic opportunity in rural areas. We believe that this legislation has more nearly accomplished its purpose than any farm legislation enacted since the 1930's.

The present cotton situation is a good example of the effectiveness of this program. We are aware of the fact that adverse weather conditions in 1966 and 1967 contributed to the reduction of the cotton surplus, however, this is the most practical and effective program the Congress has enacted. This program has eliminated, for the most part, staggering storage costs that have plagued taxpayers for many years. Also, farmers are more competitive on the world market. In addition, the program has been directly responsible for the surival of a vast number of family-size farmers who would now be bankrupt had they not received direct price support payments. Also, without these payments, the purchasing power of all farmers would have been sharply reduced. This program, together with the $1 per bale contributed by cotton farmers for promotion and research, will in time give the cotton farmer the security he must have in order to survive.

I would like to give an explanation firsthand. In my home county this past year, had it not been for the payments made in regard to cotton, we would have had a greater number of small farmers who would have been out this year of 1968, simply because weather conditions were prohibiting them from producing the amount of cotton it takes to pay the indebtedness or the investment of making the crop. We had a number of farmers who had to be transferred from farmer lending agencies, banks, production associations to the FHA for emergency loans. Both of these coming together, plus the fact that there were increased costs, added to the adverse weather conditions, all of which added to the problem.

The present program has been equally effective for wheat, feed, grains, and rice. The most obvious benefit is realized by the consumer. I would like to point out that the consumers today in the United States are buying more for less than in any other nation we know of. The direct price support payments to wheat and feed grain farmers have made a very substantial contribution in holding down the cost cost of food to the consumer. The increase in rice acreage for 1968 will help meet the ever-increasing world demand for food. Should a rice surplus be created that would involve a storage expense, the rice-growers will be the first to request a reduction in acreage allotments. I would like to point out that the rice farmers position is such that we are very grateful for the 20 percent increase that was granted to the rice farmers in this last year. We are the first and will be the first if a surplus arises to ask for a reduction, simply because it was so indicated. Back in 1953 when we were aware of the fact that rice was beginning to be in surplus, we approached the authorities asking that a reduction be made at that time or an allotment be placed upon our production so that we would not get ourselves in jeopardy as rice producers. From that time up to now, the present time, we have looked at our situation. We have realized the problem, and beginning in 1959 we began a promotion program which was out-of-pocket payments by the rice farmers to promote the domestic consumption of rice, plus foreign exports. We have paid a portion of it, about eighty-four one-hundredths of a cent per hundredweight to promote our own commodity. And we feel today that we are in good position or we would not have voted or encouraged an increase of 20 percent in the rice production for 1968.

It is the sincere hope of the organization I represent that this committee will recommend an extension of the Food and Agriculture Act of 1965. Also, this hope is utmost in the minds of other farmers I have talked with during the past 2 days.

Let me elaborate. I have traveled all over the seven districts of Arkansas in the last 12 months and, as I said a moment ago, a portion of Louisiana, Mississippi, and it is the general consensus that had it not been for this particular program there would be the question of where would the farmer be at the present time because of the conditions that we have faced.

Over the past years when new programs were enacted, they have not reached the farmer in time for him to learn how he would be affected and plan his operations accordingly. The reason for this statement is because of the fact that the farmers with their vast investments they have to make regarding machinery and various other things that are quite expensive—the cost of borrowing money—means that he cannot make a year-to-year plan because he has to make it over a span of years. A farmer cannot repay a loan today as fast as maybe he could just a few years ago. So, with the vast investment that he has to have future planning provided for him. A typical example is to think back to the time the present legislation became effective. All of us in ASCS worked day and night trying to give farmers the information they needed in order to intelligently participate in the program. In spite of the efforts of ASCS and the cooperative efforts of other agencies of the Department, many farmers lost benefits in 1966 because they did not have time to think out the provisions of the program before

the planting season. Farmers are now familiar with the program and have adjusted their operations accordingly.

The Food and Agriculture Act of 1965 is very flexible. As conditions warrant, many changes can be accomplished administratively without legislative amendment. We believe the Secretary should continue to hold grassroots hearings in order to obtain the consensus of the various types of farming interests throughout the Nation. Also, this information should be beneficial to the Congress in considering amendments to the present program.

It is our belief the vast majority of farmers are in agreement on the following points:

1. The present program should now be extended for an additional 4-year period, permanently I might add.

2. A 16-million acre national allotment for cotton should be maintained. A reduction in our national allotment would simply encourage expansion of foreign production.

3. The competitive one-price concept for cotton should be continued as well as the nonrecourse loan program at 90 percent of the estimated world price.

4. The provision in the present law which permits the transfer of cotton allotments between farms within a State by lease or sale has strengthened the economy of thousands of cotton farmers. This authority permits farmers who are greatly in need of more cotton to increase their allotments in order to have more economical production units. We believe, however, that the 100-acre limitation should be removed. This change would benefit the economy of many farmers who have the equipment and land to grow more cotton and it would contribute to more efficient farming units.

5. We would be in favor of certain improvements in the law when these could be adopted without deferring an extension of the overall legislation.

In brief, we would say that the Food and Agriculture Act of 1965 is accomplishing the purposes stated by the Congress when it was enacted. It is maintaining farm income, stabilizing prices, assuring adequate supplies of agricultural commodities, reducing surpluses, lowering costs to the Government, promoting foreign trade, and affords greater economic opportunity in rural areas.

We cannot overemphasize the need for renewing the present farm program in 1968. Farmers must have this security if we want the Nation's most important industry to survive.

Gentlemen, I assure you that I speak without reservation, that at the local level farmers are worried about the result when this act expires. In today's agriculture, the burden of high-priced equipment, fertilizers and chemicals require long-range planning and financing. It takes time to prepare a program and explain it to farmers. If we do not have a program for 1970 crops before the summer of 1969, we have lost the confidence of many farmers. They deeply appreciate your action in authorizing a 4-year program in 1965. I know they will appreciate action in 1968 to extend this necessary legislation.

In conclusion, I want each of you to know it has been an honor and privilege for me to appear before this committee. I appreciate the time

I have been granted and sincerely hope you will accept these remarks for serious consideration.

The CHAIRMAN. Thank you very much, Mr. Callahan. We are glad to have you appear before our committee. We appreciate your comments.

Are there any questions of Mr. Callahan?

Mr. Zwach?

Mr. ZWACH. Referring to No. 5 of your points:

"We would be in favor of certain improvements in the law when these could be adopted without deferring an extension of the overall legislation."

Do you have these jelled, these improvements that you are suggesting?

Mr. CALLAHAN. They are no more than what I have already made suggestions on, no. Knowing that you would receive suggestions from various other groups of farm-minded people, we have added this for that purpose.

Mr. ZWACH. Could you give to the committee what the suggestions are with regard to what you would think would help the family farm, to help reach this parity goal?

Mr. CALLAHAN. They are no more than what I have already listed in the previous four or five.

Mr. ZWACH. Thank you. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Mayne?

Mr. MAYNE. I do not understand—I am sorry—what you mean by that answer, Mr. Callahan. You say that you are in favor of certain improvements. Mr. Zwach and I would like to know what improvements do you favor?

Mr. CALLAHAN. I am not in a position to make a statement in regard to suggestions that are being made by various other groups. Other people who will testify before you I am sure will do so in these hearings. I am sure that they will be of as much knowledge or different knowledge and different angles as maybe mine. If they be favorable to you as a committee, then I am sure that you would give them your due consideration.

Mr. MAYNE. I am asking you what improvements do you favor? As you say in point 5, on page 4 of your statement.

Mr. CALLAHAN. I would like to reread that, Mr. Chairman:

"We would be in favor of certain improvements in the law when these could be adopted without deferring an extension of the overall legislation."

I have listed the four previously to the statement here. Those, I am saying I would be in favor of, and if there are others who offer constructive suggestions so long as they would not defer the enactment of the 1965 Agriculture Act, all right. Not mentioning anyone specifically other than what I have stated.

Mr. MAYNE. Thank you.

That is all, Mr. Chairman.

Mr. CHAIRMAN. Thank you very much, Mr. Callahan. We appreciate your statement.

We will now hear from Mr. John N. Lockamy, North Carolina.

STATEMENT OF JOHN N. LOCKAMY, SOUTHEAST AREA DIRECTOR, NATIONAL ASSOCIATION OF FARMER ELECTED COMMITTEEMEN, CLINTON, N.C.

Mr. LOCKAMY. Mr. Chairman and members of the committee.

I am John Lockamy, Southeast area director of the National Association of Farmer Elected Committeemen. I am also a tobacco, cotton and feed grain farmer and vice chairman of my county committee which is located in Sampson County, Clinton, N.C. The Southeast area is composed of North Carolina, South Carolina, Georgia, Florida, Alabama, Tennessee, Kentucky, and West Virginia.

I am very pleased to be here today representing the farmers of my area and am very proud to represent an association that has no aim other than to truly represent farm people. During the last 12 months I have had the opportunity to meet with farmers throughout the Southeast, and I am familiar with their desires.

Recently, I read an article paid for by private enterprise in a leading national magazine condemning farm control programs of which it said three-fourths of the farmers of America want the Government to take their hands off farming and save the billions that it now squanders on farm aid and let the farmer run his own business. A week later I observed another article, which I know is true, that stated a majority of the farmers participate in the voluntary sign-up program. Also, I read constantly where organizations who are supposed to represent farmers' views keep expounding on the idea that farmers are dissatisfied with farm programs—the question may be asked: "Who truly represents the farmers of our Nation?"

Our association does represent farmers, because every member has to be a farmer.

The Food and Agriculture Act of 1965 was enacted to maintain farm income, to stabilize prices, to reduce surplus, to lower Government cost, to promote foreign trade and to assure adequate supplies of agricultural commodities. Farmers are aware of what would happen to our entire economy if we didn't have some type of farm control. We urge our legislative branch of Government to hear our plea and take careful consideration of what the extension of this act would mean to the farmer and other segments of this great country. We don't ask for this out of greed or selfish motives. I am convinced from my own experience that our present legislation works better than any farm program this country has ever had before. With the extension of this legislation on a permanent basis, it will enable the farmer to make long-range plans of his operation. In this age of costly farm mechanization this is indeed a great necessity. As an example, in my home county we have 5,515 farmers averaging 30 acres per farm. Our vast diversification requires each farmer to have two or three tractors with different types of equipment.

From my area an outstanding example of a successful farm program would be our present Flue-cured tobacco program which has achieved wide acceptance and excellent results throughout the Flue-cured tobacco area.

In conclusion, I would like to urge permanent renewal in 1968 of the Food and Agriculture Act of 1965. This is important since this

legislation is a benefit to all segments of our economy in that it assures the farmer of a fair return for his labor and at the same time protects the consumer by assuring him food and fiber at reasonable prices. I thank you.

The CHAIRMAN. We thank you very much, Mr. Lockamy.

Are there any questions?

Mr. Price?

Mr. PRICE. I see that some of your paragraphs are in the other statements which have been presented previously. You state on the second page of your statement:

> The Food and Agriculture Act of 1965 was enacted to maintain farm income, to stabilize prices, to reduce surplus, to lower Government cost, to promote foreign trade and to assure adequate supplies of agricultural commodities.

Farm income has been maintained at 74 percent of parity.

And as to stabilizing prices, would you say that farm-product prices are stabilized now at 52 percent of parity for some commodities?

Do you call this stabilization?

Are we talking about stabilization where we are all going broke?

Mr. LOCKAMY. Yes.

Mr. PRICE. "And to assure an adequate supply of agriculture commodities." This is true. We are providing adequate supplies to the consumers at 17.7 percent of his disposable income, and then you say on down in the page, "I am convinced from my own experience that our present legislation works better than any farm program this country has ever had before."

Were you financially better off under this program than under any program this country has ever had before?

Were you better off in 1950 than you are today?

Mr. LOCKAMY. No.

Mr. PRICE. You are not?

Mr. LOCKAMY. No. I am better off today.

Mr. PRICE. I think, as to the average farm income, that you are wrong.

Then, on the last page of your statement you say:

> This is important since this legislation is a benefit to all segments of our economy in that it assures the farmer a fair return for his labor and at the same time protects the consumer by assuring him food and fiber at reasonable prices.

Is it assuring the farmer of a fair return, this program as we have it today?

Mr. LOCKAMY. In my thinking, if we did not have it I think the farmer would be worse off.

Mr. PRICE. I am just asking. Do you feel that this is a fair return the farmer is receiving?

Mr. LOCKAMY. That is not a fair return. I think it would be worse off without it, without something of this nature.

Mr. PRICE. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Price.

Mr. Kleppe?

Mr. KLEPPE. Just so the record will be straight, Mr. Chairman, on a question here by Mr. Price, I think that in this question of parity

and the question of whether the Food and Agriculture Act of 1965 has maintained the farm income, I think that we have got to realize that there are two sides to that equation. One side is the side that Mr. Price was pointing out about farm income, but the other side of the parity equation is the cost of production. And the Food and Agriculture Act of 1965 has not been responsible for the inflation we have had and for each increase in the cost of production involved in this parity equation.

I only wanted to say this for the record, Mr. Chairman.

The CHAIRMAN. Thank you.

Are there any further questions?

If not, we are very much obliged to you.

Mr. LOCKAMY. Thank you.

The CHAIRMAN. We will now call on Mr. Thomas L. Kimball, executive director of the National Wildlife Federation.

We will be glad to hear you now.

STATEMENT OF THOMAS L. KIMBALL, EXECUTIVE DIRECTOR, NATIONAL WILDLIFE FEDERATION, WASHINGTON, D.C.

Mr. KIMBALL. Thank you, Mr. Chairman, and members of the committee.

I am Thomas L. Kimbal, executive director of the National Wildlife Federation, which has headquarters at 1412 16th Street NW., here in Washington, D.C.

By way of introduction or identification, the National Wildlife Federation is a private organization which seeks to attain conservation goals through educational means. The federation has independent affiliates in 49 States. In turn, these affiliates are composed of local groups and individuals who, when combined with associate members and other supporters of the National Wildlife Federation, number an estimated two and a half million persons.

It also is my privilege to serve on the Advisory Board on Wildlife to the Department of Argiculture with respect to the cropland adjustment program. Therefore, I should like to center my comments upon this portion of the Food and Agriculture Act.

Mr. Chairman, we hope that authority for the cropland adjustment program will be continued and extended. We now are recommending to appropriations committees of the Congress that sufficient authority be allowed in 1969 to incorporate another 2 million acres into the program, hopefully making a total of 6 million acres before the 4-year effort expires.

Extension and expansion of the CAP program particularly is needed at the present time, in our opinion. Unless farmers have some incentive to devote them to other uses, some 9 million acres of agriculture land now under conservative reserve (soil bank) contracts will come back into crop production. Thus, as long as these lands are not needed for crops, according to experts in the Department of Agriculture, a common-sense approach would appear to be to divert them into 5-to-10-year agreements which result in other benefits. Diversion on a long-term basis, of course, is more economical than on a year-to-year basis.

Of course, we are interested in the public access provisions of the CAP program. These already provide free facilities for hunting, trapping, fishing, and hiking on some 1 million of the acres signed up in 1966 and 1967 and, in addition, 139 communities entered into "Greenspan" agreements for recreational opportunities near urban areas.

In our opinion, it also is worthy to mention that a land retirement program such as CAP is of special value to farmers who are handicapped or elderly or have some other special reason for wishing to reduce their farming activity. A long-range program of this sort would give them assurance of continuity not now presently available to them. Perhaps, the committee would wish to consider the establishment of priorities for acceptances of CAP contracts. For example, top priority might be given to farmers who, because of age or physical disability, want to establish projects and take land out of production. Or, some other priority might be given to farmers who would agree to provide public access for recreational purposes without compensation.

In concluding my comments about this portion of the Food and Agriculture Act, I might point out that we are hopeful that the Committee on Appropriations this year will see fit to again allow the budget proposal of $55.5 million in an advance authority for the CAP. And we hope the members of this committee also will lend their valuable support and influence in continuing this program.

Thank you for the invitation and opportunity of appearing here today.

The CHAIRMAN. Thank you very much, Mr. Kimball. Your testimony raises a question in my mind that, frankly, I have overlooked in the past. You point out that much of this land is presently available for hunting and fishing, but it does not have any identification. If I went out into my own county to hunt quail where there is plenty of soil-bank land that the Department has, where would I know I could go? How would I know? I could not take advantage of that, could I, unless I actually knew what each one of those farmers had done in the past?

Mr. KIMBALL. That is correct, Mr. Chairman. I am not sure whether there is any signing program incorporated in this or not.

The CHAIRMAN. There is not, so far as I know. I am wondering if we can really make this available to the public. Would we have to put up some kind of signs, telling them that they could come onto this land, to make it of any value to us, except for the very select few?

Mr. KIMBALL. It may be, Mr. Chairman, that hunting areas being as scarce as they are in some areas, that this would become known and accepted without signing. However, signs would be necessary.

The CHAIRMAN. Would you tell us how that works, Mr. Daleness?

Mr. DALENESS. In North Dakota, we do hold public access to such lands.

The CHAIRMAN. There is nothing in the law that requires it, is there?

Mr. DALENESS. Pardon?

The CHAIRMAN. There is nothing in the law that requires it, is there?

Mr. DALENESS. If the man signs up for public access, it is in the law. If he signs up for public access we post the land, and anyone can go on it.

The CHAIRMAN. What I am trying to get at is, you do that in North

Dakota. I think that is a fine idea. I know I have seen no such signs in the State of Texas. I do not remember putting in any such provision in the law. Is there any such provision in the law?

Mr. FOLEY. Mr. Chairman, if you will yield, it may be in the regulations.

The CHAIRMAN. That is what I am talking about. It is in the regulations; not in the law.

Mr. FOLEY. I do not recall that we put it in the law.

The CHAIRMAN. Frankly, it occurs to me that it is not in there.

Mr. DALENESS. We do it as committeemen. We do have to post all of this land that the farmer signs up.

The CHAIRMAN. Because this is the only way that you can do it. I do not blame you for doing it. Is it of any practical value?

Are there any further questions?

If there are no further questions, we are very much obliged to you, Mr. Kimball.

Mr. KIMBALL. Thank you.

The CHAIRMAN. We will now hear from Mr. Glen Hofer, executive vice president, National Association of Wheat Growers.

We are glad to have you with us, Mr. Hofer. We will be glad to hear you.

STATEMENT OF GLEN HOFER, EXECUTIVE VICE PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS

Mr. HOFER. Mr. Chairman and members of the committee.

My name is Glen Hofer, and I am executive vice president of the National Association of Wheat Growers.

Our association, at its recent national convention in Wichita, Kans., reaffirmed its strong support for the provisions of the Food and Agriculture Act of 1965.

We feel that our support has been justified by the virtual disappearance of the wheat surpluses which plagued us for so many years—and by the popularity and practical usefulness of such producer options as the substitution clause and the overseeding privilege.

We are convinced that the administrative tools embodied in the 1965 act comprise the most effective program yet devised to govern the production and marketing of U.S. wheat.

In reviewing program provisions at Wichita, the association advocated that:

1. A full parity price be sustained for domestically consumed wheat in any future wheat program.
2. An export certificate to cooperators be established.
3. The substitution clause, permitting the substitution of wheat and feed grain acres be continued and realistic adjustments be made for present inequities in feed grain bases.
4. Wheat allotments be adjusted each year after careful estimates are made in order to keep production in line with domestic and export requirements to prevent the building of excess stocks.
5. The U.S. Department of Agriculture make advance payments on certificates due wheat farmers cooperating in the program.
6. The USDA continue its effective policy of keeping U.S. wheat competitive in the world market through use of export payment.

7. Provision should be made for increased diversion payments for land devoted to permanent or rotation grass mixtures.

8. No farm should have its allomtent base or projected normal yield reduced more than 5 percent in any one year due to natural disaster such as drought, hail, insects, and flood.

9. Farmers should not incur penalties for acting on incomplete or inaccurate information supplied through official USDA channels.

In addition to the preceding recommendations, the National Association of Wheat growers is strongly in favor of the establishment of strategic commodity reserves as a part of the farm program. Such reserves, we feel, would insure our country of adequate reserves in emergency, reduce the tendency of the Secretary of Agriculture to plan allotments in order to make certain of wheat production on the safe, high side, and give assurance to our world wheat customers that we are not going to run out when they are depending on us for supplies. Insulation of the major part of the reserves from the marketplace would reduce the depressing effect any extra stocks would normally exert.

Aside from the foregoing review of the program provisions, there are two major points we would like to make before your committee.

The first is a reminder of the crucial battle that the farmer is waging—and losing—to keep spiraling input costs from consuming his financial base. The much heralded U.S. farm efficiency which has produced bargain grocery prices for the U.S. housewife and enabled the United States to take a leading role in feeding the hungry world has been expensive to us as individuals. All of our production costs—chemicals, fuels, tires, machinery, repairs—are up sharply. Real estate taxes and interest rates march steadily upward. Our personal cost-of-living items—clothing, medical, education, utilities—all are up. Wheat prices? Down—sharply down, with a 6- to 10-cent drop over the past 2 weeks and predictions of large United States and world crops threatening that the wheat market will experience even more downward pressure in the coming months. The national farm gate price for wheat during the 1967–68 marketing year is anticipated to be around $1.43 per bushel. Recent (1967) production cost studies in widely separated wheat-producing areas (Oregon and Nebraska) have indicated that those farmers surveyed are spending $1.40 to $1.50 per bushel to raise wheat. Profit margin? Without the dollar return from domestic certificates there is little or none.

We do not believe that the price weakness can be construed as an indictment of the entire farm program—as some would use it. Without the program there would be no certificate and there would be no way to keep a checkrein on our overwhelming production capability. We believe it simply points up the fact that a particular effort should be made to see that any extension of the 1965 act includes provisions to strengthen producer income.

The second point concerns the timeliness of legislative action on an extension of the present law. Although the present legislation regulates the production and marketing of the 1969 crop, it should be remembered that the 1970 winter wheat crop starts early in 1969. The planning of crop rotation, fertilizer application, and tillage practices has to be completed by early spring. Actual field work on the seed beds to be planted to wheat in the fall starts in March or April.

Credit arrangements for operating expenses (and it is a rare farmer who is not on credit) must be made early. The decisions concerning the 1970 crop will have to be made by the farmer—and the banker—within the first 2 or 3 months of the next congressional session. With the almost certain prospect of a new President, new Agriculture Committee assignments, new Members in both the Senate and the House, it is very unlikely that there would be the inclination to move swiftly on major farm legislation in 1969.

The National Association of Wheatgrowers therefore urges an extension of the 1965 Food and Agriculture Act and further urges that the necessary action on the extension be taken during the second half of the 90th Congress.

The CHAIRMAN. We thank you for your very fine statement.

We very much appreciate it.

Mrs. May?

Mrs. MAY. Mr. Hofer, yours was an excellent presentation. I particularly refer to page 2, where you outline the farmer's cost-squeeze. This is a good descriptive picture.

Now, as to the full impact of your whole statement as representing the viewpoint of the National Association of Wheatgrowers I would like to ask a couple of questions to clarify this for the record as to just what you are saying.

As I understand it, for the reasons stated, the national organization is recommending the extension of the Food and Agriculture Act of 1965 this year?

Mr. HOFER. Yes; that is right.

Mrs. MAY. But, you have also recommended some revisions in the program if it is extended?

Mr. HOFER. We are reviewing the provisions, that is right.

Mrs. MAY. Then, on page 2, at the bottom of the page and the top of page 3, you say:

> We believe it simply points up the fact that a particular effort should be made to see that any extension of the 1965 Act includes provisions to strengthen producer income.

Have you, in your organization, worked out any specific recommendations in this area?

Mr. HOFER. Our organization has, of course, talked about ways of changes. Also, we have very carefully considered, I hope, the chances of having an extension, in an urban oriented Congress. We recognize the budgetary demands on the administration with the war and all of that. We hesitate to put some of our ideas in that we have toyed with that will entail large Federal costs; that is, increased costs. Most of our suggestions, we would like to see incorporated in the extension of things that we do not feel would be terrificly expensive to the U.S. Treasury. I believe that the certificates would increase the farmer's income, inasmuch as you would reduce his cost of financing operations during the year.

Our people, as one of the previous witnesses suggested, do believe that an export certificate would be a good thing. It would be expensive unless some of the program provisions were changed. We do not seek the certificate as it is, where part of it comes from the Federal Treasury, where the cost of the domestic certificate was borne by the market-

place. We feel that this then would be refunded and that part of the program would have to be applied to the export certificate. This is a very debatable issue. We hesitate to really throw it in the hopper at this time, because we do realize that at this session of the Congress there are many things to consider and maybe it would push back consideration if you raised that kind of an issue now.

Mrs. MAY. You have touched on a big question in my mind and in the minds of a number of colleagues on this. Many of the witnesses representing other farm and commodity groups have testified that they too wanted the permanent extension of the act but, almost without exception, they wanted some changes before this is done. Important changes to them, designed to raise farm income because they, too, testify that the farmer is in serious trouble financially.

As you know, in this session of the 90th Congress we have overwhelming financial responsibilities, so that it does not seem politically practical to me that we can extend these programs this year and get support for increased support payments. And I do not know whether we can take that gamble. On the other hand you said that you did not want to gamble that farm programs would be extended in the next session of Congress. But, would it be best to just permanently extend this act without changes, with all of its built-in wrongs where they may exist?

This is what worries me. As a practical matter I do not see how we can permanently extend any program and be responsible to the farmer, because that would mean continuing the same inequities on a permanent basis.

Mr. HOFER. It does seem like a sterile attitude when there are areas in the income feature that do not completely fill the bill. However, I must say an extension, coupled with several other legislative things that could happen, that we are hoping for, could benefit, such as the ratification of the international grain arrangement which we believe could, eventually, lead to higher world prices which would reflect itself in the market.

I think also the establishing of reserves could be beneficially reflected in our income position. We have talked about that some this morning.

On our position, as I have mentioned here, of showing our customers and having the Secretary make his decisions, the purchase power, and an authority for the Commodity Credit Corp. to purchase wheat in the market now would, undoubtedly, have a bullish effect in a market that is terribly bearish right now. It would help that.

Mrs. MAY. I think a problem we are all facing here, your organization and the members of the Congress, is that we are not too hopeful of the financial response to all of these areas from this Congress. Would it not be better to try and wait until next year, hopefully when we might have a better financial situation? Then it might be we could get support for needed changes when we extend the act. To me this is the safer gamble.

I think this is perhaps right before us right now.

Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Foley?

Mr. FOLEY. I want to congratulate you on your statement. I think it is an excellent statement, and since everyone is picking out favorite

quotations from it, and other statements, I would like to cite my favorite, the one next to the last statement on page 2:

Without the program there would be no certificate and there would be no way to keep a check-rein on our overwhelming production capability.

To me, that seems to be the essential point in the necessity for a program extension by the Congress.

I might ask you a difficult question, Mr. Hofer. You are as accustomed to difficult questions as we are. As you know, none of the members of this committee has a chance to frame legislation exactly as he would prefer when these bills come up before us. He does not have the option to include all of the benefits that he would hope to realize. If this committee and this Congress, on voting this present bill up or down, with all of its deficiencies, without one single improvement in the bill, how would your organization advise the members of this committee and the members of the Congress to vote? Yes or no?

Mr. HOFER. We would urge that you vote for a simple extension.

Mr. FOLEY. Thank you.

Thank you, Mr. Chairman, that is all.

The CHAIRMAN. Mr. Kleppe?

Mr. KLEPPE. I have one brief question.

Mr. Hofer, you do know that the House has passed the Advance Payment bill, the wheat certificate?

Mr. HOFER. Yes.

Mr. KLEPPE. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. I just want to see if I cannot sum up Mr. Hofer's testimony and the testimony of the four or five witnesses who were here before Mrs. May came in.

You would rather, in this session of Congress, to get part of something rather than to take all of nothing, and if we do not take anything you have exactly all of nothing; whereas, if we extend the law as it is, you will have a part of something and would hope to get more of it in the future.

Mr. HOFER. We will have a basis to work on.

The CHAIRMAN. Is that not about it?

Mr. HOFER. Yes, sir.

The CHAIRMAN. I am in favor of making changes, and while I hope to make some changes, and while I see folks sitting back in the back there who want to be heard tomorrow, and I know they will be talking about changes that some of us want, I certainly want it made clear that if we cannot get any improvement, I am for passing the bill and extending the bill as it now stands rather than doing nothing.

Mr. FOLEY. Mr. Chairman, may the record show that the witness nodded his head in response to the Chairman's statement.

The CHAIRMAN. That is right.

Are there any further questions?

If not, we are very much obliged to you.

The committee will stand in recess until 10 o'clock in the morning at which time we will hear from another group of farmer representatives.

(Whereupon, at 12 Meridian, a recess was taken until 10 a.m., Wednesday, April 24, 1968.)

EXTEND THE FOOD AND AGRICULTURE ACT OF 1965

WEDNESDAY, APRIL 24, 1968

House of Representatives,
Committee on Agriculture,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 1301, Longworth House Office Building, Hon. W. R. Paoge (Chairman) presiding.

Present: Representatives Poage, Gathings, McMillan, Abernethy, Jones of Missouri, O'Neal, Foley, de la Garza, Vigorito, Montgomery, Rarick, Belcher, Teague of California, Dole, Goodling, Miller, Burke, Mathias, Mayne, Zwach, Kleppe, Price, and Myers.

Also present: Christine S. Gallagher, clerk; William C. Black, general counsel; Hyde H. Murray, assistant counsel; L. T. Easley, staff consultant; and Fowler C. West, assistant staff consultant.

The Chairman. The committee will please come to order.

We are met again this morning to continue the hearings on the renewal or possible changes in the existing Food and Agriculture Act of 1965.

This morning we have a rather substantial list of witnesses. It seems to grow all of the time; every time I look at it, it gets larger. We must get underway as rapidly as possible.

Most of these witnesses are primarily interested in cotton, although the committee is interested in all phases of agriculture.

I would want to call the committee's attention to articles which have appeared in the press indicting the whole agricultural community. This is by an organization, which is not a governmental organization, called the Citizens' board of Inquiry into Hunger—it is a committee investigating food deficients. It draws the conclusion that 35 percent of the American people are undernourished at the present time. I should think that we would like to call attention to the fact that probably 35 percent of the farmers are undernourished, because they do not probably get what they ought to eat, and I expect that 65 percent of the congressional wives are undernourished not because their husbands refuse to support them properly—and I presume that the same thing prevails in other sectors of our citizenry. Undernourishment is not always a question of a lack of food.

This committee which is so critical of the farmers in their report, indicates that 35 percent of the American people are undernourished and could not afford to buy adequate food at the present prices. Certainly, if the food is available, certainly no American citizen can find fault with the American farmer when he has made the food available.

I think that it is a sad plight when a committee turns out a report of this kind. It is calculated to injure the farmer. It is another evidence of the fact that those people do not understand farm problems and that misunderstanding is one of the stumbling blocks, one of the problems with which this committee has to deal. This kind of attitude on the part of responsible people who make a statement of this kind is certainly detrimental to agriculture. We have to deal with such statements and we live in that kind of a world. We do not live in a world that is too friendly to agriculture as such.

I do not desire to comment any further on this.

We will call our first witness who is Mr. Joe B. Pate, Jr., who is chairman of the Texas Association of Cotton Producer Organizations. We will be glad to hear from you now, Mr. Pate.

STATEMENT OF JOE B. PATE, JR., CHAIRMAN, TEXAS ASSOCIATION OF COTTON PRODUCER ORGANIZATIONS

Mr. PATE. Mr. Chairman and members of the committee.

My name is Joe B. Pate, Jr. I am a cotton farmer living in Lubbock, Tex., with farming interest in Lubbock and Hockley County, Tex., and in New Mexico and Arizona. I am chairman of the Texas Association of Cotton Producer Organizations.

Texas Association of Cotton Producer Organizations, or TACPO, is an affiliation of the six cotton-producer organizations holding charters under the Texas nonprofit corporation law. Members of TACPO are the Plains Cotton Growers, Inc., the South Texas Cotton and Grain Association, Rolling Plains Cotton Growers, Inc., Blacklands Cotton & Grain Association, the Trans Pecos Cotton Association, and the El Paso Valley Cotton Association. I am pleased to report that the six-member associations represent all of the chartered cotton-producer groups within Texas. TACPO is an organization of cotton producers, created for cotton producers, and controlled by cotton producers.

The combined membership of these organizations produces approximately one-third of the cotton grown in the United States. We encompass every major cotton-producing area in the State. Within the membership area, cotton is planted from February to July, from sea level to 4,000 feet elevations, producing yields of from 100 pounds to three bales per acre, open boll to storm proof. We produce virtually every grade and staple known from low middling tinged seven-eighths to extra-long staple Pima cotton. Thus we duplicate the full range of growing conditions across the belt, as well as produce a very significant percentage of the Nation's overall volume.

Here with me in behalf of TACPO are official representatives of of our six member-organizations, and with your permission, Mr. Chairman, at the conclusion of my statement I would like to give each of these an opportunity to make whatever comment he may have.

The CHAIRMAN. We cannot do that sort of thing. There is no way that we can schedule our meetings if we allow witnesses to come here to introduce a great number of new witnesses we do not have scheduled, and allow them to each make a statement. We will be glad to have you introduce each of those who are with you. We would be glad to let

them answer any questions, whether they are for or against the extension of the act, but if we go into the proposition of letting the witnesses come here and introduce additional witnesses—and we have eight witnesses on the list now—we would not have time for them.

Mr. PATE. Surely.

The CHAIRMAN. It would set up confusion, something that could not be worked out. I think you understand. We will be glad to have you introduce those with you.

Mr. PATE. I would like, at the end of the statement, then, to introduce the various members. Thank you, sir.

The CHAIRMAN. All right. You may proceed.

Mr. PATE. The governing body of our organization, speaking for the great majority of cotton producers in Texas, strongly recommends that farm legislation be enacted this year. In view of the fact that 1968 is an election year, a reorganization of the Congress will take place in 1969. This will delay action on all legislation, including a program to replace the Food and Agriculture Act of 1965.

President Johnson in his message to the Congress on February 27 recommended that legislation be enacted this year. He pointed out that farmers, like all prudent businessmen, should be in a position to make plans well in advance. The only way this can be assured is through enactment of legislation in 1968.

We would make it clear at the outset that we support an extension of the Food and Agriculture Act of 1965. Our experience under the program in the past 2 years has proven the act can provide the necessary flexibility to maintain adequate supplies without burdensome surpluses and can stabilize farm income. Cotton production today more than ever before requires the assurance of reasonable income stability because the farmer must spend more than ever—for machines, fuel, fertilizer, labor—in order to farm. We cannot make the sizable investments required in today's farming operations without the expectation of a reasonable net return. The income protective features of this program are therefore of paramount importance.

The position taken by many of us in 1965, Mr. Chairman, in opposition to direct subsidy payments to producers of cotton, primarily was taken for two reasons. Producers were fearful that such an approach would bring repeated attempts to place a dollar limit upon a producer's participation in, or benefit from, a support or payment program. These attempts have been made, repeatedly, by people who in all sincerity do not realize the tremendous and ever-increasing investments required of commercial farmers for advanced technological production inputs that are our only chance for reducing the per-unit cost of production. And reducing production costs on this basis is our only hope of reducing the need for Government help. As of now, production costs so greatly exceed market prices that without supports farmers could not get the necessary financing to apply modern techniques. To place a ceiling on the support a farmer can receive would destroy all semblance of efficiency in most American agriculture and would bring chaos and ruin to all producers of agricultural products, regardless of size, because such a ceiling would destroy the effectiveness of all voluntary farm programs.

We have been told, Mr. Chairman, that some 20 percent of the

Nation's cotton farmers supply 80 percent of the cotton needed by the Nation. These are the cotton farmers who fuel the cotton industry. To destroy the efficiency of their operations, as individual benefit limitations would do, would be to destroy the cotton industry. Without profit they cannot long produce. And without production the industry cannot survive.

With limitations rural farm communities would continue an already drastic decline; American agriculture could not attract the youth on whom its future must depend, and there would be no incentive to expand operations, which is one of the prime avenues to solving our agricultural dilemma.

We cannot pass this opportunity to congratulate the members of this committee, the administration, Members of Congress and all others who so clearly understand the discriminatory nature of program benefit limitations and the chaos they would create in agriculture.

We congratulate you on the wisdom evidenced by the "snap back" provision in the current law, and we urge that this be retained and strengthened if possible in any new legislation.

We wish also to recognize the importance of the so-called Ellender amendment of the 1965 act which guarantees at least 65 percent of parity on permissible planted acres. This should be recognized as an absolute minimum income for cotton producers. And while we agree that provisions of the program must be flexible, we feel it is essential that this amendment remain intact in new legislation.

The program should be so designed as to promote a return to profitable production from the legal minimum 16 million-acre national allotment. In this regard we believe that the American cotton farmer is entitled to price protection on the entire needs of the market.

Texas cotton farmers export approximately 65 percent of their cotton crop each year. On the farm we cannot separate domestic bales from export bales. We cannot separate export acres from domestic acres. The cost of producing for the domestic market is no different from the cost of producing for the export market. Therefore, we recommend that price support payment provisions be modified to include the total needs of the market, both export and domestic. Price support payments should be available on the production necessary to meet total market demands. Please understand we are not seeking greater support, but a spreading of support payments over all needed production to give the producers the necessary incentive to produce for export as well as domestic markets.

The cotton industry—including farmers, ginners, compressmen, warehousemen, and merchants—has the required investment in land, equipment, and people to produce a minimum of 15 million bales annually. Also directly involved are the industry's suppliers of equipment, chemicals, petroleum products, financing, and other inputs.

Production of less than 15 million bales annually on a sustained basis, therefore, constitutes an adverse effect on the economy of the industry, its suppliers, and consequently on the economy of the entire Nation.

At stake is not only the well-being of cotton farmers, processors, and suppliers; the financial solvency of main street businessmen across the Cotton Belt hangs in the balance as well. Literally millions of people in all walks of life are involved.

And since we cannot reasonably expect our domestic mills to increase their use of cotton beyond an annual 9½ to 10 million bales within the next few years, the only immediate available cure for the ills that stem from low production must be found in increased cotton exports.

And it should not be overlooked that exports of cotton can also make a substantial contribution to our country's balance-of-payments problem.

Admittedly, an increase in this country's sale of cotton to foreign markets will not be an easy thing to achieve. But we are convinced that the job can be done.

We must, of course, have a competitive price in the foreign marketplace if our cotton is to sell and if we are to prevent a rapid expansion of cotton production in other countries.

To achieve a competitive price, we can and should institute more effective guarantees against credit risks through the Export-Import Bank or by other means, taking full advantage of the lower interest rates available in the United States as opposed to most other nations. We would also encourage greater use of Public Law 480 funds and the barter program.

Given a competitive price, there still remains other areas in which we will be required to meet competition.

The promotion efforts of Cotton Council International and the International Institute for Cotton and the recently authorized trade teams are definite steps in the right direction. We would urge their continuation and expansion, with a strengthening of producer representation on trade teams to cultivate a feeling of mutual interest between the producers and the users of our product.

Along this same line, there should be exhaustive studies made of market potentials in the importing countries and of production costs and export policies in the major exporting countries with which we compete for markets.

The provision of services not elsewhere available to our foreign customers can be an excellent aid to export sales. Technical assistance and the dissemination of useful information on fiber properties, availability and spinning performance of leading U.S. varieties are two such services.

In addition, we should miss no opportunity to improve arbitration procedures if we are to keep our foreign customers happy with U.S. cotton.

These things will help, and some of them can be done within the industry, itself. But, in addition, we need a total, interagency commitment within Government to an aggressive export policy. We need full recognition at all levels of government that cotton exports are not expendable; that they are vital to our Nation's economy and to our balance-of-payments problem.

Finally, with regard to exports, recent experience with cotton supplies and demand call for a reevaluation of normal carryover. We need to know just how much cotton needs to be in each year's carryover to assure an adequate supply for export. And we need a cotton program administered in such a manner as to assure the availability of such a supply, which, again, means grower incentives to produce for both domestic and export markets.

In asking for an extension of the present program, we feel there are parts of it that can be changed in the interest of its more effective operation and lower cost. We are in sympathy with the small farmer. However, the provisions of the current law that pertain to him should be strengthened to prevent many present abuses. While the objectives of these provisions are commendable, there is some question as to whether they contribute to the effectiveness and efficiency of the program.

To be eligible for program payments, a producer should be required to plant a substantial part of his cotton allotment each year unless he is unable to plant for reasons beyond his control.

Every producer should be required to plant, lease, or release a minimum of two-thirds of his cotton allotment every other year in order to maintain status as an "old" cotton farm.

Authority to transfer cotton allotments between farms by sale or lease should not only be extended, but should be liberalized. This provision of the act has been popular with farmers and has been successful in moving cotton acreage into the hands of cotton producers with the ability and the desire to produce cotton. It can be made more popular with farmers and more effective in moving acres to areas of efficient production by (1) removing the 100-acre limitation, and (2) extending the time period during which such transfers can be made.

While seeking ways to strengthen the total Agriculture Act of 1965, we would call your attention to an inequity of the past that should be rectified.

Under the A. & B. cotton program in 1959 and 1960, farmers were given choice of (*a*) planting within-base allotments and receiving a price of 30.40 cents per pound basis Middling seven-eighths inch at average location at a higher level of support, or (*b*) planting up to 40 percent in excess of allotments with access to Government support of 24.70 cents per pound or at a lower level of support.

We were made to understand that whether we chose the (*a*) plan or (*b*) plan it would have no effect on acreage allotments under any future Government programs.

But this has not been the case. Cotton allotments have not been affected, but those farmers who chose the (*b*) plan and planted above their base cotton allotments now find their feed grain base acreage is substantially smaller than those farmers who elected the (*a*) plan.

This is because feed grain base acreage is established by using the average acres planted to feed grains during those same 2 years, 1959 and 1960, when farmers were permitted by law to plant more than their allotted acreage to cotton. And this, of course, reduced the acreage available for feed grains in those years.

Consequently, many producers who planted more acreage to cotton and less to feed grains in 1959 and 1960, as was permitted by law and with the understanding that they would suffer no penalty under future programs, now find they have "dead acres" or nonallotted acres, while those who chose the (*a*) plan of cotton production for those 2 years have combined feed grain and cotton allotments covering substantially all their cultivated acreage.

This is an inequity which should be corrected. We suggest that the Secretary be instructed to adjust upward feed grain bases in those

counties where feed grain plantings were materially reduced by participation in the (*b*) plan cotton program in 1959 and 1960.

Language to effectuate this suggestion should be included in the Agriculture Act now under consideration, and we will be happy to assist with the drafting of such language.

In conclusion, Mr. Chairman, we respectfully recommend that you proceed with action to assure the enactment of farm legislation at the earliest possible date. We realize that passage this year will not be easily accomplished. But we believe it can be accomplished with energetic leadership from all members of this committee.

We appreciate your consideration of our recommendations and we offer our total support for an extension of the Agriculture Act of 1965.

We sincerely appreciate the opportunity to be here today on behalf of the cotton producers of Texas. We believe the future well-being of the cotton industry is at stake and it is our desire to work with the Congress whenever possible.

Thank you.

The CHAIRMAN. Mr. Pate, we will be glad now to have you introduce those associates here with you.

Mr. PATE. All right, sir.

We have here today Mr. L. D. Anderson, who is the president of the Plains Cotton Growers of Lubbock, Tex., covering the high plains area. Will you stand up?

And next we have Mr. Robert W. Heard, an executive officer of the South Texas Cotton & Grain Association.

Mr. J. B. Cooper, Jr., president of the Rolling Plains Cotton Growers.

Dan Pustejausky, of the Blackland Cotton & Grain Producers.

Mr. J. B. Kirklin, an executive officer of TACPO.

Mr. Donald A. Johnson of the Plains Cotton Growers, Inc., of Lubbock, Tex.

I might say, Mr. Chairman, that there were no lengthy statements intended by these gentlemen. Their principal purpose in their standing up was to identify the areas and to give substantiation to the statements that have been made this morning.

The CHAIRMAN. I wonder if we might not save a little time to just ask each of these gentlemen who stood up a moment ago, if he will stand now and answer this question:

Do each of you agree with Mr. Pate that the Congress should pass a renewal or an extension of the Agriculture Act of 1965 during the present session of the Congress?

(Reply in unison, "Yes, sir.")

The CHAIRMAN. Apparently, all of the gentlemen agree that it should be done.

Thank you, gentlemen.

I would like to say, of course, that this committee has before it not simply the cotton section, but we have the general bill which involves not only cotton but all agriculture in the United States.

I want to make it plain, as I did yesterday to each individual, that while, personally, I think there should be many changes made in the legislation, some of which you have suggested this morning and some of which have been suggested before—and I find myself in sympathy with many of those suggestions—but we will be faced

with the proposition that we get the bill as is, and then seek to make any corrections that are needful and that meet with general approval, at a later date; and, therefore, I would again like to ask all of you in the group who are present before us if you would agree that if it becomes impossible to make any improvements or amendments to the existing act, would you want to see the bill renewed on a continuing basis exactly as it is now written.

(Replies in the affirmative, in unison.)

The CHAIRMAN. Is there anyone else who feels differently?

(No response.)

The CHAIRMAN. Then, it is obvious that all of those here before us favor such an extension.

Thank you very much.

Are there any questions?

Mr. Gathings?

Mr. GATHINGS. He has introduced these leaders from Texas organizations. I wonder if you would give us a little more detail with respect to where these gentlemen come from. We all know where the El Paso area is and where the high plains area is located; but now when you speak of Blackland area of Texas—(laughter). I do not know about that. I wish you would give us information as to the various areas you represent. You are talking about one-third of the cotton output, in fact, when you speak of Texas. I just wondered if you could identify the geography for us.

The CHAIRMAN. This gentleman comes from the Blacklands—that is, from Hill County, right in the heart of the Blacklands.

Mr. PUSTEJAUSKY. From the Red River down to almost San Antonio—Austin and San Antonio, about three counties wide in that area, there being some 39 counties in the Blacklands area, all the way north and south, and their principal crop is cotton and grain sorghum. We do not have any other crops in that area.

Mr. GATHINGS. You come from that area where a few years back you were worried about the trends moving cotton acreage to the high plains.

Mr. PUSTEJAUSKY. Absolutely, yes, sir.

Mr. HEARD. I am Bob Heard. Our association covers 20 counties in the coastal area, from Houston to below Corpus Christi. Does that identify it clearly enough?

It is from Austin to below Corpus Christi.

Mr. GATHINGS. You call that the Valley?

Mr. HEARD. The Valley is another producing area; yes, sir.

Mr. COOPER. I am J. B. Cooper, Jr. We are in the Rolling Plains area, and we start down at San Angelo, down to Abilene, and go north four counties to the Red River. There are 32 counties in our area there.

Mr. GATHINGS. That is up in the Sam Rayburn area?

Mr. COOPER. No; we are west of there.

Mr. JOHNSON. I am Donald A. Johnson, of the Plains Cotton Growers. We cover a 23-county area of the high plains and represent some 25,000 cottongrowers within that area.

Mr. COOPER. I am J. B. Cooper, Jr. We are not so large as some others but we have about six counties east and west of the Pecos River, down the river there.

The CHAIRMAN. Thank you, gentlemen.

Are there any questions of Mr. Pate?

If not, we are very much obliged to you, Mr. Pate, and your associates.

(The committee subsequently received the following letter from Mr. J. B. Cooper, Jr., of the Rolling Plains Cotton Growers, Inc.:)

ROLLING PLAINS COTTON GROWERS, INC.,
Stamford, Tex.

Hon. W. R. POAGE,
Chairman, Committee on Agriculture,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: We deeply appreciated the opportunity to appear before you and your committee in Washington on April 24. Again, we fully endorse the position of the Texas Association of Cotton Producer Organizations as presented there by Mr. Joe B. Pate, Jr., of Lubbock.

It has come to our attention, however, that we have inadvertently omitted a most important item from our testimony. TACPO and Rolling Plains Cotton Growers, Inc., have gone on record as strongly recommending that the skip-row planting regulations which were in effect during the 1962–65 crop years, and which were re-instated for 1968, should be continued on a permanent basis. To our chagrin, we failed to include any reference to this policy position in our testimony, and hope that we can remedy that oversight by this letter.

We would again like to thank you, Mr. Chairman, for your strong and continuing efforts in our behalf to secure relief from the Department of Agriculture's skip-row regulations of 1966 and 1967. We are fully aware of your dedication to our cause, and know that your influence and personal prestige added substantially to our campaign to end the discrimination against this practice.

Experience has proven that for farmers in the Rolling Plains of Texas, as well as others throughout the Cotton Belt, the use of skip-row plantings improves quality, increases efficiency and reduces risk. Regulations now in effect to determine the acreage of cotton planted in skip-row patterns should be continued permanently, by incorporation into legislation if necessary.

In this regard, we believe that these same rules should apply in the determination of acreages of grain sorghums. Farmers are now forced to measure acreages of cotton under one rule, and on the same farm, acreages of row-crop sorghums under another. The uniform application of one set of performance regulations would materially reduce misunderstanding of the program by our farmers.

We ask that this letter be made a part of the record of the hearings. Again we appreciate the opportunity to testify on behalf of cotton producers of Texas. With very best wishes, I am

Yours sincerely,

J. B. COOPER, Jr., *President.*

The CHAIRMAN. We will now hear from Mr. B. F. Smith, executive vice president of the Delta Council of Stoneville, Miss.

Mr. Abernethy?

Mr. ABERNETHY. May I say this off the record?

The CHAIRMAN. Yes.

(Discussion was had outside the record.)

The CHAIRMAN. You may proceed.

STATEMENT OF B. F. SMITH, EXECUTIVE VICE PRESIDENT OF THE DELTA COUNCIL, STONEVILLE, MISS.

Mr. SMITH. Mr. Chairman and members of the committee.

My name is B. F. Smith. I am executive vice president of Delta Council, an organization supported by the agricultural, business and professional leadership of the Yazoo-Mississippi Delta area and by boards of supervisors. Delta Council is authorized to represent the

common interests of the more than one-half million people who live and do business in this area. Cotton is the principal source of income of the Delta and Delta Council represents the cotton farmer's viewpoint.

The cotton industry is an extremely important segment of our national economy. An estimated 1,300,000 people live on farms that grow cotton. An additional 7,000,000 individuals are represented by direct handlers and suppliers and by their dependents. In a normal year, the value of the cotton crop, including payments, ranges between \$2 and \$2½ billion. The total investment in the production and processing of cotton in the United States is estimated at more than \$24 billion, with about \$11,750 million represented by farm real estate.

In our State, cotton is even more important relatively. The number of people living on cotton farms amounts to 233,000 individuals. The value of the cotton crop in 1967, even with the smallest crop since the turn of the century, was almost one-third more than the value of all other crops combined and equaled the combined value of all meat animals plus poultry and eggs. Anything that affects cotton in Mississippi also affects all other segments of our economy.

I am sure that each member of the committee is fully aware of the fact that the cotton industry today faces a supply situation that is vastly different from the situation that prevailed when the agriculture act of 1965 was enacted. From a record and burdensome carryover existing at that time, cotton supplies have been reduced to a manageable level. In fact, some of the qualities of cotton are in very short supply. The diversion features of the current cotton law, combined with bad weather, have accomplished this reduction in a 2-year period when it had originally been estimated that 4 years would be required to achieve a manageable supply balance.

The cotton section of the agriculture act of 1965 was primarily designed to reduce the surplus, while at the same time cushioning the impact of the supply adjustment for farmers. While payments have helped cotton farmers to make this transition, the impact of these adjustments on agricultural communities has been drastic. There is now a great need for Government policies and a program that will permit cotton farmers to produce the supplies and qualities needed for domestic consumption and for export in an efficient manner and with the objective of market expansion.

Regardless of the initial producer opposition to the current cotton program, I am sure you recognize the fact that the majority of cotton farmers would like nothing better than to have the program extended on a continuing basis. We realize, however, that some changes and modifications might be needed—primarily to reduce costs. We also believe that major shifts in the direction of the program would cause undue hardships and would disrupt markets. We, therefore, respectfully submit the following recommendations for modification:

Let me say again we would be very pleased to support a continuation of this program as is.

The recommendations:

1. Since one of the major objectives of any cotton program should be to provide an ample supply of the desired qualities of cotton for domestic consumption and for export, we urge that the 16-million-acre

national allotment be maintained. Any reduction in the statutory allotment level would be a clear signal for foreign cotton-producing countries to increase their plantings. The history of our efforts to adjust supply with demand since World War II has resulted in this country making the supply adjustment for the entire world. A further reduction in the national allotment would simply make room for another expansion in foreign production.

2. We also recommend maintaining the concept of a competitive one-price cotton system. We know that a competitive one-price system is essential for the long-range interest of our industry. To accomplish this and at the same time provide for orderly marketing, we recommend continuation of a nonrecourse loan program, with loans available to cooperators at 90 percent of the estimated world price but not less than 20 cents per pound, middling inch, average location.

3. We recommend that the section of the law dealing with the domestic allotment be modified to provide for some degree of elasticity in establishing the farm domestic allotment percentage. Currently, the farm domestic allotment minimum is 65 percent of the farm acreage allotment. We believe that it would be more realistic to provide that the farm domestic allotment be less than the acreage required to produce nine and one-half million bales of cotton.

4. In order to bridge the gap between a below-world-price-support level and a price that cotton farmers can live with, we recommend that a price support payment be made on cotton produced on domestic allotment acreage representing the difference between the support price and 75 percent of parity, middling 1-inch, average location.

Farmers could grow additional acreage up to their full farm acreage allotment but would not receive payments for production above their domestic allotment. They would therefore have a choice of producing their domestic allotment or of producing at any higher level up to the full share of their regular allotment. Nonrecourse loans should be available on the farmer's entire production.

The estimated average total cost of producing a pound of lint cotton in the United States in 1965 was 27.3 cents. This estimate was based on a study by the Economic Research Service, USDA, for that year and reflected high per-acre yields. This figure will, of course, vary by areas and from year to year. It will also be influenced by increases in the cost of input items as well as by gains in technology. For instance, a wage raise in steel plants is reflected directly in the price of tractors and other farm equipment. Under the circumstances, a 75 percent of parity return on the farmer's domestic allotment is needed if farmers are to realize returns at a level that will permit them to stay in business and make the capital investments that are essential if added efficiencies are to be attained. We recommend this change in lieu of the provision guaranteeing 65 percent of parity on the farmer's entire permitted acreage.

5. The cotton section of the Agriculture Act of 1965 was designed primarily to reduce the surplus. Consequently, sizable payments were authorized for idling land. Since these adjustments have already been accomplished, we recommend that the authority to offer diversion payments be limited to a standby basis and specifically to situations when the carryover exceeds 7 million bales. It is believed that this figure of 7 million bales represents the amount of cotton needed to provide for an orderly transition from one crop year to another.

6. We strongly urge that skip-row regulations in effect for 1964 and reinstated for the 1968 crops be continued on a permanent basis. This practice not only represents a tool by which farmers may obtain greater efficiency, but also results in better quality cotton.

7. Within every State, there are farmers who are shifting out of cotton, either because of land capability, size of farm, or for other reasons. At the same time, other farmers are greatly in need of more acreage in order to have more economic production units. While the current law provides for shifts in allotted acres, the law also provides for a ceiling of 100 acres on the amount that can be transferred to a farm by sale or lease. We respectfully urge that this ceiling be eliminated so that the orderly movement of acreage can take place within States to farmers who want and need more acreage.

We are, of course, opposed to any maximum dollar limitation on farmer participation in any farm program. Such limits would wreck farm programs and would bankrupt farmers who produce the high percentage of the crop. The productive capacity of a large segment of American agriculture would be virtually destroyed. Actually, consumers of the Nation would be the losers in the long run. Currently, the Agriculture Act of 1965 provides what is commonly known as a snap-back provision as a safeguard in the event of limitation. We recommend that this safeguard be retained and strengthened if possible.

Our calculations indicate that the cost of a program described above would be substantially below recent costs. With the current level of parity and loan and with a domestic allotment based on 9½ million bales, the payment features of the program would amount to about $581 million. This would represent a substantial savings as compared with program costs in recent years. Built-in costs, including Public Law 480 funds chargeable to the cotton program, small farm minimums, and storage and handling, should not exceed $175 million. Total program costs would therefore amount to $756 million, which is approximately one-quarter of a billion dollars less than the cost of the program in recent years.

In conclusion, we would like to urge action by the Congress this year to remove the cloud of uncertainty that exists today with regard to the kind of program that cotton will have over the next several years. We believe that action by the Congress this year would help restore confidence in cotton and would permit farmers and other segments of the industry to move ahead in making the investments that are necessary for efficient production. We are convinced of the fact that additional gains can be made in reducing production costs. These gains will depend upon additional research and we respectfully request that the already authorized cotton research programs be implemented to the fullest extent possible.

Let me say, again, these suggestions for modifications are suggestions if modifications are possible. I would like to say, again, that we would strongly support the extension of the current continuing basis.

Thank you very much.

The CHAIRMAN. Thank you, Mr. Smith.

I think you have answered a question that I wanted specifically to ask you.

Mr. ABERNETHY. I would like to ask one question.

The CHAIRMAN. I yield.

Mr. ABERNETHY. I would like for Mr. Smith to confirm the fact that these recommendations are made after a meeting of responsible planters in his area. Is that correct?

Mr. SMITH. Yes, sir; not only one meeting but a group of meetings over a period of time, working with the farmers in our area, and they reflect their views.

Mr. ABERNETHY. Thank you.

The CHAIRMAN. Mr. Montgomery.

Mr. MONTGOMERY. I would like to say this, that Mr. Smith represents five counties of the congressional district I represent. I think he has given us a very comprehensive, factual report. One thing that I like about it is that it does make a recommendation to cut back on spending, his recommendation No. 5 on page 4.

Also, Mr. Chairman, just for the record, on page 5, about six lines from the bottom, Mr. Smith said 9½ million acres.

Mr. SMITH. Bales, I mean. Excuse me.

Mr. MONTGOMERY. I wanted to make this correction for the record.

Mr. SMITH. Thank you, sir.

Mr. MONTGOMERY. I would like to thank you for this very fine statement.

Mr. SMITH. Thank you.

The CHAIRMAN. Mr. Kleppe.

Mr. KLEPPE. I just want to ask Mr. Smith a question. You said twice that you are strongly in favor of extending this program on a continuing basis.

Mr. SMITH. Yes.

Mr. KLEPPE. Your statement indicated you wanted to extend it for an additional 4-year period. Do you differentiate between those two statements?

Mr. SMITH. The statement was prepared some time ago. Actually, the Congress can come back and change the law at any time it wants to change it. It would give a great deal of stability to pass a bill on a continuing basis. The original act of 1938 was on a continuing basis. The subsequent act with some changes was on a continuing basis. It has only been—in my experience, and I believe I am correct—in fairly recent years that we have had cotton programs, or agriculture programs, with specific cutoff dates in them for specific periods of time. I did change this. We think it would add a great deal of stability to extend this program with no cutoff date.

Mr. KLEPPE. Specifically, you are sticking to what you said, rather than to what is in your written statement?

Mr. SMITH. Yes.

Mr. KLEPPE. You are in favor of a continuing program rather than the 4-year program?

Mr. SMITH. Yes.

Mr. KLEPPE. The second part of my question: Even though you made this statement, you then go on and make several recommendations for modifications.

Mr. SMITH. Yes, sir.

Mr. KLEPPE. Could I interpret that to mean that you believe that we should pursue these recommendations after we take action to

extend the present program—I think there is some ambiguity or confusion there.

Mr. SMITH. Yes, sir. These are modifications that we would think would be in the interest of a long-range program, but we do not think that these modifications are essential at this time. The program that we have is a good program.

Mr. KLEPPE. So, what you are saying, then, is that these are modifications that should be considered after action has been taken to extend the present program?

Mr. SMITH. Right.

Mr. KLEPPE. That is all.

Thank you, Mr. Chairman.

The CHAIRMAN. If there are no further questions, we are very much obliged to you. We are glad to have had you with us.

Mr. SMITH. Thank you.

The CHAIRMAN. The next witness is Dr. C. R. Sayre, representing the National Cotton Council. Dr. Sayre has been before us many times representing the council. He is from Greenwood, Miss. I understand he is accompanied by a gentleman whom Mr. McMillan desires to introduce.

Mr. MCMILLAN. I take great pleasure in introducing Mr. Marvin, who spends part of his time in my district and part in my colleague's, Congressman Rivers district. He has always been a great help to the farmers. He is one of our leading authorities on cotton and the entire textile industry. He is a highly respected farm leader in my State and is here to back up Dr. Sayre's statement.

The CHAIRMAN. We are glad to have Mr. Marvin with us.

Mr. ABERNETHY. I wish to say that Dr. Sayre is another valuable constituent of mine and one of the best informed men in America on the subject of agriculture.

The CHAIRMAN. We will be glad to hear from you now, Dr. Sayre.

STATEMENT OF C. R. SAYRE, CHAIRMAN, INDUSTRY PRACTICES AND POLICIES COMMITTEE, NATIONAL COTTON COUNCIL

Mr. SAYRE. Mr. Chairman and gentlemen of the committee.

I have some other leading representatives of the industry that I might like to introduce at this time.

The CHAIRMAN. We will be glad to have you introduce them now or at the conclusion of your statement.

Mr. SAYRE. All right.

Mr. Raymond Blair, from Bakersfield, Calif., who is the immediate president and board chairman of the Cotton Council.

Mr. J. B. Cooper, Jr., from Roscoe, Tex., who is doing double duty here today; Mr. J. D. Fleming of Altus, Okla.; Mr. Lon Mann of Marianna, Ark.

The CHAIRMAN. We are glad to have all these gentlemen here with you.

You may proceed.

Mr. SAYRE. Mr. Chairman and gentlemen of the committee, my name is C. R. Sayre. I am a cotton farmer of Greenwood, Miss. I am president of the Staple Cotton Cooperative Association, which markets cotton for many farmers in the Mid-South area.

My appearance here is in behalf of the National Cotton Council, which has headquarters in Memphis, Tenn. The council is the central organization of the American cotton industry, representing cotton producers, ginners, merchants, warehousemen, cooperatives, cotton manufacturers, and cottonseed crushers. During the past 15 months the council has updated its structure and operations in order to meet more effectively the greatest challenges ever to confront a major segment of our farm economy.

I am a delegate and director in the council, and chairman of its industry practices and policies committee. It was this committee which originated, and recommended to the delegate body, the council's present positions relating to the programs and activities of the Government.

Here with me in behalf of the council are several outstanding cotton producer leaders from the various sections of the Cotton Belt: Mr. Raymond E. Blair from Bakersfield, Calif., immediate past president and now board chairman of the council; Mr. J. B. Cooper, Jr., from Roscoe, Tex.; Mr. J. D. Fleming, of Altus, Okla.; Mr. C. A. Harvin, Jr., of Summerton, S.C.; and Mr. Lon Mann of Marianna, Ark.

Our purpose today is to put into perspective the basic needs for achieving our common goal of a self-reliant and profitably competitive cotton industry which will be a great and growing asset to the Nation.

THE OPPORTUNITY AND THE PROBLEM

First of all let me emphasize one fact which seems very basic. Cotton has enormous potentials for sound progress. It can serve this great country far better than in the past. It can win an expanding export market, which will help our whole Nation in its continuing struggle for a healthy balance of payments. It can provide profitable employment for a large part of our best agricultural land. It can resume and continue its traditional role as the biggest cash crop in this country. It can provide sounder, better incomes for the 1.3 million people who live right on our cotton farms and for the 7 million Americans who depend to an important extent upon employment involved in producing, processing, and distributing cotton and its products. As one of our great sources of base income, it can be a stimulating, not a depressing factor in our national growth and progress. It can serve consumers far better as a vigorous competitor for textile markets. And it can do these things while moving toward less governmental expense and toward more reliance on private capital and enterprise.

We believe these goals are attainable, but we have no illusions as to where cotton stands today. We are quite a distance from where we need to be. Our markets, taken as a whole, are not expanding. They have averaged about 13 million bales a year for the last five seasons, and they will do well to hold at that level in this present crop year. Our exports are down this year, and the main trend has been downward over quite a few years in the past. Our domestic market did rise moderately for several years, but this season it is down considerably. A 13-million-bale market is just too small. Cotton will either grow or it will die as a major industry.

For 5 straight years we produced more than 13 million bales, and accordingly we came to August 1, 1966, with a carryover of 16.9

million bales. Now in the latest two seasons, we have experienced a tremendous effort to reduce that surplus under the authority granted by the Food and Agriculture Act of 1965, and as it happened we have also had 2 years of very poor growing weather in most of the Cotton Belt. As a result the surplus has been eliminated; the Department of Agriculture estimates that the carryover on next August 1 will be down approximately to 6¾ million bales.

Under the act of 1965, substantial payments have been necessary not merely because an acreage curtailment was needed. They also have been and are necessary for a more fundamental reason, and we have to face it squarely: The price levels which are necessary today to keep cotton competitive for markets are below the level of return which the farmer must have if he is to cover his production costs and provide the minimum of income for economic health.

The record of recent years throws considerable light upon this basic problem. Over the years from 1962–63 to 1966–67, it seems apparent that, by and large, our export price was competitive enough to hold foreign cotton production under reasonable restraint and to make cotton gain slightly against rayon in foreign countries. We will have more to say on this later. And over the years from 1964–65 to 1966–67, under the newly established one-price system, our domestic prices also were generally quite competitive. Price alone can never do the whole competitive job. Research and promotion and many other factors are always involved. But insofar as our price alone was concerned, experience shows that it was reasonably competitive in those years. On the other hand, there is good documentation of the fact that the producer's costs were too high in relation to those price levels. The U.S. Department of Agriculture has been carrying on a very extensive analysis of the cost of growing cotton under appropriations made by the Congress for that purpose. The results have been published for the crops of 1964 and 1965, and they indicate that the weighted average cost for the 18 main growing areas, for the 2 years, came to 27.85 cents, or roughly 28 cents per pound. Since then we have had to face sharply rising wages and other price increases. Obvioulsy an economically sound return to the producer must provide him a net income above his costs, if he is to stay in business and make the big investments which are necessary. Of course the Congress itself in its past legislative enactments has recognized both of these conditions. It has recognized both that the price needed to be competitive if cotton was to survive and that the costs were too high in relation to such a price level, and the Congress has made substantial appropriations in order to cope with this basic problem.

How can we bridge the gap between where we are and where we need to be? The answer is a complicated one, involving a number of things. We believe the emphasis should be on our great resources of private capital and private enterprise. But it is necessary that we continue to have the helpful cooperation of our Government in certain ways. We do not mean the kind of cooperation which implies permanent deepening dependence on the Federal Treasury. Quite the opposite. We mean the kind of helpful working relationship which is necessary in developing the great potentials that have been men-

tioned—one which looks on to the day when our cotton will need far less from this Government and will give far more to it and to this whole country.

It is fair to ask: Are these potentials real? Can we really achieve them? We firmly believe that they are and that we can. We would like to review briefly several reasons why we think so.

For one thing our producers themselves have demonstrated their own faith and determination by voting overwhelmingly to go ahead with the dollar-a-bale program which was made possible under the Cotton Research and Promotion Act. They are putting their own money into this new effort. They are managing it through their own Cotton Producers Institute. It is a big enough effort to have a genuine effect,and it will grow bigger as we return to crops of more normal size. This is a great, new factor which is bound to improve the odds on a sound future for cotton.

Another reason is that the total market for which we are competing is on the rise. The job of holding and expanding our market is more attainable because the total market is growing. In this country the consumption of all textile fibers has risen by an average of about a million bale equivalents per year for quite a few years. Our problem has been to win a good share of that expansion for cotton in the face of manmade fiber competition. We did fare quite well against our closest competitor, rayon staple fiber, across the years from 1964 to 1967; in fact, we were able to make net gains against this fiber. But the newer manmade fibers, the noncellulosics, have continued to gain at our expense. On balance, cotton has had some net gain in the size of its domestic market over the last 4 or 5 years, but not enough. Now as we look to the future, with the farmers' big new research and promotion program in the picture, we can hope for a better showing. But this has to be with the proviso that we'll produce enough cotton to compete effectively with the synthetics, and that we'll have a competitive price.

The foreign market for fibers is also rising very impressively, and here too there is a new force at work for cotton. In the non-Communist countries alone, the average increase in textile fiber consumption has been around 2 million cotton bale equivalents per year. Again our problem is to compete effectively for the growing market, and here cotton itself, produced in other countries, is one of our leading competitors, along with the manmade fibers. It is vitally necessary that we keep our export price low enough to meet competition and to discourage any upsurge of foreign production. But we also have a new development in the foreign field, which like our Cotton Producers Institute at home, improves our odds for competing more effectively with the synthetics abroad. One of the best uses ever devised for some of the counterpart funds made available under Public Law 480 has been the cotton research and promotion conducted in foreign lands under the guidance of Cotton Council International. Matching funds from private textile firms abroad, together with the guidance which was available out of the experience of our own National Cotton Council, made these efforts bigger and better than they otherwise could have been. Now another big step forward has been taken in that other cotton producing countries have been drawn into this effort. They are putting up funds of their own (as they should) to expand these pro-

grams, and last year the newly formed International Institute for Cotton, using funds from these other producing countries as well as our own, was operating at a level of over $8 million in the major cotton consuming countries of Western Europe and in Japan.

Another reason for optimism is that we have clearly entered a new period of faster improvement in the quality of our cotton. This can be a big factor in the market both at home and abroad. Within the past 3 years, private and public breeders have given us 15 high quality varieties which were planted on more than 1½ million acres in 1967, with much more in 1968. Plantings of these new varieties will be much larger in 1968. These varieties provide longer staples, stronger fibers, greater uniformity, desirable properties of fineness, and yields as good as or better than the varieties they are replacing.

An authority on this subject, Dr. L. L. Ray of Texas A. & M. University, said recently:

> We are in a cotton variety revolution. Across the Belt, from California to the Carolinas, we are seeing a multitude of new varieties appearing * * *. The appearance of the new and improved varieties which we are seeing today is really the *beginning* of a payoff from several decades of sound research and technological advances.

This revolution in fiber quality—which is just beginning—is one of the brightest sides of the whole outlook for American cotton. It will give our mill customers better performance and value. It offers farmers the opportunity for a justifiably higher return on their cotton.

This is just one of the areas where new improvements are likely in the quality of cotton and of its products. In all such effort we begin with the advantage that cotton is inherently a marvelous fiber and a real blessing to consumers because it is so comfortable to wear, so easy to launder without special pampering, so adaptable to all kinds of finishes, so versatile and dependable.

We have a great fiber to improve and to promote. And in this first year of CPI operations under the new dollar-a-bale program, over $5 million are being used in the most promising areas of promotion.

In the field of permanent press textiles, where the synthetics have made large inroads, cotton research is expanding. A number of all-cotton permanent press products are currently available. We do need a great acceleration of our product development research. And because we have been lagging here, the Cotton Producers Institute and the U.S. Department of Agriculture have placed a high priority on this area of work. The Institute, for example, has allocated over $1¼ million for durable press and related problems in its 1968 program.

Despite the small research funds which have been available for such efforts, cotton has made some encouraging progress. It can be seen in fire-resistant cottons, cottons with stretch properties, resilient cotton-batting which competes well in auto cushioning, bedding, and furniture. Among our successful new products have been all-cotton thermal blankets, velour sweaters, and turtleneck shirts for men.

The potentials in product development are just limitless. In one market alone—tufted carpets and rugs—we believe cotton has the opportunity to compete strongly for 1½ million bales of annual consumption.

A most impressive reason why a bright future is attainable for cotton is to be found in the progress which is being made toward more

efficiency in production. Consider what has happened just in the period since World War II. Hand harvesting has been largely replaced by machines—which now gather about 89 percent of the crop. Hoe labor has been reduced from about 50 hours to about 10 hours per bale through the use of chemicals and other techniques for weed control. Tractor power has almost completely replaced animal power. Among the developments growing out of research—along with varietal improvements—are chemicals for weed control, defoliation methods, low-volume spraying, improvements in fertilizer formulation and placement, modern ginning techniques, and many others.

In combination, these developments have made it possible to reduce the labor required for producing a bale of cotton from 175 man-hours at the close of World War II to about 32 today. The reduction has been 143 man-hours per bale or 82 percent of the labor previously required. Over the same period the yield per acre rose from about half a bale just after the war to an average of roughly a bale in recent years. In brief, we produce a bale of cotton today with less than a fourth as much labor and with about half as much land as we did just over two decades ago.

These do not sound like figures from an industry which should be in deep trouble. They are figures from a very dynamic industry. Cotton is a dynamic industry. And it seems very clear that we can go on being dynamic in this sense. To mention a few specifics, let me say that in the areas of insect and disease control we have a potential for reducing costs by several cents a pound. And research already under way indicates that we may be able to eradicate two of our most destructive pests—the boll weevil and the pink bollworm.

We can clearly get far more efficient use of our insecticides and herbicides through improved formulations and application techniques.

Simplification in production methods is a sound way to reduce power and equipment costs.

Entirely new low-cost methods of producing cotton are being developed for some areas. For example, an experiment is under way in Lubbock, Tex., under which cotton is planted in 10-inch rows to a heavy stand. It is laid by at planting time with a broadcast application of herbicide. And the field is not entered again until the cotton is ready for a once-over harvesting. This may turn out to be an extremely low-cost way of growing cotton—especially if varities adapted to this system are developed.

Through genetics and breeding, and in many other ways, we know it is entirely feasible to increase our yields by hundreds of pounds per acre. And as a rule of thumb, the effect of a hundred-pound yield increase is to reduce the unit cost of a pound of cotton by two cents.

Remember, too, that we are working on the 6-cent-per-pound cost of getting cotton from the farm to the mill. We believe substantial savings can be made in the broad and complex series of services involving ginning, warehousing, compressing, transportation, and so on.

Now we must ask: Why is an industry in the midst of such dynamic progress having trouble? Why is it a matter of such justifiable concern to the Congress of this country? The basic answer is to be found in the nature of the competition which our cotton faces. There are two

fundamental kinds of competition which command our careful attention.

First we should consider the cotton which is grown in foreign lands. It is completely essential that the export price for our own cotton be low enough to meet the competition of all the world's cotton in foreign markets. This means in particular that we have to be able to sell our cotton at a low enough price, so that our foreign competitors will be restrained from expanding their production too rapidly. There are some 60 foreign countries which grow cotton. This fiber, as you know, can only be grown in the warmer climatic zones of the earth. When we think of all these foreign cotton-growing countries, we realize that they all stand in sharp contrast to our own. In general these are countries with the lowest labor costs in the world. And they are not obliged to contend as we must with the rising costs associated with such things as minimum wages and other established welfare and bargaining measures.

In our own country, we have to realize that all our great progress toward more efficient cotton production, which we have just been reviewing, has been offset by rising farm wages and by the rapidly increasing prices of the machines and chemicals and other inputs which are necessary in replacing labor. In a study covering the period from 1947–49 through 1961, the U.S. Department of Agriculture documented the fact that the gains in cotton production efficiency were just about offset in this way, so that the average cost of growing the fiber was not reduced at all. While we do not have reliable data to bring these findings up to date, I think almost everyone agrees that the trends shown in that study have continued.

For example, if we average the farm wage rates reported by the Department of Agriculture for January 1, 1968, in the 14 main cotton-growing States, we find that they have risen by 10 percent in the preceding 12 months. A mandatory minimum wage increase of 15 cents per hour effective February 1, 1968, coupled with another 15 cents to be added February 1, 1969, will continue the rapid rise in direct wages. Built-in rigidities in the cost structure of items farmers buy tend to push production costs upward faster and faster.

Our other great competitor is the synthetic fiber industry. Cotton happens to be that particular agricultural commodity which has been called upon to absorb the first all-out assault upon its markets by synthetic substitutes. All of agriculture faces this danger in the future; some of the other farm commodities are receiving some of the attack today. But cotton has been far out on the front line of this battle longer than any other, and it has had to absorb the most massive assault. There is meaning here for all of agriculture, and we would be derelict in our duty to all farmers, and indeed to the whole country, if we did not point it out.

Please understand that we are not criticizing the synthetic fiber producers. But if anyone believes that cotton has had a fair and equal chance to compete on its merits as a fiber, he should contemplate the fact that one snythetic fiber manufacturer now receives more income from fiber than all the farmers in Texas, Louisiana, and Arkansas combined. (This is true even in a more normal year. In the present year, with its very low cotton crop, the comparison would be even more astounding.) The large corporations which produce the syn-

thetics have basic advantages of organization over the hundreds of thousands of farmers who grow cotton. Those large firms have the means readily at hand to appropriate huge sums for research, product development, advertising, and merchandising. They can price their products more strategically to exploit markets and maximize their long-range profits. They can withhold sales or develop sales in just those markets where they see the best advantage in doing so. They can exploit programs of combined technical and promotional activity, reaching all the way from the raw fiber to the retail counter, in such a way that they can preempt markets from cotton almost regardless of which is the better fiber. They are constantly at work with highly competent teams of scientists, technicians, sales engineers, and promotional specialists. They can induce cutters and retail merchants to stock and push their products and to play down the products of cotton, even when the final consumer would really prefer cotton.

We submit to you that a farm commodity which is making as much progress as cotton, and which is being denied the fruits of its progress by these two forms of competition, deserves the continued concern of the Congress, in the future as in the past. It is in the interest of all the American people that cotton be encouraged to push forward with the accelerating competitive effort which it is now making, so that it may share profitably in the expanding consumption and production of fibers.

What are the fundamentals of Government policies which will be in keeping with a soundly expanding cotton economy? The National Cotton Council, in behalf of all branches of the industry, advocates the following.

We believe that Government policies should, in every possible way, encourage the drive for increased cotton industry efficiency.

We feel that the present 16-million-acre national cotton allotment is the minimum base from which we can move in achieving a fast enough rate of cost reduction.

For an interim period, until farmers can be profitably competitive on their own, some type of cost adjustment program must be provided. This is necessary if growers are to have returns at levels which will justify the great capital investments that are required for added efficiency.

We are opposed to any maximum dollar limit upon any farmer's participation in, or benefit from, a support or payment program. The investment per worker in agriculture averages $41,300 versus $21,900 per worker in industry. Strangling the larger cotton grower with limitations would thwart the drive for low-cost production. In addition, the future supplies of our raw material would be extremely undependable to users at home and in the export trade.

We think that the skip-row planting regulations which were in effect in 1965, and which were reinstated for this year, should be continued on a permanent basis. For many farmers in many areas, skip-row production improves quality, increases efficiency, and reduces risk.

We urge the immediate and full implementation of the special $10 million cotton cost-cutting research program originally authorized by the Congress in 1964. So far, only about one-third of this critically needed research program has been funded. The few millions of dollars

required for full funding of the program offer the soundest possible investment for the Government—in that cost-cutting research is the real key to reducing cotton program expenditures without putting cotton farmers out of business.

We think it will serve the purposes of efficiency to have some increase in the orderly movement of allotted acres into the hands of those who want and need them. For example, we feel that no limit should be placed on the acreage allotment which may be transferred from farm to farm; that transfers should be permitted between any farms in a State; and that the period during which transfers are permitted should be as long as practicable.

The concept of a competitive, one-price system has been firmly established since 1964. The Council is for maintaining that concept on a permanent basis. We must compete in price in this country and abroad. The price at which cotton can be considered competitive in the domestic and the export markets is now virtually the same. Our domestic market is being heavily invaded by foreign-produced textiles; and this invasion would only be further accelerated if foreign mills were permitted to buy cotton at a lower price than domestic mills.

It is of critical importance that our export market be restored to a reasonable level and that we begin sharing in the growth of fiber consumption abroad. It has long been the policy of our Federal Government, enunciated both in statutes enacted by the Congress and in statements issued by our Department of Agriculture, that effective measures should be taken to insure a strong and healthy export volume. It is the position of the National Cotton Council that cotton exports should be held to a level of at least 6 million bales, and it should be noted that this appears well in line with the minimum objectives already adopted by our Government. The problem is to implement this policy. There are various sides to the problem, and we shall mention some of the most urgent.

It is fundamental that policies be followed which will permit our cotton to compete on foreign markets in price and availability. We cannot export our cotton in world competition at any given time unless our price is competitive with that of other growths and unless we actually have supplies of the necessary qualities to offer at competitive prices. And we cannot protect and expand our exports in the future unless our prices are low enough to discourage foreign producing countries from a rate of expansion that will destroy our own export market.

In this connection our experience of recent years seems to offer us some valuable guidance. If we consider the period of several crop years down through the one ending in July 1967, we can say at least that the export price seemed to be low enough to prevent any unreasonable expansion of foreign production. In fact the total cotton production of the entire foreign non-Communist world increased by a net amount of less than a million bales (from 22.0 to 22.8 million) across the 4 years from 1962–63 to 1966–67. Likewise cotton held up well in these same countries, over this same period, against rayon, which has always been our closest competitor in price. Cotton actually pushed rayon back a little—from 28 to 27 percent of the market held by the two fibers combined.

On the other hand the events of this present crop year must be looked upon in a different light. There may be grounds for argument as to what constitutes a shortage of cotton, but there can be little disagreement over the fact that in the fall months of 1967, when buyers and sellers considered all the available facts (including the size of the carryover, of the crop, of the prospective off-take, and of the prospective crop next season) it was their composite judgment that a shortage did exist in the medium and longer staple upland cotton. The behavior of the market documents this quite clearly. The average price of middling 1-1/16-inch cotton, as reported for the 14 official spot markets, rose from 25.90 cents a pound on the first of last August to 35.44 cents on the fourth day of December. That rise of 9½ cents a pound in a brief period of about 4 months has been been followed by a decline of some 4 cents.

It seems clear that a speculative psychology took possession of the market during the period of rising prices. Since prices were rising, people with cotton to sell were tempted to hold it for still higher prices. Likewise in the more recent period, with prices falling, people in need of cotton have been tempted to put off purchases in hope of still lower prices. But if we take a broad look at the whole sequence of events thus far, it is evident that the underlying cause of it all was the general recognition of a tight supply situation, without which the temporary price spurt of 9½ cents could not have occurred.

While keeping always in mind the need for an overall program that makes it worthwhile for farmers to grow cotton and to invest in future production efficiency, we have to acknowledge that this experience has done real damage to the markets for cotton. Unquestionably it has stimulated a very considerable amount of increased plantings in foreign countries. We have no reliable figures at this time on the acreage to be planted abroad next season, but early reports tend to confirm the logical assumption that it will be increased very materially. If so, this will seriously damage our export market next season and in other seasons to come. Likewise it seems inevitable that the higher price of cotton is encouraging the substitution of man-made fibers in foreign lands, just as it is doing here at home. It seems essential for the maintenance of our markets that we get back to a position of adequate cotton supplies and that the general level of export prices which was possible under the act of 1965 prior to the development of a tight supply situation be restored.

We feel that greater use could be made of the basic advantage which this country has in its relative abundance of capital, resulting in far lower interest rates than are available in many foreign countries. Invaluable assistance is being provided by our Government agencies today, and this should be continued and in some cases extended. We would emphasize particularly that the lending resources of our private banks could and would become a far more powerful factor in our cotton exports if the Export-Import Bank were encouraged to make greater use of its existing authority to provide essential guarantees of the credit risks which exist, because of combined economic and political conditions, in many of our most promising export markets. We believe this is a logical and necessary function of our government in today's world. Also we feel that revisions in the barter program could encourage exports. And we believe that transportation costs for cotton moving to foreign ports might be reduced.

The great role of promotion also needs to be recognized in connection with our exports as well as our domestic market. The biggest of the reasons why exports are not trending upward is that the noncellulosic fibers are capturing the main growth in foreign markets just as they are doing in our own country. In the last 6 years the consumption of cotton and manmade fibers in the foreign non-Communist world has expanded by about 11-million-bale equivalents, but the noncellulosics alone have taken over 70 percent of that market growth. We have learned that sales promotion is a very big factor in this competition. There are many things that can and must be done to promote our own U.S. cotton rather than cotton in general. These include such things as the building of stronger customer relations and the provision of technical services to the users of American cotton. Those of us in the industry are redoubling our efforts in these respects.

Historically, the council has been for a high level of international trade, and we still are. At the same time, we have always recognized that the domestic market for raw cotton is the biggest and most dependable market we have. Producers and others are spending many millions of dollars to promote cotton in the domestic market.

We have long recognized the need for reasonable restraints on cotton textile imports—which have shot up to a level equal to about a million bales of raw cotton in recent years. The trend is enexorably upward, primarily because foreign mills operate in an entirely different economic climate and have major advantages in wages and other costs.

We not not propose to stop, or to roll back, or to prevent reasonable increases in textile imports. We do propose that they be held within bounds which will permit the American raw cotton industry to share in the growth of this domestic market that it is spending millions of dollars to hold and build for cotton products.

Administrative action has been completely inadequate to cope with this problem. We are convinced that the Congress must provide a solution by establishing specific quantitative controls on imports of textile raw materials and products thereof at levels which will not usurp cotton's current markets and their future growth.

If we are to have and build markets for American cotton, it follows that we must be able to supply those markets adequately, both in terms of quantity and quality.

The supply problem which developed last year came about when sharp acreage reductions were compounded by weather and insect damage that no one could possibly foresee. Our point here is that future projections of supply are inherently subject to huge errors—errors which can easily add up to millions of bales. There is absolutely no way to avoid such errors.

This being true, we strongly recommend that the concept of what constitutes a normal carryover be carefully reevaluated. We think this concept should recognize the wide margins of error that are involved in forecasting. We think it should recognize the essentiality of producing supplies that are fully adequate to meet market needs. In turn, we do not advocate rebuilding stocks to levels that would swamp the market and add to Government costs.

In this connection it should be noted that when there is no surplus of cotton but rather a problem of producing an adequate supply, it seems far more appropriate for the Government to concentrate

available funds upon the very real and urgent problem of cost adjustment for the man who actually grows cotton.

Unquestionably, the short-term program under which we are now operating has served two of its chief purposes. It has eliminated the huge surplus that was hanging over our heads. It has maintained farm income.

But if we are to generate the confidence in cotton that is needed, the Government should move as rapidly as possible in developing long-range policies which clearly have as their objective expanded consumption and production of U.S. cotton.

Our present and prospective customers need confidence if they are to make the forward plans that are required for using our fiber in their design, processing, merchandising, and advertising programs.

Producers and others need confidence if they are to make the heavy investments that are essential for accelerating our increases in efficiency.

We must strive for an interaction between Government programing and the industry's own efforts which will continue to make cotton profitably competitive as an enterprise on American farms and in textile markets here and abroad.

Our recommendations are aimed at capitalizing on cotton's great potentials for sound progress and building a bigger and stronger industry. The only alternative to this is a far smaller and weaker industry.

Unless we meet our competitive challenge, we could lose most or all of our export market, and see our volume of domestic consumption headed steeply downhill. Eight or ten years hence, we could have an industry based on half of the present national acreage allotment—a shrinking industry with a high-cost, high-priced luxury fiber for the domestic market.

If this should happen, many millions of acres of America's most productive farmland would be forced out of cotton and into other uses. The continuing problem of excess capacity in agriculture would be greatly aggravated. Clearly, farmers all over the Nation have a vital stake in keeping cotton on the 16-million-acre minimum allotment we now have, with the hope that even more acres may be needed for cotton over the long pull.

The alternative of a far smaller cotton industry, with little or no export market, also could have a drastic effect on our chronic and critical deficit in international payments. Our raw cotton exports for hard currency have averaged about $400 million annually over the last 5 fiscal years. But we are in real danger of losing this source of strength in meeting our balance-of-payments problem.

It also should be noted that textile imports—which are cutting deeply into cotton's domestic market—have a real bearing on the balance-of-payments problem. They are currently adding hundreds of millions of dollars to our deficit. And unless the growth in these imports is put under reasonable restraint, they will greatly aggravate our international payments problem in the years ahead.

Another consideration is the consumer's interest in maintaining cotton as a strong competitive force in the world of textiles. If cotton loses out as a major fiber, markets will largely be supplied by manmade fibers, produced and controlled by a relatively small number of giant industrial corporations.

As we noted earlier, such corporations already have acquired a high degree of control over what is available to the consumer at the retail level. This is one of the reasons for a rising volume of complaints by consumers that they simply can't find the all-cotton products which they want and prefer. Clearly, for the consuming public to be best served, it is important to have a cotton industry which is capable of maintaining and strengthening competition among textile fibers.

In summary, we are confident that the objective of a growing, self-reliant profitably competitive cotton industry can be achieved. We feel that this is not only in keeping with cotton's best interests, but the best interests of agriculture and the Nation as a whole.

Those of us in the industry are moving rapidly to use the tools that are available to us in meeting our competitive challenge. We understand and appreciate the fact that other tools must be shaped and wielded by our Government if we are to succeed. If the joint efforts of the industry and the Government can be recast in terms of our present needs and future potentials, we firmly believe that cotton can continue and grow as a major segment of the U.S. economy.

Thank you very much.

The CHAIRMAN. Thank you, Dr. Sayre. I appreciate a very helpful presentation. It enables us to proceed in good time.

Before we proceed with Dr. Sayre any further, I would like to welcome our visitors who have just come in from the National 4–H Conference and have been using our subcommittee room for their meeting which has just adjourned. We would like to recognize all of our visitors, but we are engaged in a very important hearing and are pressed for time, so that I will simply recognize Helene Halecka from Oklahoma who is the chairman of the 4–H Club group. We are delighted to have you here. We hope that you will feel free to stay and hear as much of the proceedings this morning as you care to and to come back and see us any time.

Are there any questions of Dr. Sayre?

Mr. GATHINGS. I have some questions, Mr. Chairman.

The CHAIRMAN. All right. Go ahead.

Mr. GATHINGS. Many Members of the House of Representatives have indicated that they would favor a limitation in the overall act which not only covers cotton, wheat, feed grains, but would set a pattern for sugar production, sugar beets, and sugarcane production, as well as wool. What would be the result of such an amendment if it were placed in this act?

Mr. SAYRE. Mr. Gathings, to me it would destroy the kind of approaches in our farm program, both voluntary and mandatory, such as ours and the Sugar Act. It would deprive any particular farm from the benefits and participating in any program which would simply put a part of your production resources under different rules of the game where they must overproduce and try to add by volume to make up the difference to survive, since they are eligible to participate in the sale at some established figure. What we do have in this country is, basically, problems of excess capacity of agriculture. And to give a man an opportunity to produce more will offset the fact that he has been deprived of the payment and will not solve the problem. It will simply increase the magnitude of our oversupply situation. We are in a position, not willingly, that anything we can

produce on any acre of our land, that we would just pass it around at home and around the world free of charge—you can find some place to grow it, but the economics of it, Mr. Chairman, just do not fit. But if there are limitations in the farm programs in this or subsequent acts, then we must come up with a new concept of a farm program.

Mr. GATHINGS. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Price.

Mr. PRICE. Dr. Sayre, I would like to say that cotton, as you know, is at 51 percent of parity. Can we say that this is a substantial income or a proper market comparison with other products? Could we call this fair to the American farmer?

Mr. SAYRE. Well, I think, Mr. Price, that if you put the payment on top of the market price, you come up to 74 percent.

Mr. PRICE. This is true. I am talking about a program that is solving something, a program that is working. You know, if you can spend money, anybody can solve a problem with spending money. What I am talking about is a program that is working, that is solving America's agricultural problems.

Mr. SAYRE. We think, again, that the real measure of whether it is doing well in cotton, or in any other commodity, is money. The combination of this program, the payment of price supports at the then loan market price has, I think, helped to increase the cotton farmer's income as well as to remove the surplus. I, as a person who works with farmers, feel that in general agriculture is behind in its share of the national income. I also have to be realistic in my assessment of how far or how fast we can go in gaining relatively on the other parts of the economy. And in the sense of income, without technical or technological improvements, as we have experienced them in cotton, perhaps the fastest race that any commodity in the world has been in, our net income is doing reasonably well.

Mr. PRICE. Pursuing that further, the problem of not enough demand for cotton, as to the curtailment of cotton yarn, do you not believe that we could produce a lot more cotton if we would not allow thousands and thousands of yards of this cotton yarn to come into this country?

Mr. SAYRE. Yes, sir, Mr. Price. I certainly agree with that view. I think there should be quantitative restraints. We have seen the administrative approaches on the long-term arrangements. During this period of about the last 10 years, our imports have increased in the neighborhood of a little less than 400,000 bales to around 1 million bales. That is cotton only. In man made, it has come up faster.

Mr. PRICE. Do you not believe, because of that foreign program, that we should stop a lot of these imports?

Mr. SAYRE. Every bale that comes in takes up a bale of domestic cotton.

Mr. PRICE. And at the same time, the tax base of this country is going up. What do you think about the diversion of more of our resources in cotton research?

Do you think that this is a big area that we should go into?

Mr. SAYRE. I do. I think that the best investment is there. I agree that we should be careful with money, but we need the rest of the $10 million which the Congress indicated in 1964 we ought to have on research. We should have had 4 years' advantage of it already. We have only gotten up to around one-third.

Mr. PRICE. We have spent $13 million in research.

Mr. SAYRE. That is in about 6 years. This cost study research was to be in the area of production technology primarily with the idea that the best way to reduce cost to the Government, the best way to have a vigorous industry, was to bring the production cost down so that we can get in the game and make it ourselves.

Mr. PRICE. Another area that we have talked about is the raising of cotton prices. You then bump into world prices.

Mr. SAYRE. Yes.

Mr. PRICE. It would seem to me that if we spend more time on research and on lowering the cost that we need to look the other way how we will produce it cheaper.

Mr. SAYRE. Exactly, at the same time we have got to keep things going, and, there, gentlemen, in a real revolution on the improvement of quality of our cotton.

Mr. PRICE. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. I do want to say, before recognizing anybody else, that we have five more witnesses to hear this morning.

Mr. Goodling?

Mr. GOODLING. You have painted a glowing picture of your industry. Can we anticipate that you will come to this committee and to this Congress and ask for less subsidy for cotton?

Mr. SAYRE. We think so; yes, sir.

Mr. GOODLING. What would happen if we were to subsidize every farm commodity to the same extent that we extended to some of them?

Mr. SAYRE. I am not acquainted with the full extent of range of subsidization, Mr. Goodling. I am not also in a position to judge one commodity versus another commodity. I do feel that when you look at the potential economic use of our resources in this country that we need to make up our minds: Do we want cotton in this array of commodities in generating basic income in this country, or do we not?

And I repeat—and I am most sincere—if we do not want cotton in here, all we need to do is to drop the ball now and cotton will leave the economy of the United States to the other industries.

I think the decision is whether or not we want cotton and not cotton versus corn or cotton versus sugar or what have you.

Mr. GOODLING. That is all. Thank you.

The CHAIRMAN. Mr. Montgomery.

Mr. MONTGOMERY. I do not want to ask a question.

I want to thank Dr. Sayre for appearing before this committee. I am quite familiar with Dr. Sayre. Certainly, he is one of the foremost cotton authorities of this country.

The CHAIRMAN. We are very glad to have had Dr. Sayre.

If there are no further questions, we are very much obliged to you, Dr. Sayre.

(Mr. Sayre subsequently supplied the following information:)

STAPLE COTTON COOPERATIVE ASSOCIATION,
Greenwood, Miss., April 26, 1968.

HON. W. R. POAGE,
Chairman, Committee on Agriculture, House of Representatives,
House Office Building, Washington, D.C.

DEAR MR. POAGE: Your willingness to have supplemental materials added to the National Cotton Council statement in the record of the formal Hearings on the Agricultural Act of 1965 is greatly appreciated. We recommend that the enclosed material be added.

It is essentially the same as included in the testimony before the Senate Committee on Agriculture and Forestry. We have outlined the general relationship of demand, price and supply for raw cotton and cotton textiles as they have unfolded during recent years—with particular attention to 1964 and '65 and the subsequent period. Comparisons for March, 1963 and March, 1968 have been related to specific cotton products. It is extremely difficult, as you know, to generalize for the whole array of cotton textiles.

In view of widespread differences in views and at times erroneous statements made by opponents of this program, inside and outside the Congress, these materials may be useful in subsequent discussions of the cotton section of the legislation. If there are questions as you review the enclosed, please telephone me. If there is a need for further documentations of changes for other cotton products, we will be glad to provide them.

Further discussions with cotton producer representatives across the belt indicate they would be in full support of an extension without change and on a continuing basis. This would preserve the structure which could be modified as conditions change significantly in the future.

The informal discussions on Wednesday afternoon were most helpful.

Cordially yours,

CHARLES R. SAYRE.

MILL MARGINS AND COMPETITIVE ONE-PRICE COTTON

Increasingly, changes in the price of cotton fabrics do not reflect relative changes in the price of cotton. *First, because in any highly competitive industry the short-term changes in selling prices are governed mainly by changes in demand. A highly competitive industry does not operate on a simple cost-plus basis.* Additionally, the cost of raw material, such as cotton, through the years has become a smaller and smaller part of the total cost of a piece of cloth and even less of the cost of a ready to wear garment.

These facts are documented to some extent by the record of cotton mill margins, as compiled over many years by the Department of Agriculture, although the samples of fabric constructions employed in these statistics do not adequately represent the entire textile market. There are innumerable examples of short periods when the price of cotton moved in one direction while the price of cloth moved in the opposite direction. For the entire crop year 1957–58 the reported average price of the gray cloth made from a pound of cotton dropped from the previous year by 4.47 cents while the price of the cotton used in making the cloth rose by .82 cents. On the other hand, in the crop year 1959–60 the price of cloth rose by 5.16 cents while that of cotton fell by 1.77 cents. Now over the latest reported 12-month period (February 1967 to February 1968) the reported price of cotton is up by 6.40 cents while that of the cloth is up by only 1.22 cents, so that mill margins are down by 5.18 cents.

It is well known that textile manufacturing is one of the most cyclical of all our industries. It is highly exposed to fluctuations in demand, causing wide swings in the level of cloth prices and resulting variations both in mill margins and in mill profits.

Analysis of the events of 1964 and 1965 has to take this fact into account. It must be remembered that a tremendous upsurge of retail demand for textile products occurred in 1964. This followed the reduction in federal income taxes. Consumer spending on clothing had risen only $0.5 billion, or 2.0 per cent, in 1963 (i.e., the annual rate in the fourth quarter of that year as compared with a year earlier) but it rose by $3.4 billion, or 13.2 per cent, in 1964, and by $3.0 billion, or 10.3 per cent more in 1965.

Cloth prices did decline substantially in the first half of 1964, but by the end of that year the powerful pull of demand had carried them up to approximately the level of a year earlier, and in 1965 there was a further substantial rise. The

strength of demand continued in 1966, varying greatly by types of fabric, but marked weakening began to occur in that year and fabric prices fell in late 1966 and throughout much of 1967. Here it was demonstrated, once again, that demand does not permit cloth prices to respond promptly to cotton price changes. The strong rise in the price of cotton during late 1967 was reflected in the declining mill margins already noted.

There are, however, many long-range benefits which flowed from the reduction in prices for domestic consumption to competitive levels. One of these is a tendency for prices at the consumer level to be *lower than they otherwise would have been.* In this connection it is noteworthy that the prices of fabrics made from synthetic fibers rose much more strongly than those of cotton fabrics in 1964. Likewise it is interesting that the index of retail prices for clothing, compiled by the U.S. Bureau of Labor Statistics, showed an increase of less than one-fifth of one per cent between the fourth quarters of 1963 and 1964, compared with an increase of about 1.2 per cent for all goods and services.

Recently, I spent two days in and around Greenville, South Carolina to piece together and document insofar as time permitted the happenings after passage of the Act of 1964 for some individual cotton products.

I was given access to look at sales contracts in numerous instances. Cotton print cloth prices, for example, were reduced in 1964 and have gone on down. This does reflect in part the lower price of cotton. You will be interested in this chart which shows the actual prices received for print cloth for the past 20 years by a textile mill of my acquaintance. Prices today for this construction are at the lowest level in 20 years—16¾¢ per year. I have attached copies of the type of sales contract[1] from which this chart was made and I have seen the contracts from which the whole chart was prepared.

From the print cloth plant I went to a leading producer of twist twill fabrics. As you know, this is a volume product in cotton usage.

Comparing March, 1963 with March, 1968 the situation is:

1. Cotton costs down about 15%—weighted 9.5%.
2. Five increases in wages equal to 29.5%—weighted 9.3%.
3. Finishing costs 1960–1968 (10.79)–(11.14) up .04%, weighted 1.4%.

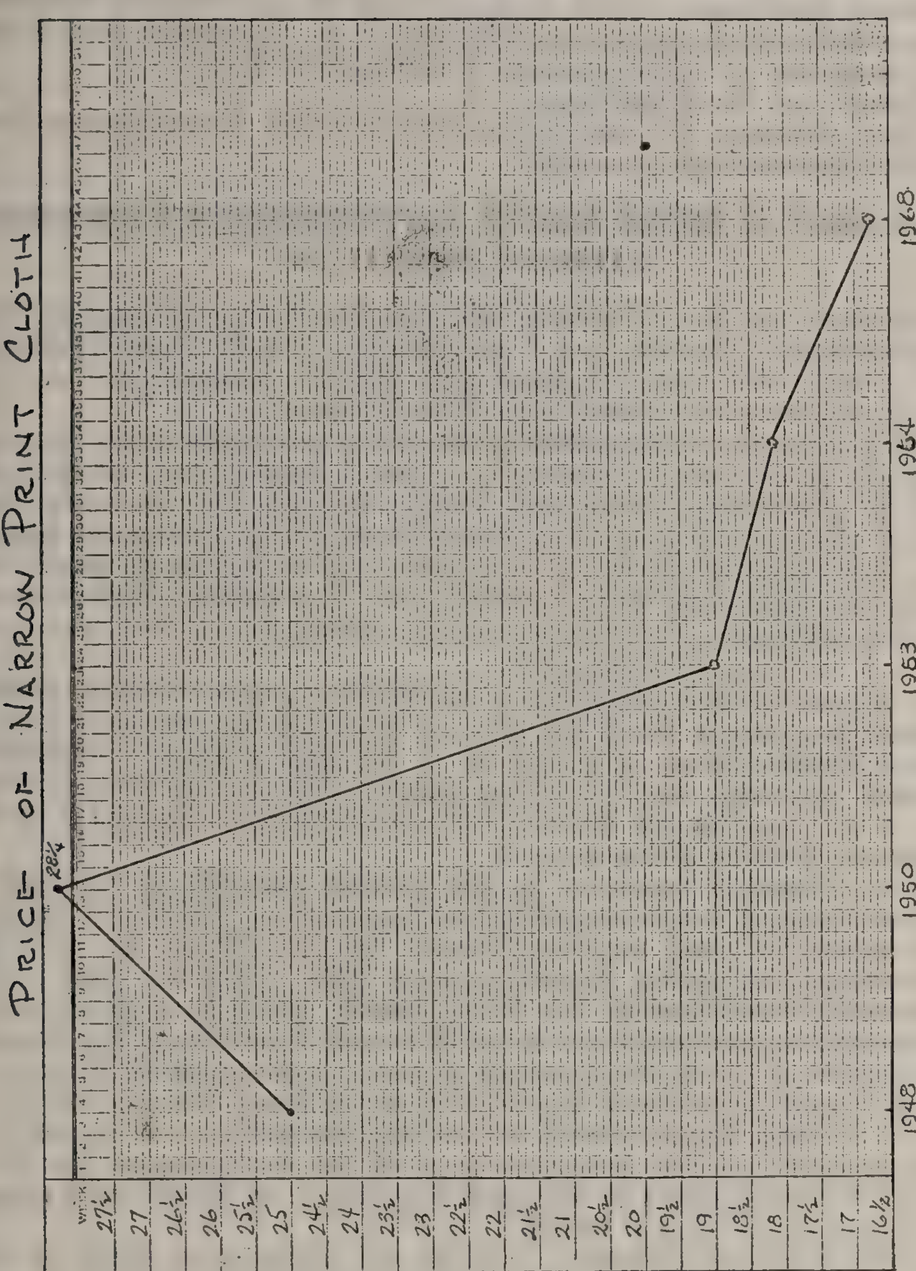
Yet, an 8½ ounce one-hundred percent cotton twist twill is selling today at 56.75¢ per yard versus 56.12¢ in 1963—a difference or increase of .63¢ per yard. It is apparent that the reduced cotton prices have not simply been absorbed as excess profits by textile mills.

Next, I went to a large chain retailer of work clothes—men's pants—made out of 100% cotton. In 1963 this pair sold at $2.98 and in 1968 it sold at $3.29—up 10.4 percent at retail level.

In this store, and others like it, minimum wages are up from $1.20 to $1.60 per hour or 34%—1963 versus 1968.

The price reductions in U.S. cotton have kept the industry alive, vigorous, and in a position to grow. Reduction in cotton price for domestic consumption to competitive levels has helped substantially in keeping prices to consumers at levels lower than they otherwise would have been.

[1] In committee files.


PRICE OF NARROW PRINT CLOTH
28¼
1948
1950
1953
1964
1968
27½
27
26½
26
25½
25
24½
24
23½
23
22½
22
21½
21
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Mr. Jones wants to introduce the next witness.

Mr. JONES of Missouri. I take this opportunity to introduce Mr. Hilton Bracey, former executive vice president of Missouri Cotton Producers Association for 15 years, who, in my opinion, is one of the best informed spokesmen for cotton, at least in Missouri, and I think in the whole Nation. He is now associated with the Mid-Continent Farmers Association, which is a successor to the Missouri Farmers Association. He is accompanied by Mr. L. C. Carpenter, who is the vice president of Mid-Continent Farmers Association.

Thank you, Mr. Chairman.

The CHAIRMAN. We are glad to have you, Mr. Bracey, and we will be glad to hear from you now.

STATEMENT OF HILTON BRACEY, REPRESENTING MID-CONTINENT FARMERS ASSOCIATION

Mr. BRACEY. Mr. Chairman and members of the committee. My name is Hilton Bracey, and I am with the Mid-Continent Farmers Association. We want to thank you for this opportunity—and to thank you for your interest in the farm program.

We recommend an extension of the cotton provisions of the Agriculture Act of 1965 with modifications, both legislative and administrative, to strengthen cotton farm income, increase both domestic and export off-take and hold Government costs within reasonable limits.

1. Provisions for diversion and price-support payments should be continued with increases in payment rates and without limitations to individual farmers. These payments are necessary to prevent economic chaos in cotton-producing areas.

2. Authority for substitution of nonsurplus crops on allotted cotton acreage in event of flood, drought, or other natural disasters should be continued. Cotton crop failures in the past 2 years would have brought economic ruin to cotton farmers and cotton communities had it not been for the income from alternate crops permitted to be grown on allotted cotton acreage.

3. A change is necessary in the current program to reestablish and maintain a workable pricing arrangement in the world market that would hold and increase markets for U.S. cotton. To be fully effective, U.S. cotton export policies must recognize and meet fluctuating conditions in the world market which in a great many instances are completely unrelated to normal functions of the domestic market. We urge the Congress to give consideration to legislation which would "reactivate" section 203 of the Agriculture Act of 1956 which declares "quantities of cotton shall be sold as will reestablish and maintain the fair historical share of the world market for U.S. cotton." Exports must be increased if cotton is to survive as a major farm crop in the United States.

4. We urge the Congress to make an independent study to determine whether the current domestic price-support base for cotton has accomplished its objectives. With passage of the Agriculture Act of 1965, the price-support base was changed from a fixed percentage of parity to a level not exceeding "90 percent of the estimated average world price" for the stated purposes of (1) establishing a one-price system for cotton, (2) increasing both domestic and export

markets, (3) reducing the retail price of cotton textile products to domestic consumers, (4) stopping the influx of foreign-made textile products into the United States, and for other reasons. Without the proposed independent study to show whether the stated purposes have been accomplished, it is impossible to determine whether the best interest of farmers and the general public are being served in keeping with the intent of the Congress.

5. The requirement that price-support payments when added to the loan must reflect at least 65 percent of parity on the projected yield multiplied by the permitted acreage—the so-called Ellender amendment—should be changed to require a minimum of 75 percent of parity in returns to the farmer so long as the price-support base remains at 90 percent of the established world price. It should be noted and emphasized that this requirement has no bearing whatsoever on the sales price or the movement of cotton into either the domestic or export market. And, that without this protection, cotton farm income would be at the mercy of pressures to reduce program costs.

This requirement is, in fact, the only protection in the 1965 law that the cotton farmer has against lower income levels.

6. We urge that the 16-million-acre national minimum allotment and the domestic allotment of not less than 65 percent of each farm allotment be continued without change. Any reduction in the national minimum allotment would encourage both domestic and foreign producers of manmade fibers and foreign producers of cotton to increase their production at the expense of the entire cotton industry in the United States. Even more important, it would be another indirect but serious blow to cotton farm income as payments to farmers are based on the size of each farm's allotment.

7. Benefits to the small farmer should be increased. Possibilities for helping the small farmer include (1) raising the small-farm exemption, (2) increasing payment levels, and (3) permitting payments along with diversion of entire allotment and right to use such acreage to produce nonsurplus crops.

8. We urge that provisions relating to sale or lease of allotments, release and reapportionment of allotments, export market acreage, and acreage diversion (excepting small farms) be continued without change. All of these acreage provisions appear to be working in the best interest of farmers and the cotton industry as a whole.

9. We urge the Congress to require that adjustments for abnormal conditions reflect full credit for losses in acreage and production. Adjustments of less than 100 percent impair the income of cotton farmers and cotton communities on both a short-term and a long-term basis.

10. We urge the Congress to require that compliance with acreage allotments and the establishment of acreage yields used for calculating price support and diversion payments be based on actual acres. Practices which permit the counting of more than an acre as a single acre for compliance and payment purposes circumvent acreage controls, increase costs to the Government, and indirectly damage farm income in areas of the Cotton Belt where such practices are not suitable or desirable.

11. As a supplement to the current program, we urge that a national cotton reserve is needed along with a national food and feed

reserve to meet natural disasters, protect markets, maintain price stability to both farmers and consumers, and prevent the undesirable consequences of "feast and famine" production cycles. A national reserve of cotton over and above a normal carryover would assure customers, both domestic and foreign, that adequate supplies would be available under all foreseeable conditions and prevent switching to manmade fibers because of questionable supplies.

12. As a supplement to the current program, we urge that raw cotton and cotton textile products should be included in all appropriate welfare programs, both domestic and foreign—and this is in addition to Public Law 480. Inclusion of raw cotton and cotton textile products in the various domestic welfare programs such as the stamp plan, poverty program, financial and commodity assistance programs to schools, et cetera,would, in addition to supplying another of the basic necessities of life to the underprivileged, absorb significant amounts of cotton. Inclusion of cotton textile products in the food-for-freedom and similar foreign aid programs would offset the serious influx of foreign-made textile products into the United States by increasing export outlets and providing additional job opportunities for domestic workers. In total, it would do more to increase the off-take of cotton, both domestic and foreign, than any other single possibility available at this time.

The CHAIRMAN. Thank you very much, Mr. Bracey.

If you could not get all of the additional changes to the cotton program, would you still be in favor of extending the present program?

Mr. BRACEY. Yes, sir: we are in favor of extending the present program as is, if these modifications cannot be made. We feel it would be of vast importance, and certainly of benefit to everyone concerned, if we cannot get all of them, because a part of something is better than nothing.

The CHAIRMAN. Are there any further questions?

If not, we are very much obliged to you, Mr. Bracey.

We will now hear from Mr. P. R. Smith, president of the Southern Cotton Growers, Inc.

Mr. O'NEAL. May I have a brief moment to say a word of welcome to Mr. Smith?

He is not one of my constituents. I wish he were. My home is in extreme south Georgia and Mr. Smith comes from north Georgia. He shares the same hometown with Senator Russell. I know of Mr. Smith's deep and continuing interest in the cotton program.

The CHAIRMAN. We are very glad to have Mr. Smith with us.

We will be very glad to hear from you now.

STATEMENT OF P. R. SMITH, PRESIDENT, SOUTHERN COTTON GROWERS, INC.

Mr. SMITH. Mr. Chairman, and members of the Committee on Agriculture, I am P. R. Smith, of Winder, Ga., president of Southern Cotton Growers, Inc. This is an organization established for and dedicated to the well-being of farmers, and to the economy generally, in the Nation's old and traditional cotton-producing belt, running from Virginia to Texas. We are financed by a per bale contribution as cotton is ginned.

Southern Cotton Growers, Inc., is devoted to the best yield, the best quality cotton, and to forwarding public policies that will enable our farmers to get fair and equitable income for their contribution to our total economy and to our strength as a Nation.

First, Mr. Chairman, let me express on behalf of our organization, to you personally and to each member of the Committee on Agriculture, our sincere appreciation for your unswerving devotion to the farmers of America. Our farm families, with your help and the support of the Congress, have wrought a miracle of abundance, in food and fiber, such as the world never before has known. Fewer than 5 million farmworkers now feed and clothe 200 million Americans and another 100 million people around the world. Yet these farm people are the least rewarded of all the workers in all major areas in our economic system.

You here are determined to do something about this. Southern cottongrowers pledge to all of you our vigorous support in this new effort to bring to agriculture a just income and a decent standard of living for the people who feed and clothe us.

THE NATIONAL INTEREST

We emphasize to you that what you are doing goes beyond justice for our farm people. The national interest is deeply involved.

Broke farmers, as Chairman Poage has so often said, cannot continue indefinitely to lavish abundance upon our Nation and provide food and fiber for a large part of the world. An impoverished agriculture cannot feed and clothe the hordes of people in our cities. Our city people must understand this.

Moreover, they must understand that because of poor income in our countrysides the packing of city slums with refugees from the land goes on apace. The great outpouring of these refugees has come from our southern cotton farms. Mechanization in the cottonfields, and movement of production to newer areas of the West, along with our price problems, have put thousands and thousands of people "on the road". Our urban friends must help us stem this farm-to-city migration. Their own interests, our Nation's well-being, are involved.

The total farm population, in the last 20 years, has dropped from 25 million to less than 12 million, while the Nation's population grew from 143 million to more than 200 million. The number of farms has declined from around 6 million to roughly 3 million. Farm income was substantially less in 1967 than in 1947—20 years ago. Farm families, caught in the constant crush between rising production costs and falling prices, have fled the land. The Nation now is paying a staggering price for this, in terms of welfare or "poverty" handouts in the cities and in unrest that has exploded into riots to the edge of insurrection.

Mr. Chairman, we do not plead here for handouts, or for Government programs bringing innovations into our way of life. But we do plead for decent income in rural America and main street America. This is urgent and imperative. We believe that fair income for the work we do and the contribution we make will go far to remedy the ills of our countrysides without the necessity of great Federal investments there in welfare and poverty programs.

Therefore, southern cotton producers aline themselves with you, unequivocally, in a determination to get a fair wage for farmers and to stop and to reverse this destructive and dangerous packing of rural people into the cities. We plead with our city friends in the Congress to understand that the bill you will write here is not merely farm legislation; it is national legislation—with our cities to be great beneficiaries along with rural America and main street America. Perhaps there is no legislation the Congress could write that would so fundamentally deal with the pressing and dangerous problems of our cities.

OUR PLEDGE TO ALL FARMERS

There is another commitment we make here, Mr. Chairman.

We want the producers of all other crops and of livestock—wheat and feed grains, soybeans, dairy, wool, cattle, hogs, sheep, tobacco, peanuts, et cetera, to know that southern cotton farmers and, we believe, our representatives in Congress, will work side by side with them and we shall support any policy and effective program they develop and approve themselves to gain for themselves prices that reflect income comparable with the earnings of our customers in the cities. We hope the Members of Congress from urban constituencies will see the wisdom and the necessity of a similar pledge to you. We want to work with city people to ease our problems and to ease their problems.

SPECIFICALLY COTTON

Turning now directly to cotton, which is our livelihood, Mr. Chairman, we understand you are developing in these hearings general background information that will be useful in writing major farm legislation which will be completed in 1969, when present laws for the major crops expire. Therefore, we shall confine ourselves to a broad discussion of the present cotton program and possible revisions, refinements, or alternatives.

We have suffered in the cotton country in 1967 the greatest violence of nature to agriculture in the United States since the dust bowl virtually destroyed farming over vast areas of the Midwest and Southwest in the 1930's. We have been preoccupied in dealing with the consequences of this disaster in which rain and cool weather and then an early freeze laid waste to our cotton crop. We are not now prepared to make absolute and final proposals for new cotton legislation. We hope we may have an opportunity to make additional representations to your committee at a later date.

THE PROGRAM

Mr. Chairman, without the cotton program thousands of farmers in the southlands, crushed by the 1966 and 1967 crop disasters, would be worse than broke, as so many of us are. We would be bankrupt. The program has given us in these times of disaster a kind of insurance that will enable most of us to stay in business.

The program, with an assist from angry nature, has eliminated the cotton surplus.

No doubt, however, the program has fallen short of your expectations when the Congress enacted the one-price cotton feature in 1964 and the Food and Agriculture Act of 1965. The one-price law makes raw cotton available to American mills at the same price foreign mills must pay for cotton.

But despite this one-price provision, the synthetic "test tube" fibers last year, for the first time in history, surpassed cotton in total use in the United States. This was a shock to every cotton producer.

Moreover, the present program, in bringing down the surplus, has worked against the cotton economy of the traditional cotton-producing areas of the Nation, hurting especially the main street towns and businesses that service the cotton economy. This program places premiums upon the abandonment of cotton production on smaller farms, by payments that entice farmers not to cultivate their allotted acreages. This enticement is especially appealing in those producing regions where in Reconstruction Days a hundred years ago the plantations were broken down into small farms.

But please do not mistake us. We are not pleading here for a "40-acres-and-a-mule" cotton economy. We simply want the incentives in the cotton programs of the future to be such as to assure our allotted acreages will be planted and cultivated and harvested in the same proportion with the newer cotton-producing regions. This can be accomplished in a revision of policies that have encouraged smaller farmers to place their acreages into disuse.

As for the operation and effect of the overall cotton program, Mr. Chairman, House Report 366—88th Congress, filed June 6, 1963, said the Act to Revitalize The American Cotton Industry, through a one-price cotton system, would forestall the ruin of the cotton industry. This report said farmers, through a one-price cotton system, would benefit from an expanded use of cotton. It said "cotton will again compete fairly with synthetic fibers." It said "the competitive position of our domestic mills, against imports of cheap foreign goods, will be vastly improved." It said, "Americans will enjoy lower prices for American-made cotton goods, at savings amounting to more than $500 million a year, according to competent estimates.

That committee report was based upon information presented to your committee when the one-price cotton legislation was under consideration. These statements still represent our hopes and confidence in that legislation.

We want one-price cotton to succeed, to the benefit of our mills as well as to cotton producers. It is up to our friends who own and operate the cotton mills to make one-price cotton work.

Our organization is convinced that if the stated objectives of the one-price policy are realized, our Treasury hardly could find a better way to invest money for the greater good of a greater number of our citizens, numbering millions in the production of cotton, the cotton trade, transportation, manufacture of cotton goods, and in merchandising cotton products. Moreover, the benefits to the consuming public, the users of cotton, should be greater than the program costs to the Government. We need now assurances that the objectives of this program will be realized this year, and in the years ahead.

ALTERNATIVES

We believe, Mr. Chairman, that one of your first considerations in preparing cotton legislation might be a possibility that the National Treasury, under present budgetary pressures and during the whole lifetime of the new law you enact, might be unable to finance our cotton program to the extent of our needs.

The present law has a snapback wherein, if the Secretary has insufficient funds to make one-price payments, then the program would revert to the status prior to the 1964 and 1965 acts. This would mean marketing quotas and acreage allotments and price supports through loans at 65 to 90 percent of parity, without price supplement payments to farmers. This would end the one-price cotton system. Such a sudden transition would be harsh and tragic for the whole cotton industry, injuring cotton manufactureres as well as cotton farmers. We believe that in the new law you will write, while keeping the present snapback, you should embrace a second and less harsh alternative.

We have been thinking of one possible standby alternative for use by the Secretary if events may dictate. We suggest that you may wish to explore again one proposal advanced when the present law was being written. It was suggested then, as I recall, that the price of all cotton should be maintained through loans at a percent of parity fair to producers, and then adjustment payments should be made on the difference between the average domestic price and the average world price for cotton, for that part of a mill's consumption of cotton which exceeded its customary use, or a percentage thereof. At the time, I believe no one found a sound mechanism for this to work in such circumstances where, for instance, a new mill having no prior record of cotton use, would receive the low price on all the cotton it consumed, to the detriment of mills which customarily used substantial amounts of cotton.

If, indeed, we were forced to move to an alternative program, we might examine the feasibility of making the adjustment payment on the basis of spindles in place in the mills. By the best information available to me, we now have around 20 million spindles in place in all mills, which handle between 4 and 5 billion pounds of cotton annually. This is 200 to 250 pounds of cotton used per spindle.

You might find it feasible, as an example, for the adjustment payment between the world price and the domestic price for cotton to apply to all the cotton a mill used above the volume which exceeded the number of mill's spindles in place multiplied by say 150 pounds, of cotton, or whatever poundage you deemed to be fair. The assigned figure per spindle should be somewhat less than the current use of cotton per spindle so that the mills would be assured the world price to cover at least the cotton content of their exports of goods and for that part of their manufactures which are in competition with imported cotton goods.

IMPORTS

Mr. Chairman, our mills and our producers of cotton need now much stronger protections against imports of cheap goods from abroad. These imports have grown by leaps and bounds despite that our own

mills for the last 3 or 4 years have been able to buy cotton as cheaply as foreign mills. Our mills simply cannot pay their employees an American wage and compete fairly with yards and cotton goods made by cheap foreign labor.

We have one suggestion in this area. There should be others.

Yarn is an import of great volume. Of our 1-million-cotton-bale equivalent imported, approximately 20 percent is in the form of yarn. We can deal substantially with the import problem by dealing specifically with yarn. We suggest that yarn be defined as "raw cotton," for the purposes of the quota we now enforce upon the importation of raw cotton. Yarn is not cotton goods. The yarn mill is no more in the manufacture of cotton goods than the cotton gin. The yarnmaker and the cotton ginner both are in the business not of cotton manufacture but of preparing cotton for conversion into consumer goods. The gin deseeds and cleans the cotton; the yarnmaker gives it a twist suitable for manufacture into thread and into goods. The yarnmaker is in the same category as the picker-lap maker. You dealt with the picker-lap problem several years ago.

We suggest that this committee write into the new bill a definition of yarn as "raw cotton." Then, we hope our Tariff Commission will be guided by this definition.

EXPORTS

Mr. Chairman, back in the old day we called cotton "white gold."

We are all now painfully aware of America's gold problem. I was struck recently by an expression of Maynard Layman, farm editor of the Decatur (Ala.) Daily, writing about our Nation's balance of payments. Layman said: "The United States should send 'white gold' across the oceans to bring back our yellow gold."

Mr. Chairman, we must regain our own cotton export market, if this Nation ever is to enjoy again a stable condition in our cotton industry, the strength which exports give to our total economy, and the stablility which cotton can give to our balance of payments with other nations. There was a time during the first 100 years or more of our Nation's history when the export of cotton and tobacco maintained this Nation's financial integrity before the world. Cotton and tobacco took care of America's balance of payments. We should not forget this.

We are the residual supplier of cotton in world markets as we have been for many years. The act of 1965 sought to regain this market where for about two centuries we reigned supreme. This act of 1965 sought to bring our price down to the world price. But our export program has been self-defeating. We generally anticipate the world price and then make known our export price, in advance. Other producing countries simply cut their price a cent or two below our price. They thus move their cotton out ahead and we take what is left of the world market. We never shall regain our just share of this market as long as the rest of the world knows our export price in advance.

We must, in the next Cotton Act, make our cotton truly competitive with cotton produced in any other area of the world. There must be an export payment involved, for our cotton farmers are in competition with the producers in other world areas whose standard of living now is down where we were in the South when cotton was selling for 5 or 6 cents a pound.

It is thought that the export problem might be remedied by enabling our exporters, while buying at the American cotton price, to sell in the world markets at a price which will move our cotton, and then pay to the exporters an amount equal to the difference between our domestic price—the price exporters must pay for cotton—and the average price that exporters get for the various qualities of cotton in the world market during a season, each exporter receiving a total payment according to the number of bales sold abroad. Such an operation certainly would make our cotton fully competitive pricewise around the world. It should assure care and prudence by our exporters in buying and selling. It should guarantee us a fair share of the world market, enabling larger production by our cotton farmers and substantially improving our balance of payments.

We think it might be well for this committee to examine and report on the importance of agricultural exports, for cash and under Public Law 480, to our gold and the balance-of-payments situation.

While discussing cotton exports, Mr. Chairman, we should call attention to the act of 1965 renewing and expanding our food for peace program through revision of Public Law 480. That act took into account the need for clothing among impoverished peoples in poorer and emerging nations, by authorizing the shipment through this program of textiles where raw cotton accounts for a substantial portion of the cost. But since this authorization was enacted no textiles have moved abroad through Public Law 480. We understand that one nation now is seeking 20 million yards of cloth under this program. We urge you in the Congress to press for activation of exports of cotton goods under Public Law 480.

Similarly, a way might be found to distribute cotton goods among the needy in our own country, as we now distribute surplus foods.

Mr. Chairman, these are our recommendations:

1. Extend the one-price cotton law for 4 years, with revisions and refinements, removing inequities and strengthening the program.

We have grave reservations as to converting present farm programs into "permanent farm law." Although, of course, we appreciate help given to farmers generally through the present law, these programs have fallen short of achieving a parity position for agriculture. To freeze these programs, however revised, into "permanent law" would represent an abandonment of farmers' aspirations to get a fair price in the marketplace as do other producers of raw materials, goods and services in our free enterprise system. Moreover, by enacting a "permanent" general farm law the Congress would abrogate to a considerable degree its dominant role in responding to the needs of agriculture in the years ahead.

2. Keep the 16 million acre a national allotment.

3. Write into the new law an alternative program less harsh than the present "snapback." We have discussed one possible alternative. On examination it may be found impracticable. The committee may come forward with a better idea. We do not propose any alternative as a substitute program. We simply are looking for an alternative "snapback" that would be easier and less destructive, especially upon our mills. It is imperative to the cotton producer that our mills be kept in a sound and solid economic position.

4. Embrace in the new law provisions that will make certain that the United States regains its rightful position in the world export markets. Again, we have advanced a suggestion. It, too, may be impracticable. We are confident this committee can find what is practical in this area.

In foreign aid, under Public Law 480 and other programs where we supply dollars to needy nations, we realize that America must continue to assist peoples in the free world. But our own gold situation now makes it absolutely imperative that we ship goods instead of dollars. Our total agriculture—including cotton and cotton goods—offers the Nation an opportunity to ease the pressure upon our balance of payments.

So, we say: "Use white gold to keep yellow gold at home, and send white gold to bring back our yellow gold that now is overseas!"

5. Protect our textile industry from the great influx of cheap cotton goods from abroad. As a first step, define yarn as raw cotton.

6. Make certain that the program works to the advantage of all cotton-producing regions and to the disadvantage of no region.

7. Revise the present program so that the privilege of a cotton allotment holder be related to cotton production. A reasonable insurance factor could be retained. This can be done by limiting the provisions that the cotton allotment holder receive the price support and payment and convert his land to the production of other income-producing crops.

8. Reverse the current provisions which forbid the release of cotton acreage on 65 percent of the allotment. This is particularly necessary for allotments in the small farm category of 10 acres or less. However, it is needed on all allotments upon which one-tenth acre is being planted simply to hold farm acreage history.

9. Eliminate the voluntary acreage retirement feature of the present law. Make no payments for acreage retirement beyond a mandatory cut. Payments on voluntary acreage retirement is ruining the cotton economy in regions with numerous small farms, while the economy could be strengthened in these areas through allotment rentals or purchases.

10. Liberalize the restrictions on the transfer of acreage by purchase or lease.

11. Repeal the cropland adjustment program outright and forthwith. Its effect, if continued, will be disastrous to the economy of great areas of our countrysides and to small towns, where small farms are numerous. The impact of this program principally is that small farms are brought out of business with taxpayers' money. This is tearing people away from farms and dumping them into cities. If pressed, this program might make "ghost towns" of main street communities that service areas having a predominantly small farm agriculture.

12. Implement the research program now provided for in the cotton law. The law authorizes an initial $10 million expenditure for this special research undertaking, but the program has never been activated, although cotton farmers have cooperated by assessing themselves $1 a bale for research and promotion.

13. Maintain the skip-row planting rules and regulations fair at all times to all the different cotton producing regions.

14. Write new protections against havoc caused by natural disasters, so that farmers who are the victims of such disasters may use yield records of normal production years, when all requirements and benefits under the cotton program are assigned. Several proposals intended to remedy this situation now are pending before the committee. We shall make a recommendation at a later date on what we deem to be the best remedy.

In this connection, we want you to know we appreciate what this committee did to help us recover from the devastation of last year's crop failure over large areas, through loans from the Farmers Home Administration and the Small Business Administration. Every dollar of such loans has helped those in distress, but this aid has been so severely limited that many good farmers and many good ginners still are suffering unnecessarily. We still are hopeful that the FHA and the SBA will liberalize their operations in a way that will help many more deserving farmers and ginners.

CONCLUSION

Mr. Chairman, in conclusion, I must emphasize that the old, traditional cotton country of this Nation, your own Old Belt of Texas, my State of Georgia, and the Carolinas, Alabama, parts of Virginia, Florida, Tennessee, Kentucky, the delta area, Missouri and Oklahoma, can produce quality cotton as good as anybody. We recently have made great strides in seed breeding and cultural practices. We soon, at long last, shall win the battle against the bollweevil. We are determined to recover quickly from the disasters which laid waste to our crops in 1966 and 1967 over large areas. By these disasters, and by exceedingly heavy voluntary retirement of acreage, we have borne the great burden in bringing down the cotton surplus.

We are ready and eager to produce all the cotton we are entitled to. We want every other region to produce all it is entitled to. Therefore, we are ready to join with all cotton producers to declare a moratorium on bickering among regions. We want a healthy, vigorous and prosperous total cotton economy—prosperous farmers and a prosperous textile industry.

Mr. Chairman, we are pledging here to help the Congress help the total cotton industry in achieving fairness for ourselves and in greater service to the Nation.

Thank you.

The CHAIRMAN. Thank you, Mr. Smith, very much. I appreciate your statement. I should like to ask you if you would tell us, if you should not get all the changes you request or suggest, many of which are desirable, would you still want us to continue the present law?

Mr. SMITH. Yes, sir.

The CHAIRMAN. Thank you very much.

Mr. Montgomery?

Mr. MONTGOMERY. I wonder if the gentleman would add and include the State of Mississippi among those he mentioned. You mentioned the delta area, but I think you left Mississippi out.

Mr. SMITH. I will be happy to include it.

The CHAIRMAN. If there are no further questions——

Mr. Miller?

Mr. MILLER. I am intrigued by No. 7 on page 7 where you state:

Revise the present program so that the privilege of a cotton allotment holder be related to cotton production. A reasonable insurance factor could be retained. This can be done by limiting the provisions that the cotton allotment holder receive the price support payment and convert his land to the production of other income-producing crops.

Would you elaborate on that, sir?

Mr. SMITH. I would be happy to do so.

In my particular area it is made up of small cotton farmers, and we are suffering tremendously. We have many acres that a man plants one-tenth of an acre to retain his full benefits. And, of course, one-tenth of an acre is because he does not release any acreage that can be reapportioned throughout the State or throughout the county which he might do.

Mr. MILLER. My understanding is that he would receive the payment and also convert his land to the production of other income-producing crops. That is true, then?

Mr. SMITH. Yes, sir.

Mr. MILLER. It appears to create problems in other areas where maybe subsidies could be paid on some land for two different crops? Are we saying that?

Mr. SMITH. It is not necessarily a subsidy. But he could put it in another paying crop.

Mr. MILLER. Thank you.

Thank you; that is all, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Miller.

If there are no further questions, we thank you, Mr. Smith.

Mr. Gathings would like to introduce our next witness.

Mr. GATHINGS. Thank you, Mr. Chairman.

I am pleased to introduce the next witness. He is a member of a distinguished farming family. His father before him, Mr. Otis Howe, Sr., was a president of the Agricultural Council of Arkansas, and also a member-director of the National Cotton Council for many years.

Mr. Otis Howe, Jr., has assumed his role as president of the Agricultural Council of Arkansas with distinction. I am sure he will give us a real good statement.

And with your permission, Mr. Chairman, I would like to introduce just a few of those from my district who are here.

The CHAIRMAN. Yes; you may.

Mr. GATHINGS. First is Mr. Lon Mann, of Marianna, who also is a worthy successor to his father. He was a great farm leader and fine citizen.

And we have with us also Mr. Cecil Williams, who is executive vice president of the Agricultural Council of Arkansas.

The CHAIRMAN. Thank you.

We are very glad to have all of you gentlemen present.

We will be glad to hear from you now, Mr. Howe.

STATEMENT OF OTIS W. HOWE, JR., PRESIDENT, AGRICULTURAL COUNCIL OF ARKANSAS

Mr. HOWE. Mr. Chairman and gentlemen of the committee, my name is Otis Howe, Jr.

I am a cotton farmer of Wabash, Ark. I am president of the Agricultural Council of Arkansas and it is in that capacity that my

testimony is presented here today. The council represents cotton farmers located on the alluvial lands of eastern Arkansas where a high percentage of the State's crop is produced. With me today is Cecil Williams, of West Memphis, who is executive vice president of the council.

Our statement here today will be brief, primarily because members of the Agricultural Council would like to see the cotton section of the Food and Agriculture Act of 1965 extended with at lesat one minor change.

Our members like the present cotton program for several reasons, with the overriding reason being that it has helped maintain producer income in the face of 2 disastrous years. Cotton production in Arkansas dropped from a 1961–65 average per acre yield of 557 pounds to 418 pounds in 1966, and to an estimated 349 pounds in 1967. The program undoubtedly helped keep many farmers from going bankrupt in the face of adverse weather conditions during two recent growing seasons unparalleled in the memory of cotton producers in our State.

Now for the change we would like to see. We feel the transfer of cotton allotments by sale and lease has been highly successful and should be continued. It has been so popular in Arkansas that our council has recommended a similar program for rice. We do, however, feel this provision could be strengthened by removing all limitations on the number of acres that could be leased or purchased. Many more acres would have changed hands during the past 2½ years had it not been for the 100-acre restriction. Many hill communities have lost income due to the limitation and many acres of good land have gone wanting for cotton because of the 100-acre rule. Lifting this limitation would be beneficial to both those wanting to sell and those wanting to buy and to the economies of communities of both groups.

Mr. Chairman, we would strongly favor extension of this legislation this year, so that growers will not have to live in uncertainty about a cotton program as they have in the past. Cottongrowers, like other businessmen, need to plan their operations months and years in advance. This will not be possible if we wait until 1969 to pass a new cotton law. We believe the chances of obtaining favorable cotton legislation are better now than they will be in 1969. The attitude of the new Congress toward agriculture is a question mark and its early months will be spent in getting organized. Under these circumstances, if desirable cotton legislation can be passed in 1969, it will be late in the year and farmers will be faced with the old problem of making their plans in a hurry once again.

If it is not the will of this Congress to extend the present cotton program, then there are certain basic ideas we would like to see incorporated into any new law. These ideas are as follows:

1. We believe it is absolutely essential that this Nation maintain a minimum national allotment of 16 million acres. Anything less would be an admission that we are not in the cotton business to stay and it would be an open invitation to foreign cotton producers to take our markets. Our customers would also lose faith in our ability and willingness to supply their basic needs.

2. We also feel strongly that the American cotton industry must maintain a high level of exports in order to survive. Since the National Cotton Council has well documented the necessity of cotton exports in the Nation's welfare, we will not go into it further.

We do recommend, however, that the U.S. Government refrain from any activity which will tend to increase cotton production abroad.

3. It is our opinion that regardless of the type of cotton program in effect, a loan program must be retained in order to promote orderly marketing, give stability to the price structure, and to protect the farmer from unforeseen conditions which would adversely affect the market price. Therefore, we recommend that the CCC loan and price support payment be continued at a level which may be essential to provide the producer with a fair market price commensurate with his capital and labor investment. We also support the parity concept as the basis for the loan and price.

4. We of the Agricultural Council would be opposed to any farm program which provides for ceilings or limitations on the price, loan, price-support payment, diversion payment, or any other income which any agricultural producer may receive. Such discrimination would be unfair and inequitable and would disrupt and defeat the purpose of any program designed to improve the economic position of agriculture.

5. Any future cotton program should not contain any requirement for cross compliance between crops as a prerequisite for eligibility to participate fully in such program. Generally, in any farm program we have ever had, farmers have had to sacrifice something in order to be able to participate. Under the present cotton program, for instance, he must give up his right to plant his full allotment. In order to fully utilize his resources so as to stay in business, the farmer should be given the widest possible leeway to grow crops which are not specifically controlled on his farm.

The ability of the American cotton farmer to remain in business will ultimately depend on his ability to lower production costs. The cost of labor inputs in growing cotton has been lowered dramatically in recent years. Unfortunately, the cost of other inputs has increased almost an equal amount so that the farmer has made little or no gain. Most knowledgeable cotton research men agree there is still plenty of opportunity for lowering production costs. Cotton farmers themselves have taken the lead in providing for research to lower the cost of producing a pound of cotton through the Cotton Producers Institute, a program strongly supported by the Agricultural Council. This money will be forthcoming with each cotton harvest season. We, however, need help immediately. In order to provide this help, we strongly recommend appropriation of the $10 million for cost-cutting research which has already been provided for in previous legislation. Investment of these funds by our Government could pay big dividends in the form of lower program costs in the years to come.

We sincerely appreciate the opportunity of appearing here today on behalf of Arkansas farmers.

The CHAIRMAN. I wonder if you feel that we should extend this present act? Do you feel that way?

Mr. HOWE. Yes.

The CHAIRMAN. Even though we do not put in any of the amendments?

Mr. HOWE. We certainly do.

The CHAIRMAN. If there are no questions of Mr. Howe, we are very much obliged to you.

We have two remaining witnesses. I am going to ask Mr. Mathias to introduce one of his constituents.

Mr. MATHIAS. I would like to introduce John Arthur Reynolds. He is with the Western Cotton Growers Association of California. He is in a town a little north of Tulare, Calif. I might add that he is growing cotton and is wearing a beautiful cotton suit today.

It is my pleasure to introduce to you Mr. John Arthur Reynolds.

The CHAIRMAN. We are glad to have you with us.

We will be glad to hear from you now.

STATEMENT OF JOHN ARTHUR REYNOLDS, FRESNO, CALIF., EXECUTIVE VICE PRESIDENT, WESTERN COTTON GROWERS ASSOCIATION OF CALIFORINA

Mr. REYNOLDS. Mr. Chairman and gentlemen of the committee, I would like to refer to this wrinkled cotton suit, and I recommend it to all who have to travel and to sleep in their clothes.

Thank you for calling this to everyone's attention.

The CHAIRMAN. What is the price of that?

Mr. REYNOLDS. This is only $75. I bought this in Fresno, which is a little more than four or five times as large as Tulare.

My name is John Arthur Reynolds. I live in Fresno, Calif. I am executive vice president of the Western Cotton Growers Association of California.

On behalf of our board of directors and of our association, I wish to recommend to this committee that the general principles of the cotton portion of the Agricultural Act of 1965 be extended this year to cover crops of 1969, 1970, 1971, and 1972.

We supported the bill which this committee reported out and which was passed by the House of Representatives in 1965. We recommend that the cotton portions of the act be extended with certain modifications.

We feel that a crash research program is needed in cotton utilization to develop even better cotton products and to further improve the performance of cotton in the consumer qualities like wrinkle-shed, permanent press, and soil release now being exploited by the high price manmade fibers. It might be possible to direct the Secretary of Agriculture to use CCC funds to do this.

In order to keep cotton competitive with rayon and foreign growths, we feel that continuation of the one price cotton is essential and that price support payments be continued in order to maintain growers' income in a period of cost price squeeze. We suggest, however, that the price support payments be based on the difference between 90 percent of the estimated world price and not less than 75 percent of parity on the domestic allotment production.

We further suggest that in order to secure enough cotton for our domestic and export markets, a provision which was included in the original 1965 House bill be added to the present 16 million acre allotment and the 65 percent domestic allotment program. This would allow a grower to do as a feed grain grower can now do, that is, produce as he wishes for the market without restriction and without penalty provided he gives up all Government loans and price support payments.

The CHAIRMAN. We thank you very much, Mr. Reynolds, for your suggestions and for your brevity. I wonder if we understand

correctly that you would favor the extension of this act of 1965, even if we did not get any amendments?

Mr. REYNOLDS. Mr. Chairman, that would require an official action of our board of directors, but I would recommend it.

The CHAIRMAN. Thank you, sir.

Are there any questions of Mr. Reynolds?

Mr. Mathias?

Mr. MATHIAS. I have no questions.

The CHAIRMAN. I repeat, we are very much obliged to you.

That concludes the cotton portion of the hearing this morning.

Before many of our cotton visitors leave and many more of our representatives from the cotton areas leave the hearing room, the Chair would like to suggest that he has an appointment with some of those who are here today at 2 o'clock this afternoon, and I would be happy if others who are interested in cotton and the members who are interested in cotton would attend, because I think we might be able to get to some points that were not covered this morning, and if any of you would care to do so, I would suggest that we meet right here at 2 o'clock this afternoon—any of our visitors, any of our members who care to do so, are welcome to attend and to further discuss this cotton problem.

We now have before us Mr. Reuben L. Johnson of the National Farmers Union who has presented views before for the National Farmers Union to this committee. Mr. Johnson wants to make some supplemental statements.

I point out, however, that we are not going to open the door. Mr. Lynn, too, has been before us, and he wants to be heard again. We will give him a hearing if we can, but we are not going to promise anybody two or three hearings, except that we will be glad to hear from Mr. Johnson to add these additional comments that he wanted to make, but could not because he had to attend his national convention.

We will be glad to hear from you now, Mr. Johnson.

STATEMENT OF REUBEN L. JOHNSON, DIRECTOR OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. JOHNSON. Mr. Chairman and members of the committee, we are most appreciative of your permission to permit us back before the committee for a few additional comments in addition to those that have already been made. As you know, we were in the midst of a convention—and the vice chairman of our executive committee, Mr. Radcliffe, came back during that time and presented a short statement in behalf of the extension of the 1965 Farm Act.

The CHAIRMAN. I wonder if I might ask permission that your prepared statement be included in the record in its entirety and for you to add anything which is not in it.

Mr. JOHNSON. That is fine with me, Mr. Chairman.

I would like to ask the chairman if the Bargaining Act language has been inserted in the record at any point in these hearings?

The CHAIRMAN. The—what?

Mr. JOHNSON. The language of the Bargaining Act introduced by Congressman Olsen of Montana. Has it been inserted in the record at any point during this hearing?

The CHAIRMAN. I do not know, but it should not be inserted in the record; we are not going to insert these bills which are available to everybody; we are not going to reprint them.

Mr. JOHNSON. I did not realize that you had established any position on this.

The CHAIRMAN. Our only purpose is that we have no intention to have the Government print these things two or three times.

Mr. Olsen introduced this bill; it is printed; it is available to everybody. We see no reason for printing it again.

Mr. JOHNSON. I would like to call attention to the material on the table here to my left. I have a flowsheet which was prepared which explains in rather simple fashion the provisions of title I and title II of the Agricultural Bargaining Act. I would appreciate it very much if the clerk of the committee would make this material available to the members of the committee.

I think there is a great deal of misunderstanding about what, actually, the bill provides. I have tried to simplify the explanation in this form, and I think that the members of the committee would find it helpful to them.

The CHAIRMAN. We will be glad to include your entire statement in the record, as we have already ruled.

Mr. JOHNSON. Mr. Chairman, I would also like to move now past the commodity section of my statement to page 8, the national food bank. I would like to call attention also to a bill which has been agreed upon by seven farm organizations. I am not going to ask that it be put into the record, but I will file several copies of that compromise bill with the clerk for whatever use you and the committee members may want to make of it.

If my statement is in the record, Mr. Chairman, and you are making note of the other material that I have and which I will file with the clerk, section by section, an analysis of the Agricultural Bargaining Act, and which will be made available to the committee, I will just say, again, that we appreciate the opportunity to come back and complete the testimony which, actually, represents the policies that were formulated during our convention which were not available at the time of your earlier hearings.

(The statement referred to submitted by Mr. Johnson reads in full as follows:)

STATEMENT OF REUBEN L. JOHNSON, DIRECTOR OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. Chairman and Members of the Committee, Farmers Union completed one of its most successful conventions last month. These hearings could not have been dated better from our point of view because the recommendations we shall make all have the recent endorsement of delegates in attendance at our convention.

Extend the Food and Agriculture Act of 1965

We urge the Committee to act upon the recommendations of President Johnson to extend the Food and Agriculture Act of 1965 on a permanent basis. We will make recommendations today for improvements in the commodity and other programs it establishes. In the use of the term "permanent" we do not mean to imply that we favor extension of the provisions of the Act without periodic review of the Congress with needed improvements being made.

Extension of the 1965 Food and Agriculture Act will not solve all the problems of agriculture. Conversely, failure to extend the wheat, feed grains, cotton and dairy programs the Act provides would result in a loss in net farm income of up to

$5 billion—reversing the progress since the beginning of the past decade when net farm income fluctuated around $11 billion.

With the recommendations we will make to the Committee, we believe the Food and Agriculture Act will better serve farm families and will be a step toward correcting the inequities between agriculture and other sectors of our economy cited by President Johnson in his Farm Message.

Enact National Agricultural Bargaining Act

Before the Congress is one of the most important pieces of farm legislation to be introduced in Congress since the Agricultural Act of 1938. I have reference to the National Agricultural Bargaining Act (S. 2973) introduced by a Member of this Committee, Senator Walter F. Mondale. The bill is co-sponsored by Senators: Quentin Burdick, Eugene J. McCarthy, Gale W. McGee, George S. McGovern, Mike Mansfield, Lee Metcalf, Gaylord Nelson, William Proxmire, Milton Young (No. Dak.), Philip A. Hart, Frank E. Moss, Fred Harris, Wayne Morse, Daniel K. Inouye, A. S. Mike Monroney, Robert F. Kennedy (N.Y.), Ralph Yarborough, Joseph M. Montoya, and Edward V. Long.

It has been introduced in the House of Representatives by Congressman Arnold Olsen of Montana.

This bill opens the way for farmers to win strong bargaining power in the market place as an addition and supplement to existing farm programs. Existing farm programs provide a foundation for farmer bargaining action which the Mondale bill makes possible.

Let me make it crystal clear, however, that we do not look upon the National Agricultural Bargaining Act as a replacement or substitute for the commodity programs authorized in the Food and Agriculture Act. Rather, we look upon it as providing a supplementary procedure in a similar manner to that additional bargaining power extended workers when the Wagner Act was passed to supplement other labor legislation. We call attention briefly to essential features of the bill, as follows:

(1) It would let producers decide when prices are too low and when bargaining action is needed;

(2) It would let producers decide through commoditywide referendum whether they want a bargaining committee for a particular commodity;

(3) It would let producers decide in a referendum who will represent them on bargaining committees; and

(4) It would provide expanded authority for producers to strengthen prices under the provisions of the Agricultural Marketing Agreements Act of 1937.

Recognition is also given in the bill to the need for supply-control as essential element in farmer bargaining.

There can be no effective bargaining for farm prices without consistent and binding supply control. There is no point in negotiating price if you can't make it stick.

There is no longer any question that farm families want more bargaining power. There is no question that farm families do not today have the power to bargain effectively for fair and reasonable returns for their production.

We should like to urge Members of the Committee to carefully consider in more detail than I have provided the provisions of the National Agricultural Bargaining Act. We urge the Committee to approve the bill. We see considerable merit in its inclusion in whatever package of farm commodity and other legislation may be approved by the Committee this year.

Mr. Chairman, we have summarized in this statement Farmers Union's program recommendations as approved by delegates to our recent convention. At this time I should like to comment briefly as follows:

DAIRY

We commend the action of the Secretary of Agriculture as recommended by Farmers Union (1) to set the support price of manufacturing milk at the maximum support level—90% of parity—or at about $4.28 a hundredweight, and (2) to continue the 20 cent a hundredweight increase in Class I milk prices granted last year to federal order areas.

We submit further recommendations as follows:

1. Congressional action to support dairy prices at 100% of parity using direct payments to producers in conjunction with supply management, a family farm cutoff and the present support program to accomplish this end.

2. Passage of the Dairy Import Act by Congress to give legislative sanction to the limits on dairy imports that have been set administratively through the action of President Johnson.

3. Legislation to require manufacturers of filled milk to pay Class I prices for the skim milk and reconstituted nonfat powder used in their products and to require distributors of imitation milk to label all ingredients on the containers.
4. Extension of provisions of the Act to permit fluid milk sheds to set up Class I Base plans and to authorize establishment of a federal marketing order for manufacturing milk.

WHEAT

1. We urge that the provisions of the 1965 Food and Agriculture Act be amended to provide for a special export certificate or payment at not less than 65¢ per bushel. We further recommend that Food for Freedom shipments of wheat be certificated as export wheat.
2. We call for a strategic reserve of wheat, one-half of which would be controlled by farmers under contract with the Commodity Credit Corporation.
3. We strongly urge that existing wheat loan reseal policies be continued.
4. We urge that one-half of the wheat certificate payment be made at time of sign-up.
5. We propose an equalization of wheat price support loans through adjustment in the value of wheat certificates to assure every producer 100 percent of parity price on the domestic portion of production as directed and authorized by the 1965 Food and Agriculture Act.
6. We urge export wheat payments to be set at levels that will increase wheat exports.

FEED GRAINS

1. Present provisions of the 1965 Food and Agriculture Act which authorize the feed grain program should be amended to increase the level of return to full parity price through an increase in diverted acreage or direct payments.
2. We support the establishment of a strategic reserve of feed grains.
3. Reseal privileges as established in response to the 1967 Target Program should be extended to producers as an integral part of the reserve called for above.

COTTON AND RICE

1. We recommend that the Congress amend the Food and Agriculture Act o 1965 to increase support price and payments to cotton producers to 100 percent of parity on production for domestic use.
2. We recommend that cotton be added to the strategic reserve proposal that is now before the Congress.
3. When supply-demand conditions make it necessary for cotton acreage expansion we recommend that the domestic allotment be adjusted upward.
4. We recommend that the projected yield formula be amended to provide for a more equitable distribution formula as it relates to weather and trend.
5. We favor increase in the price support for rice to 100 percent of parity. We recommend that the export market be preserved through necessary export payments.

LIVESTOCK MARKETING

1. We favor extension of the Wool Act in the new farm program and we recommend that this Act be set up with wool incentive payments being increased to provide payments of 100% parity to the producer.
2. We urge the Secretary of Agriculture to institute feeder-livestock committees which are representative of family-farm producers.
3. We urge passage of S. 2879 introduced by the Chairman which would require bonding of packers, giving the Secretary of Agriculture authority to prevent irreparable damage, provide severe penalties for those refusing to compensate producers, and clarify the jurisdiction in regard to the Packers and Stockyards authority relating to food chains.
4. We urge the enactment of legislation which would limit the number of head of livestock which can be slaughtered each week at each packing plant which were fed by the packer, directly or indirectly, or subject to his control bycontract or otherwise.

SOYBEANS AND FLAX

1. We urge a support price for soybeans of $2.75 per bushel; a support price for flaxseed of $3.50 per bushel and for each commodity a direct payment of 50

cents per bushel to farmers who participate in Federal farm programs where applicable to other commodities they produce.

2. We oppose planting soybeans on "diverted" acres.

3. We urge that levels of reserve stocks in any emergency reserve program fully reflect supplies in excess of requirements.

POULTRY, EGGS AND TURKEYS

1. We urge the enactment of S. 2972 introduced by Senator Herman Talmadge and H.R. 15537 introduced by Congressman Frank Stubblefield which would enable egg producers to establish a marketing order with producer-elected marketing boards.

2. We urge enactment of legislation which would curtail and prevent the production of eggs and poultry by large feed companies, processors and food chains.

3. We urge enactment of legislation which would extend the jurisdiction of Packers and Stockyards Administration to include eggs.

4. We urge that provision be made to allow small producers to have poultry inspection services on a part-time or seasonal basis and that the poultry inspection program be paid for by the government.

PEANUTS

1. We favor an increase in the support price of peanuts to 100 percent of parity.

2. Government policy should not encourage peanut production solely for oil unless this production is subsidized to return the producer full parity price.

3. We recommend that peanuts be included in the strategic reserve proposal now being considered by the Congress.

NATIONAL FOOD BANK

President Johnson called for the establishment of a security commodity reserve "to protect against unforeseen emergency or variations between production estimates and actual need." He referred to the Food and Agriculture Act of 1965 and the Food for Freedom program as providing a "solid basis for this national strategy."

It is certainly true that projected needs in terms of acres and bushels established under the 1965 Act are based on anticipated domestic consumption and foreign demand including Food for Freedom shipments. It would seem logical that a better balance could be maintained on a continuing basis between production and demand if a reserve of such commodities as wheat, feed grains, soybeans, cotton and peanuts were to be maintained.

I would like to file with the Clerk of the Committee, Mr. Chairman, a draft of a bill agreed upon by seven general and commodity farm organizations. This bill combines the best features of the bills introduced by Senators McGovern and Young (N.D.) (S. 2617) and by Senator Montoney and Congressman Purcell (S. 2743) (HR 14329). I also have available and will leave with the Clerk a table prepared by Reuben L. Johnson, Director of Legislative Services, which compares provisions of the McGovern-Young and Monroney-Purchell bills with the compromise bill backed by seven organizations.

Family Farm Protection and Promotion

Preserve the Family Farm

We consider the family-type farm to be the keystone in our highly successful agricultural system. We believe further that the interest and welfare of the Nation is inherent in the preservation of a family farm pattern of agriculture.

When the management of a farm is taken away from those who supply the management, labor and capital, there is loss of initiative, skill and prodent judgment which has made possible the efficiency of our family-farm agriculture and our ability to produce an abundance.

A "family farm" is an agricultural production unit, economically adequate to produce modern United States standards of living, using land and other capital investment, operated by one or more farm operator families, who provide the management, take the economic risk and do most of the work (peak seasons excepted) required to operate the unit.

Numerous studies have shown the family-operated farm to be more efficient than large industrial agricultural units. Family farms are at an economic disadvantage because of inadequate productive resources and bargaining power.

The continuous attacks being made on Federal farm programs often center on the fact that giant farms are receiving millions of dollars in farm program benefits and that present farm programs too often have favored the big (larger-than-family) farms. A report issued by the U.S. Department of Agriculture in mid-1967 lends credence to that charge.

Of the three billion plus dollars paid out in Federal Farm Program benefits in 1966, over one billion went to farms receiving $5,000 or more. Nine farms collected over one million dollars each, with two of these super-farms collecting over two million each. Included are acreage diversion payments, price support payments, wheat certificates, wool and sguar payments as well as A.C.P. and cropland diversion payment. Not included are price support loans or purchases.

We know the arguments against such proposals in the'main are that this would discourage program compliance by larger-than-family farm producers, who would stay out of the program, overplant, and thereby cripple the program.

We believe this objection can be met by a well-deivsed program, particularly in those commodities where the present program includes certificate and price support payments.

Using wheat for an example, with the combined certificate and payment on domestic production equaling $1.36 per bushel, the blend price to the producer who complies amounts to 54-cents per bushel on all his production.

It is hardly conceivable in this day of high-cost operation that a commercial wheat farmer of any consequence would plant acreage to wheat anticipating a price of 54-cents per bushel below the price that his neighbor would receive.

The upshot of this program would not be all-out production by big farm units, but rather encouragement of a family-type pattern of agriculture. This would not only provide more opportunities for entry into farming, it would provide greater economic stimulus to farm families and their communities that is desperately needed in rural America today. Channeling program benefits to family-type farmers would quiet the voice of the critics.

Sale and Lease Authority

Consistent with promotion and protection of the family-type agriculture, we oppose the sale and lease of marketing quotas and acreage allotments. If this practice becomes widespread it will result in loss of many additional farm families and further economic deterioration of rural business opportunities driving more people into already over-crowded cities.

Delegates to our recent convention called for an end to "the efforts of the United States Department of Agriculture to win Congressional approval of legislation to weaken the traditional role of ASCS Committees in administering such transfer."

Transfer of Quotas or Allotments

Adjustments of quotas or allotments should be consistent with the objective of strengthening the family farm structure of agriculture. In such adjustments, priority should be given to families entering farming and so-called hardship cases where additional quotas or allotments are needed to make a fully sufficient family-farm unit. Protection should be afforded individual farm units from encroachment by large factory-in-the-field operations. Adjustments of quotas and allotments should be managed in such a way as to assure that they are not subject to becoming a part and parcel of vertically integrated production, processing and marketing units.

ECONOMIC SITUATION—PRICE SUPPORT LEVELS

The adjusted parity ratio now stands at 80 (March 15, 1968).

Farmers Union's goal is *100 percent of parity price* for all commodities. We believe that the Members of this Committee will agree that farmers are entitled to returns at the full parity price level. Delegates to our recent convention adopted

a policy statement which states: *"Price parity is an essential first step toward income parity."*

Present support levels for selected commodities are as follows: Wheat (blend price) *73 percent*; corn *83.9 percent*; grain sorghum *82.6 percent*; barley *67.7 Percent*; oats *71.6 percent*; rye *73.4 percent*; rice *67.8 percent*; soybeans *74.9 percent*; flaxseed *73 percent*; cottonseed *70.4 percent*; cotton *74.2 percent*; peanuts *74.7 percent*; dry beans *62.5 percent*; manufacturing milk *90 percent*; butterfat *77.6 percent*; tobacco (11–14 type) *72.0 percent* and wool *76.7 percent.*

Table I which includes these percentages is attached.

Congress has authorized price support at 90 percent of parity for the commodities listed above.

We urge Members of the Committee to carefully review the steps that are required to increase prices to the level of parity. At a very minimum, prices should be supported at the maximum levels authorized by the Congress.

I call attention to Table II which is also attached.

ECONOMIC SITUATION—FARMERS COMPARED TO OTHER GROUPS

Since 1947 *net farm income,* including inventory change is *down from $15.5 to $14.9 billion, a decrease of 3.9 percent.*

During this same period the *Gross National Product has increased by 238.1 percent.* The most shocking fact is that while net farm income has dropped since 1947 non-farm groups have shared substantially in the increase in the Nation's income growth over this period.

Interest received by creditors is up *467 percent.*

Dividends received by stockholders is up *250.8 percent.*

Business and professional income is up *119 percent.*

Rental income of landlords is up *209.2 percent.*

It is interesting to note the wide disparity between the above groups and manufacturing workers. Their increase was *91.8 percent* (1947–1967).

Again let me point out that *farmers lost income over the 20-year period* while others have *increased* their income.

We simply do not know any better comparison to make to justify our asking for improvements in the price and income levels of farm programs.

In this connection, I call your attention to Table III.

HOW MUCH WOULD IT COST IF ALL PRICE SUPPORTS WERE INCREASED TO THE MAXIMUM?

We prepared a table last year which indicates that gross *farm income could be increased by about four and one-half billion dollars if all price support levels were raised to the maximum allowable under existing law.* We calculate roughly that approximately three billion dollars of this amount would be retained by farmers as net income.

We would also point out that numerous studies show that a *cut of one dollar* in the appropriations for farm programs would result in a *two dollar loss* in net farm income, Conversely, an *increase of one dollar* in the appropriations for farm programs should result in a *two-dollar increase* in net farm income.

The conclusion we draw from these figures is that the Congress could provide farmers with *three billion dollars more* net income by adding one and one-half billion dollars to the Federal Farm Program Budget.

We think that would be a *sound investment* for our Nation to make.

Farmers are faced with *rising production costs.* Because of this, it is *ridiculous* for the Budget Bureau to go on year-after-year attempting to *hold the budget* for farm programs *at a constant level.*

Everybody else in the economy *adjusts prices to costs* so that profit can be maintained. Farmers are *not* in the position *to establish prices on their production.* Therefore, in order to get the needed increase in income, *there must be a substantial addition to the budget for commodity programs.*

TABLE I—SUPPORT PRICES FOR FARM COMMODITIES (COMPARISONS WITH 1960 SUPPORT)

	100-percent parity price February 1968	1968 support	1968 percent of parity	1960 support	1960 percent of parity
Wheat (bushel)	$2.59	(1)	100.0	[2] $1.78	75.0
		[3] $1.25	48.3		
Corn (bushel)	1.61	[4] 1.35	83.9	1.06	65.0
Sorghum (hundredweight)[5]	2.59	[4] 2.14	82.6	1.52	61.1
Barley (bushel)[5]	1.33	.90	67.7	.77	61.0
Oats (bushel)[6]	.88	.63	71.6	.50	60.0
Rye (bushel)[5]	1.39	1.02	73.4	.90	60.0
Rice (hundredweight)	6.79	4.60	67.8	4.42	75.0
Soybeans (bushel)	3.34	2.50	74.9	1.85	64.0
Flaxseed (bushel)	3.97	2.90	73.0	2.38	62.0
Cottonseed (ton)	68.20	48.00	70.4	38.00	57.0
Cotton (pound)[7]	.438	[8] .325	74.2	.324	75.0
Peanuts (ton)	304.00	227.00	74.7	201.24	78.6
Dry beans (hundredweight)	10.20	6.37	62.5	5.35	60.5
Milk, manufactured (hundredweight)	4.76	4.28	90.0	[9] 3.22	80.0
Butterfat (pound)	.856	.66	77.6	[9] .596	80.0
Tobacco (11–14) (pound)	.856	.616	72.0	.555	90.0
Wool (pound)	.873	.67	76.7	.62	86.0

[1] Parity price: Support for domestic food use—$1.25 loan rate plus 75 cents certificate and direct payment on 520,000,000 bushels to parity price.
[2] All wheat.
[3] Support for export use—$1.25 loan rate.
[4] Includes price support payment on one-half of base acreage as follows: Corn, 30 cents; sorghum, 53 cents; corn and grain sorghum loan rates are $1.05 and $1.61, respectively. 20-percent reduction (minimum) from feed grains base required to qualify for payment. (Barley has been dropped from the program.)
[5] No. 2 or better.
[6] No. 3.
[7] Middling 1-inch upland.
[8] Includes price support payment of 12.24 cents per pound—to qualifying producers. (Except 10-acre or under producers—or projected production from allotment of 3,600 pounds or under—get higher price without reduction.) Program provides: (1) basic price support loan on actual production of acres planted for harvest if effective farm allotment (EFA) is underplanted by at least 12½ percent; (2) additional price support (payments) on projected yield of acres planted within domestic farm allotment (DFA); and (3) diversion payments on acreage diverted (not less than 12½ percent or more than 35 percent).
[9] Support price for period Sept. 17, 1960–Mar. 9, 1961. Support prior to this was $3.06 hundredweight for milk, and $0.566 a pound for butterfat.

TABLE II.—COMPARISON OF CONGRESSIONAL AUTHORIZED LEVELS OF PRICE SUPPORTS WITH CURRENT LEVEL OF USDA PRICE SUPPORT

Supported commodities	Unit	Congressional directed range of support (percent)	Current level of USDA support: Amount	Current level of USDA support: Percent
Wheat	Bushel (domestic)	100	$2.59	100.0
	Bushel (export)	0–100	1.25	48.3
Corn	Bushel	[1] 65–90	1.35	[2] 83.9
Sorghum	Hundredweight	[1] 65–90	2.14	[2] 82.6
Barley	Bushel	[3] 65–90	.90	67.7
Oats	do	[3] 65–90	.63	71.6
Rice	Hundredweight	65–90	4.60	67.8
Soybeans	Bushel	0–90	2.50	74.9
Flaxseed	do	0–90	2.90	73.0
Cottonseed	Ton	0–90	48.00	70.4
Cotton	Pound	65–90	.325	74.2
Peanuts	Ton	75–90	227.00	74.7
Dry beans	Hundredweight	0–90	6.37	62.5
Milk (manufacturing)	do	75–90	4.28	90.0
Tobacco (11–14)	Pound	(4)	.616	
Wool	do	(5)	.67	76.7

[1] If acreage diversion program is in effect.
[2] Includes price-support payment for 1967 on ½ of base acreage as follows: corn, 30 cents; sorghum, 53 cents; corn and grain sorghum loan rates are $1.05 and $1.61, respectively. 20 percent reduction (maximum) from feed grains base required to qualify for payment. (Barley has been dropped from the program.)
[3] Such level of the parity price for each as is fair and reasonable in relation to the level at which corn is supported.
[4] Adjusted annually in accordance with changes between the 1959 parity index and the average parity index for the 3 years preceding the year for which support is being determined.
[5] Adjusted annually by multiplying 62 cents by the average parity index for 3 calendar years, 1958, 1959, and 1960.

TABLE III—"GROSS NATIONAL PRODUCT HAS INCREASED 238.1 PERCENT SINCE 1947 WITH NON-FARM GROUPS SHARING SUBSTANTIALLY IN THE INCREASE IN THE NATION'S GROWTH. BUT FARMERS' NET INCOME HAS DECREASED BY 3.9 PERCENT SINCE 1947."

FARM ECONOMIC SITUATION COMPARED WITH OTHER GROUPS
[In billions of dollars]

	1947	1961	1965	1966	1967	Percent charge 1947–67
Farmers' total net income [1]	15.5	12.9	14.9	16.2	14.9	−3.9
Farmers' total gross income	34.0	39.6	44.8	49.7	48.9	+30.5
Farmers' production expenses	16.8	27.0	30.9	33.2	34.4	+105.0
Interest received by creditors	8.2	25.0	38.4	42.4	46.5	+467.0
Dividents received by corporation stockholders	6.5	13.8	19.8	21.5	22.8	+250.8
Business and professional income	19.9	35.6	41.9	43.2	43.6	+119.1
Rental income of landlords	6.5	16.0	19.0	19.4	20.1	+209.2
Average weekly earnings of all manufacturing workers	59.92	92.34	107.53	111.92	114.90	+91.8
Gross national product	232.2	520.1	683.9	743.3	785.1	+238.1

Unemployment (February 1968): [2]	
Millions	2.98
Percent of labor force	3.7

[1] Including net inventory change.
[2] Seasonally adjusted annual rate (February 1968).

Source: Economic Indicators, published by President Council of Economic Advisers, March 1968.

The CHAIRMAN. We thank you very much, Mr. Johnson. I think the committee understands why it was impossible for you at the time of our first hearing to give us the details which were being worked out at that very moment at the convention.

We appreciate your additional comments.

If there are no questions of Mr. Johnson, we are very much obliged to you.

(The following letters and statements were also submitted to the committee:)

STATEMENT OF L. D. (DON) ANDERSON, PRESIDENT, PLAINS COTTON GROWERS, INC.

Thank you Joe for your introduction and you Mr. Chairman for the opportunity to be with you today.

I will just state briefly that Plains Cotton Growers is happy to have had a part in the development of the statement just presented by Mr. Pate on behalf of the Texas Association of Cotton Producer Organizations, and that PCG fully and enthusiastically endorses its content.

PCG represents almost 25,000 cotton producers, ginners and other allied businessmen in 23 High Plains counties that produce almost half the cotton produced in Texas.

Prior to the adoption of legislative positions by TACPO the PCG Board of Directors, with two elected representatives from each of the 23 counties, developed its own legislative policies.

And for the purpose of illustrating just how closely PCG's policy parallels the one you have just heard from TACPO, I would like to outline that policy for you as briefly as possible. Here are the points selected as the most important factors to be considered as we move toward a cotton program to succeed the current law.

1. Protection of producer net income.
2. Protection against imposition of individual program benefit limitations.
3. A more equitable procedure for the determination of projected yields.
4. A modification of the small farm provisions.
5. Liberalization of sale and lease provisions.
6. A "Total Market" concept as opposed to the "Domestic Market" concept now in effect.

7. A continuation of the present 16 million acre legal minimum allotment and strong, realistic efforts toward domestic and export consumption that will allow production from 16 million acres or more.

8. Adequate flexibility to permit production volume adjustments—up or down—to keep production in line with total market needs.

9. The introduction and passage, if possible of legislation during 1968.

You will readily see, Mr. Chairman, that these points coincide almost exactly with the points made and explained by Mr. Pate, so I will not take up the committee's time with repeating the reasoning behind them.

I think you will agree that the Texas position has been made clear, and I will say again that we appreciate the opportunity to present that position and we respectfully request it be given your thoughtful consideration.

ANDERSON, CLAYTON & CO.,
Houston, Tex., May 1, 1968.

Hon. W. R. POAGE,
Chairman, Agriculture Committee,
House of Representatives,
Washington, D.C.

DEAR MR. POAGE: We respectfully request that the attached statement be entered in the record of hearings on the proposed extension of the Food and Agricultural Act of 1965.

Anderson, Clayton & Co., with its 64-year history in agriculture and, in particular, the cotton business, has had the opportunity to observe the effects of farm legislation over the years. We would like to submit for your consideration the attached recommendations for modification of the current farm program as it affects cotton.

Respectfully yours,

S. M. MCASHAN, JR., *Chairman.*

RECOMMENDATIONS FOR MODIFICATIONS OF THE FOOD AND AGRICULTURAL ACT OF 1965 FROM ANDERSON, CLAYTON & CO., HOUSTON, TEX.

PART I—INTRODUCTORY COMMENTS

In view of the consideration being given to extension of current farm programs at this time, it is recommended that consideration also be given to needed modifications in the legislation as it relates to cotton.

Under the Food and Agricultural Act of 1965, now in the third year of its four year duration, the objectives for the cotton program were to (1) reduce surplus stocks, (2) make cotton more competitive with man-made fibers and foreign-produced cotton, (3) maintain cotton farm income, and (4) reduce Government expenditures.

It is highly significant that due to various factors the anticipated reduction in surplus stocks over four years was accomplished in less than two, and the problem of a surplus has now been converted to a problem of a shortage. In addition to causing loss of markets due to lack of needed qualities, the shortage has resulted in higher prices tending to further defeat the objective of making U.S. cotton more competitive.

Obviously, a program designed for purposes which have changed in either nature or relative importance should be modified rather than merely extended. There is a manifest need to shift the program emphasis to regaining lost markets and retaining those we still have—changes that will increase the supply, especially the supply of qualities in market demand, and changes that will lower the unit price while giving assurance that the grower's income will be maintained or improved. Further, there is a need to incorporate some provisions into law rather than leave them to the discretion of the Department of Agriculture, whose future composition and attitude is undeterminable at this time.

Attached as Part II is a list of changes recommended to meet these objectives. Part III contains a brief explanation of the principal reasons these changes are needed.

PART II—RECOMMENDED CHANGES IN CURRENT LEGISLATION AFFECTING COTTON AS SET FORTH IN THE "FOOD AND AGRICULTURE ACT OF 1965"

1. Eliminate the provision for a mandatory diversion of acreage from cotton production and increase the present provision for a voluntary diversion to a maximum of 35% of the farm allotment.
2. Change the basis for determining the annual cotton loan rate to 80% of the average market price received by the producer for the three immediately preceding years.
3. Provide that the price support payment, which is made only on the acreage planted up to 65% of the farm allotment, be fixed at an amount sufficient to make the total of the available loan and the price support payment equivalent to 70% of parity.
4. In establishing loan differentials (as well as in making sales from Commodity Credit Corporation stocks), use current market price differences on quality and micronaire—the most current practical.
5. Remove acreage limitations on transfers of allotments and permit the transfer or sale of allotments across state lines.
6. Provide, by legislation, for "skip row" planting as provided during the current year by USDA regulations; and make no amendments in definitions of effective allotment or domestic allotment.
7. Under the Export Market Acreage Provision, which should be continued otherwise unchanged, permit exportation of an equivalent poundage of cotton, not limited to the identical cotton grown on the Export acreage.
8. Include in the appropriate section of the legislation a statement recognizing that any limitation on amount of payment or other provision based on size would be contrary to the purposes of the legislation because it would have a detrimental effect on all producers by forcing large growers out of the program and into a full-allotment production; would penalize efficient production and would be grossly unfair and discriminatory.

PART III—REASONS FOR RECOMMENDED CHANGES

1. Relative to Change No. 1 for elimination of mandatory diversion payments—

Continuation of a mandatory diversion requirement would be illogical when the major original problem of a vast surplus of cotton has been eliminated and the current problem is lack of sufficient volume to satisfy markets, especially in certain qualities.

If a mandatory diversion were not required, a diversion payment could not be made for a farm where no cotton is planted. The allotment would have to be released to someone else to protect the history and allotment base. Certainly the Program is intended to assist cotton farmers—not to assist those who do not plant any cotton at all.

Elimination of the mandatory diversion requirement would eliminate one piece of a very complicated system, difficult for farmers and others to understand and to evaluate the effects thereof.

2. Relative to Change No. 2 to base the loan rate on 80% of the last three years' market price—

This change would substitute a factual experience figure (based on a period long enough to eliminate fluctuations due to extraordinary circumstances) for an "estimated" average world price for such cotton for the marketing year in prospect. Such substitution of experience figures for an estimate by presently unknown future Secretaries who might be overly subject to the effect of political or other pressures would give greater assurance of production for the world market rather than for the loan, with the farmer's income yet assured, however, by another change recommended, i.e., that price support loans and price support payments combine to the equivalent of 70% of parity.

3. Relative to Change No. 3 to provide that price support loans and price support payments combine to be the equivalent of 70% of parity—

This change would provide the needed protection for income of farmers while, in combination with other changes recommended, giving greater assurance that U.S. cotton will be competitively priced for the world markets.

It would give greater legislative assurance of minimum income protection to farmers, leaving less to the discretion of future Secretaries of Agriculture of now undeterminable attitudes on such matters.

4. Relative to Change No. 4 to provide for use of current market differences on qualities and micronaire in establishing loan differentials—

This change would substitute for Administrative discretion by future Departments of Agriculture of uncertain composition and attitude, the differences reflected by the marketplace thus giving greater assurance that loan differentials will encourage production to meet market demand; hence, greater assurance that production will be for the market rather than for government loan and ultimate government ownership.

5. Relative to Change No. 5, removal of acreage limitations on transfers of allotment and permission to transfer or sell allotments across state lines—

The obvious desirability of permitting sale or transfer of allotments within the respective states has been recognized. Thus cotton farmers who choose to produce cotton under the Programs in effect are permitted to do so within maximum over-all limitations, while those who choose not to grow cotton are permitted to make that choice without undue penalty or loss of the allotment-asset built up through the experience of prior years. The proposed change would merely recognize, as in the case of rice allotments, that the logic of this present policy and practice is not changed by artificial state-line barriers.

6. Relative to Change No. 6 to include the "skip row" permission in the legislation—

This change would incorporate into the law the logical permission currently provided by Department regulation for "skip row planting." Especially now that the problem of surpluses has been eliminated, farmers should be assured by law of permission to thus use their land and allotment most efficiently rather than leaving this to the Administrative discretion or whim of unknown future Secretaries of Agriculture.

7. Relative to Change No. 7 to maintain the present export acreage reserve but allowing substitution of equivalent poundage—

This change would permit exportation of those qualities most in demand abroad, not limited to the identical bales grown on "Export acres."

8. Relative to Change No. 8 to provide greater assurance against limitation of payments—

The need for the recommended expression on this matter is indicated by the increasing proposals, made by those who obviously do not thoroughly understand the nature and purpose of agricultural legislation, to impose limitations on the size of payments made under farm programs. Apparently this matter needs to be thoroughly discussed and explained in extending the legislation in order to reduce the possibility that at some future date a well-intentioned, economy-minded, but insufficiently informed Congress might separately impose limitations to the detriment of the program and all of those who undertake to operate under it.

Limitations based on size would leave large producers with no practical alternative to growing the maximum cotton allowed under their allotment. This would upset intended supply-price relationships of the program thereby adversely affecting all producers.

Limitations based on size would be grossly unfair and discriminatory against producers directly affected because they would be forced to use their property in a manner designed to benefit all producers without compensating them proportionately for such restricted use. In order to support prices through subsidies and controlled production, all producers are prohibited from growing cotton except within their restricted allotments. Limitations on payment based on size would further penalize affected producers by not compensating them proportionately for such limitations on their production. To many producers, payments under suggested limits would represent only negligible amounts in proportion to the penalties imposed upon them by being restricted to their allotments.

CANTON, TEX., *April 22, 1968.*

Re extension 1965 farm bill.

Hon. W. R. POAGE,
Chairman, Committee on Agriculture,
Longworth House Office Building, Washington D.C.

DEAR CONGRESSMAN POAGE: I am a retired Cotton Merchant and Exporter and now live near Canton, Texas. There I have a Coastal Bermuda Grass farm and some cows. This soil is not suitable for growing cotton economically therefore I let my small cotton allotment go some years ago.

I am making this statement in behalf of interests I have in farm lands with other members of my family located in the delta area of North East Louisiana. We have several sizable farms in this very fertile and level area which is more suitable for growing cotton than any other crop. Our total cotton acreage allotments amount to less than 3% of the cultivated acres. We have bought a few of the acres we have and from time to time have leased some but generally speaking there are no allotments to be had in this area of Louisiana.

No cotton allotments have been issued since 1950 and there seems to be no provision in the law to provide for new land being put into cultivation. Most of our land has been developed in recent years, therefore, we are growing crops on which there are no marketing quotas, such as Wheat, Corn, Milo and other small grains and Soy Beans. We really need the privilege of growing cotton very badly. We would, of course, like very much to have sizable cotton allotments that could be farmed economically and help us balance out our farming program. Wheat and Soy Beans are in surplus at the moment while cotton of the quality we could grow is in short supply, yet we are not allowed to grow cotton. We are told that in 1968 man-made fiber will take some 54% of the textile fiber market in the USA, due partly to short supply of wanted qualities and high prices, for certain qualities of cotton. Neither synthetic production, nor prices are controlled. Cotton production is controlled by penalties for overplanting, and the loan fixes minimum prices.

Many knowledgeable people in various segments of the cotton business recognize cotton's plight, and the plight of the farmers with too small cotton allotments. Mr. Frank Jones, President of the Southern Cotton Association in his address to their convention on March 8th said, quote, "Cotton is one of the few commodities where the farmer has no choice. In feed grains and wheat a farmer can go outside the program if he so desires. In cotton he is prohibited because of the severe penalties involved. It is time that we give a real choice to the farmers who wish to plant cotton for the market rather than for the loan."

Dr. C. R. Sayre, head of the Mississippi Staple Growers Co-ops, and director of Nation Cotton Council, appearing before the Senate Agricultural Committee in behalf of the NCC, early this month, said we should have long range policies, (1) Encouraging industry efficiencies, (2) Maintaining a competitive one-price system (3) Restoring export markets to a level of at least six million bales, (4) Restraining cotton textile imports to reasonable levels, (5) Assuring adequate supplies both in quality and quantity. He warned if cotton does not meet its competitive challenges it could lose most of its export market and the volume of domestic consumption could be headed sharply downhill.

What better start could we make toward these goals than to allow the grower the freedom to produce in a free market if he chooses to do so, by eliminating marketing quotas.

Mr. Roy B. Davis, Head of the world's largest Cotton Oil mill, Plains Co-op at Lubbock, Texas, and President of the National Cotton Council, stated in a speech to the annual convention of the Texas Cotton Ginners Association in Dallas, this month said, quote, "This year through the dollar per bale furnished by growers were having the biggest expansion in our history in the effort to build markets through research and promotion. But this effort is being hurt, and badly hurt, by the fact that we can't adequately supply the markets we still have. I think if we are going to spend this kind of money to try to build markets, we've got to have a Government cotton program which recognizes the necessity of being able to supply these markets."

Under-secretary of Agriculture Schnittker at the same convention said, quote, "I am confident if we loosen up on planting restrictions and remove some of the disincentives to productions farmers themselves can determine and attain their fair share of the world market for cotton. In the long run, he said, the future of cotton will be measured by the ability of cotton to compete in the fiber markets of America and the world." unquote.

All of these people and many more are asking, "Where will we grow our cotton in the future?" Will it be in Mexico, Australia and all countries except the USA?

Cotton growing is the only major business in the USA that has gone backward during the last 30 years. Cotton is the only major crop in the USA that has marketing quotas imposed on it. We wonder why? Is there any connection? Cotton needs a voluntary program.

The synthetic fiber manufacturers are aggressive, they are smart, they will take over the entire fiber market if we are foolish enough to give them the chance by keeping cotton production under the present tight controls, while they are free to produce unlimited quantities and sell in a free market.

I want to have the privilege of growing cotton on my land in the USA. I hope and believe that you will accord me this privilege in all fairness, regardless of what form the extension of the farm bill ultimately takes.

Thanking you, I am,

Respectfully,

A. OWEN.

TALLULAH, LA., *April 22, 1968.*

HON. W. R. POAGE,
Chairman, Committee on Agriculture,
Longworth House Office Building,
Washington, D.C.

DEAR CONGRESSMAN POAGE: Although I am in the hardware business in Tallulah and I am Chairman of the Board of the Southern National Bank, I am also interested in farming in Madison Parish. In your deliberations in considering the extension of the Farm Bill of 1965, I hope you will take into consideration my statement.

My land is located in Madison Parish of which Tallulah is Parish Seat. This farm is located in the Delta area of Louisiana and is level and highly suitable for large scale mechanical farming. Our land is very fertile and responds to fertilization if properly applied.

To put it simply, I am interested in growing cotton. Right now I can't grow as much cotton as I want and I believe there is a simple solution to this paradox. While some of our land has been in cultivation for many years, large areas have been put into cultivation during the last ten years and more is being put into cultivation each year. Much of this land is suitable for growing cotton. But, since we have only been in business for several years, we only have been able to obtain small cotton allotments—too small to support economical production. There are no cotton allotments for sale or lease to amount to the acreage we would need. And no allotments have been issued since 1950.

But I still want to grow cotton. This land I am talking about is more suited to cotton production than any other crop—from the cultivation standpoint and from the dollar return per acre. I am at present forced to grow such crops as soy beans, wheat, corn, Milo, and other grain crops on this land. I grow these crops without Government subsidy and only my soy beans have the Government loan protection.

In your consideration of future farm programs and specifically the legislation relating to cotton, I believe a minor modification can be made which will result in the planting of cotton on my farm. This modification, I believe, will in no way contribute to surplus production, nor will it cost anything in program payments.

The change I am talking about is the elimination of marketing quotas on cotton which would make it possible for me to produce cotton on the same voluntary basis that I now produce corn or wheat.

As I understand it from the top officials in the Department of Agriculture, the only result of the elimination of marketing quotas from the present program would be that penalties would not be assessed against cotton grown outside acreage allotments, there would be no payments made on this production.

The only argument I have heard against the elimination of marketing quotas is that a surplus might build up again. I do not believe this will be the case.

Gentlemen, we are now in short supply of many qualities of cotton and are in danger of losing many more markets to synthetic fibers, the result of this will only be to place the farmer deeper in the economic rut he is already having difficulty getting out of.

Cotton allotments have often been referred to as a franchise for a farmer to grow his proportionate share of the market. This might have been a sound principle years ago when cotton dominated the textile fiber market and was the biggest supplier in the textile business. Unfortunately this is no longer true. Unfortunate for me. And unfortunate for the nation's economy where cotton has been such a dynamic and vital segment.

It is now to the point where I can build a synthetic fiber manufacturing plant on my land, but I cannot grow a crop to manufacture natural fiber.

To further dispel the myth that new production might compete with present production and contribute to a surplus, consider this fact; synthetic fibers have in recent years, been more of a competitor to the American cotton grower than

cotton grown by his neighbor. Cotton does not compete with cotton as severely as snythetics compete with cotton. A good example is the markets open to our Delta cotton and that grown on the High Plains of Texas and the crop in the San Joaquin Valley of California. Cotton from these three geographic locations are distinctly different in characteristics and all enjoy certain markets which are not competitive with one another. Yet all synthetics compete with cottons from each of these areas.

In talking with various farm groups, over the belt and the National Cotton Council; I am told that there would be very little cotton grown without some sort of government payment and certainly there would be no rush to grow cotton where other benefits of the program are not forthcoming. But a few of us would, on the belief that sufficient acreage would make production efficient enough for us to make a profit. In my area, this would represent only a few thousand acres in the next few years. As cotton recovers its markets and expands its share of the world fiber market, I would hope this acreage could be increased. But the increase would come about only in direct relation to demand and not to benefits from the government program.

Cotton farmers in my area like the present cotton program with direct subsidy paid on projected yields. The loan rate is low enough to allow cotton to move to market and to be consumed by the mills. But our area is caught in an acreage squeeze. My farm needs to be deversified and cotton needs to be in that program in order for me to operate efficiently.

The elimination of marketing quotas, I feel, would be the first step in providing the stability of production that the present program needs. Cotton farmers could react much faster to years of shortage, such as so currently exists, and to years of heavy production when an increased carryover would produce undesirable results in the marketplace.

I guess what I have really tried to tell you is that the abolishment of marketing quotas cannot hurt the present program. It can only help and encourage every cotton farmer to adjust his operations to meet the fluctuating demand for natural fiber.

Thank you for this opportunity of presenting these conditions affecting the economic future of Madison Parish, and I believe the rest of the cotton growing areas of the United States.

Respectfully,

A. M. STEWART.

WINNSBORO, LA., *April 22, 1968.*

Hon. W. R. POAGE
Chairman, Committee on Agriculture,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN POAGE: I am writing you and the committee with reference to one change that should be made in present cotton law, when extended. Marketing quotas should be eliminated and cotton should have a voluntary program just as the wheat and feed grain have.

I have a sizable farm in Richland Parish, Louisiana, suitable for growing cotton and my cotton allotment is about 3% of my cultivated acres. I am forced to grow feed grain, soy beans and other crops that do not have marketing quotas. You may be interested to know that the average cotton production in Richland Parish in the season 1967/68, was 750 pounds of lint per acre. As you see, my land is suitable for cotton growing.

No cotton allotments have been issued in recent years and most of my land has been put into cultivation during the last five years. So far as I know there is no provision in the law for assigning cotton allotments to new farms or new farmers. I need to plant a sizable acreage to cotton each year to balance out my crop rotation program, and diversify sales of my production. Now I am worried about the price of wheat and wish I could grow more of something else.

The cotton I would grow outside the program, if we had a voluntary program, would help our balance of payments, if exported, and help us to hold some or the fiber market from synthetics at home. It seems grossly unfair to me that I can go outside the country, and grow all the cotton I want to grow. I can build a synthetic fiber plant on my land but I am not allowed to plant cotton, on my own land that I have bought and still owe money on. I need relief from this acreage squeeze, and hope that whatever kind of cotton bill you agree on, that it will provide for me and others in my very bad predicament to plant cotton without restrictions.

We, in this area like the present program with direct payments to the grower, and a loan level low enough to let cotton move into the market and into consumption. We hope the 1965 Farm Bill will be extended along similar lines but eliminating marketing quotas.

Respectfully,

T. J. Owen.

Adolph Hanslik—Cotton,
Lubbock, Tex., May 1, 1968.

Hon. W. R. Poage,
Chairman, Committee on Agriculture,
Washington, D.C.

Dear Congressman Poage: I am a cotton merchant, domestic and export I live in Lubbock, Texas and have lived here fifteen years.

I also have interest in farm land located in Gaines County, Texas. This land consist of 2319 acres in cultivation and the land has been in cultivation since 1959. Our total allotment is 188 acres that I bought two years ago. I have a very serious problem keeping tenants due to not being able to plant more cotton, as this land at this time is only suitable for growing cotton or peanuts; I am not able to get enough acreage of either. The last two years I have even applied for the export cotton acreage and was disqualified because I have not farmed this land one year.

I don't think that this is a fair treatment at all, as we cannot get financial assistance from neither commercial banks or Production credit unless we have cotton allotments.

I know of anything that is more serious to the whole textile industry that is American Cotton than a short supply. A short crop just lets the gate wide open for man-made fiber to move in, and at the same time foreign cotton producers to expand.

Unless something is done soon, our country is not going to be the country we dream of as the largest, the strongest financially. I think that it is very important to the whole society of this country that we keep more people in the rural area, and the only way we can keep people in the rural areas is to have something for them to encourage them to stay there. We would not have near the problems in Cleveland, Memphis, New York and many more places too numerous to mention if we encouraged people to stay where most of them originated. They would love to be back on the farm if they could just grow cotton without all the red tape that a farmer must go through in order to qualify.

People all through the rural area are losing confidence in this country due to thirty-five years of controls on the farms.

Why not let some of the same people try their luck at growing crops for an open market. All I am asking is the privilege of growing cotton on my land for the free market of the world.

Sincerely,

Adolph Hanslik.

The Chairman. The committee will stand in recess until 10 o'clock tomorrow morning at which time we will hear the Secretary of Agriculture and hopefully all will be present.

(Whereupon, at 12:10 p.m., a recess was taken until 10 a.m., Thursday, April 25, 1968.)

EXTEND THE FOOD AND AGRICULTURE ACT OF 1965

WEDNESDAY, APRIL 25, 1968

House of Representatives,
Committee on Agriculture,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 1301, Longworth House Office Building, Hon. W. R. Poage (chairman) presiding.

Present: Representatives Poage, Gathings, McMillan, Abernethy, Abbitt, Jones of Missouri, Purcell, O'Neal, Foley, de la Garza, Vigorito, Jones of North Carolina, Dow, Nichols, Montgomery, Brasco, Belcher, Dole, Wampler, Goodling, Miller, Burke, Mathias, Mayne, Zwach, Kleppe, Price, and Myers.

Also present: Christine S. Gallagher, clerk; William C. Black, general counsel; Hyde H. Murray, assistant counsel; L. T. Easley, staff consultant; and Fowler C. West, assistant staff consultant.

The Chairman. The committee will please come to order.

We are met this morning for further consideration of the extension or modification of the Agricultural Act of 1965. We are honored to have the Secretary of Agriculture with us this morning. We are always pleased to have him come before our committee.

We are delighted to have you here to discuss this subject. Before you start, Mr. Secretary, I am going to call attention to the fact that we do not permit taking pictures when the committee is in session. You may do so before and after the session.

I am glad that the Secretary is here. We will be interested to hear from you, Mr. Secretary, now. We are delighted to have you with us.

STATEMENT OF HON. ORVILLE L. FREEMAN, SECRETARY OF AGRICULTURE; ACCOMPANIED BY DR. WALTER WILCOX, DIRECTOR, AGRICULTURAL ECONOMICS; WILLIAM ABBOT, ASSISTANT TO THE SECRETARY; JOSEPH MOSS, DIRECTOR OF COTTON POLICY STAFF, ASCS; AND CLAUDE T. COFFMAN, DEPUTY GENERAL COUNSEL, DEPARTMENT OF AGRICULTURE

Secretary Freeman. Thank you very much, Mr. Chairman and distinguished members of the Committee on Agriculture of the House of Representatives.

I appreciate this opportunity to appear before you this morning. This is the eighth year in which I have appeared before you to urge the passage of important farm legislation.

All of these legislative proposals have been important—some more important than others. Among those directed toward the reduction of surpluses and the improvement of prices and income, two stand out—

the 1961 voluntary feed grains program and the Food and Agriculture Act of 1965.

The 1961 voluntary feed grains program was a landmark because it demonstrated the ability of a voluntary program to reduce surpluses while improving farmers' incomes. The 1965 act was a landmark in several respects. It combined the best features of the voluntary programs of the previous years and extended them to cotton. It provided price supports at near world market levels, greatly improving our competitive position in export markets, with government payments to finance acreage adjustments and supplement market prices as necessary.

The 4-year life of the 1965 act also was a landmark. It was the first major farm price support legislation since World War II which extended more than 1 or 2 years.

These legislative acts and the many others enacted in the past 7 years are a tribute to the skill of the chairman and members of this committee on both sides of the table, in guiding sound farm legislation through the House.

I am grateful for the opportunity to once again discuss with you the future of American agriculture and our Federal farm policy. There are two fundamental challenges which I call to your attention:

First. Will today's urban oriented Congress support a continuing national agricultural policy? Has American agriculture convinced the Nation and the Congress that a good farm policy is indeed a national need?

Second. Can the legislative process turn slogans into action by increasing farmer bargaining power in the marketplace? This is the challenge to this committee, to farm organizations, and to those who represent farm people—to invent new approaches to price-making—to devise new relationships between seller and buyer in future farm markets.

Let there be no misunderstanding about the current contribution of farmers to our national economy. American agriculture is the most efficient agricultural industry in the world. It brings America's families the most nourishing food in the world at a farm-gate cost of only 5 cents out of each dollar of their disposable income—6 cents if all farm program costs are included.

This high level of performance is a direct result of a profit system manned by the best farmers in the world, together with research and development programs authorized and financed by the Congress over the past one-hundred years, and the credit and price and income stabilization programs of the past 35 years.

In the early days of our Nation, our national farm policy was essentially one of getting the land settled and insuring a Nation of family farms—through grants and government sale of cheap land to farmers.

Beginning about 1860, the policy shifted to positive governmental assistance to these family farms through public financed research, extension, and vocational education. Government agencies undertook to develop new varieties of crops and livestock, new farming practices, and demonstrate their value to farmers. Larger production was to give farmers more net income. Later, government-sponsored and financed farm credit agencies helped the Nation's family farms with needed credit to adopt the improved farm technology.

Some 40 years ago it had become evident that farmers as a group could no longer gain solely by expanding output. The 1920's and the 1930's were years of depressed farm prices. Export markets were deteriorating in the 1920's and domestic markets collapsed in the great depression of the 1930's.

The excess supply problem continued after World War II, but for a different reason—the public and private measures for improving and adopting new agricultural technology now were pushing up supply faster than population growth, higher consumer incomes, and expanding foreign outlets increased effective demand.

For the past 30 years, a large volume of private research and development programs sponsored by agribusiness corporations has complemented government-financed research and educational programs. The result has been a remarkable advance in agricultural technology and efficiency: Total farm productivity in the past 20 years has increased at a rate 2½ times that of other industries. This increased efficiency in food production by America's farmers has blunted advances in food costs and given the United States a remarkable record of food price stability in contrast with much of the rest of the world.

You all are familiar with the series of Government farm programs in the 1930's, forties, and fifties essentially built on what we would now call a high price support approach. They helped stabilize farm income—but at the expense of a loss of foreign markets and mounting surplus stocks. The culmination of these programs was the bulging stocks of 1961—with grain stored everywhere, even on ships—85 million tons of feed grains—1.4 billion bushels of wheat. It was costing the Government over $1 million a day just to store and handle these stocks—literally a national scandal.

The 1961 voluntary feed grain program was the first of a series of voluntary adjustment programs to reduce the surpluses while increasing farmers' incomes and expanding our foreign markets by staying competitive. As I pointed out earlier, the Agriculture Act of 1965, building on the earlier experience with voluntary programs, marked a substantial shift in U.S. farm policy. It recognized that the supply imbalance in agriculture was not a temporary matter—that agriculture was faced with an excess capacity problem that was likely to persist.

Instead of the high price support of earlier years, it sets price supports at near world market levels—permitting the market to perform the jobs it can do best—then using payments to adjust production and to strengthen farm income.

Coupled with the year-to-year voluntary production adjustment features was the longer-term cropland adjustment program. Under it families who wished to divert a large part or all of their cropland for a 5- or 10-year period were offered rental payments for diverting specified crop acreages to conservation uses on a long-term basis.

Both the Government and farmers benefit from having the cropland adjustment program as a supplement to the annual programs. Under it many older and part-time farmers are able to retire their entire crop acreage for a period of years. And since these farmers wish to retire from active crop cultivation, the cost per unit of potential production retired is less than under the normal adjustment programs.

The public also reaps a benefit from the cropland adjustment program in that many farmers in exchange for a small additional payment under the public access provisions allow hunting and fishing on their land without charge to the user.

In addition to the land retired by farmers for 5 to 10 years under the cropland adjustment program, the act enables public entities—counties, municipalities, and States—to acquire eligible crop land and and retire it permanetly on similar terms. The State or local government receives the same Federal payment that a farmer would receive under a 10-year agreement.

This effort—known as "Greenspan"—has proved extremely popular with local communities. In 1966 and 1967, the Department entered into Greenspan agreements with 137 communities, on projects providing for outdoor recreation close to urban areas in which more than 6 million people live.

Operating together, the year-to-year voluntary production adjustment and the cropland adjustment program constitute a coordinated flexible approach. Neither could be as effective in isolation.

Their effectiveness also has been increased by the purchase programs utilized to carry out our domestic and foreign food distribution programs. For example, our food distribution programs not only improve the diets of millions of needy families and schoolchildren, but they also permit us to help shore up meat and produce prices, which we do by buying this food when the market is weak as a result of overproduction.

This new design for farm programs was limited to a 4-year trial period. The experience to date testifies to the fact that it has enabled U.S. farm products to compete more effectively in world markets. It also has permitted a reduction in the enormous surpluses of grains and cotton which had accumulated under the old price support system, while at the same time increasing farmers' incomes.

The time now has come to make the Food and Agriculture Act of 1965 a continuing act. Just as labor has continuing legislation in the Wagner Act—just as there is legislation establishing the Federal Trade Commission, the Federal Communications Commission, and the antitrust laws—just as banking and finance benefit from continuing legislation setting up the Federal Reserve Board—just as the Nation's senior citizens have continuing legislation in the Social Security Act—so, too, there now is need in agriculture for similar continuing legislation which deals realistically with agriculture's underlying economic conditions.

I hope that the legislation I am proposing today will be remembered as the basic charter for a stable agriculture, joining these other continuing acts which serve other segments of our national economy as well.

All serious students of the farm problem recognize that American agriculture has excess production capacity which will continue for many years. American farmers today have the capacity to produce 10 to 12 percent more farm products than can be sold in commercial markets at current price levels. A part of this reserve capacity is being held out of production by the various adjustment programs and a part is being used to produce products for distribution outside commercial markets.

Some 48 million acres are diverted from crop production this year under the wheat, feed grains, cotton, and cropland adjustment programs. These would increase output about 7 percent, if cropped. We also are distributing about 5 percent of our products through domestic food distribution programs at home and Public Law 480 programs abroad.

Many authoritative statistical studies have been made of the impact of farm income support and stabilization programs on net farm income. These studies indicate a drop in net farm income of one-fifth to two-fifths during the first 5 transition years if farm programs are ended. A study made by Iowa State University economists for the National Advisory Commission on Food and Fiber went even further and concluded that these low farm prices would persist at least for another 5 to 10 years.

We estimate that except for current adjustment programs, grain supplies would be so large that corn prices would soon fall to 70 to 75 cents and wheat to $1 a bushel or lower. World grain prices, too, might decline sharply.

It is clearly in the public interest to foster the advance of farm technology. But farmers, like businessmen in nonfarm industries, require stable prices and incomes if they are to adopt new technology and earn more with increased efficiency.

There is no particular virtue in unstable prices, although some of the pleas for free markets would make it appear so. Efficiency is not fostered by erratic prices. Rather, sharp changes in output caused by unstable prices foster wasteful use of resources. Clearly, several million farmers operating under atomistic competition, and subject to unstable growing seasons, cannot stabilize supplies and prices like nonfarm industries do.

The programs carried on under the 1965 act do, however, provide a basis by which farmers through voluntary action working rogether bring production in harmony with market requirements. The benefits are not limited to farmers. For the costs of unstable farm income and low farm prices extend far beyond the farming industry. In the old days when farm income dropped, farmers could postpone expenses and take a low return on their own labor and land. The horses lived off the feed produced on the land. There were few bills requiring cash to pay for machinery repairs, gas, oil, and rubber tires.

Today, expenses for the repairs, fuel, tires, fertilizer, insecticides, herbicides, and hybrid seed take up to 80 percent of a farmer's cash receipts. He can't postpone buying all these items or he will have no income. And he can't postpone paying for them or his city creditors will liquidate him.

An unstable farm economy brought on by a removal of these programs operating under the act of 1965 would create chaos for our family farms and our rural communities. Our agricultural programs—the envy of the world—would be brought to an abrupt halt.

The resulting vacuum might very well be filled by large conglomerate corporations—not because they are more efficient but because they could get the capital to survive widely fluctuating farm prices.

Government commodity farm programs are a thrifty investment for our Nation. Technical progress has been more rapid under these programs than in any previous period in our history.

Productive capacity continues to grow faster than demand and without some means of holding the excess capacity in reserve in most years farmers face sharply falling income and violently unstable prices. This year over 1.5 million farms with feed grain bases, over 460,000 farms with cotton allotments, and over 840,000 farms with wheat allotments are voluntarily participating in production adjustment programs under the Agricultural Act of 1965.

If there were no programs of production restraints this year, USDA analysts estimate that total feed grain production would be over 40 million tons larger, cotton production nearly 4 million bales larger, and wheat production over 150 million bushels larger. Prices would be driven so low by this sharply larger output that the value of these three crops (including Government payments) would be over $5 billion less than current estimates. Production expenses would be higher as a result of cropping larger acreages and farmers' net income would shrink even more.

The Agriculture Act of 1965 provides a more flexible means for dealing with agriculture's excess capacity problems than any previous legislation. It is not perfect. We are still learning to operate it more skillfully and coordinate more efficiently with producers in our efforts to keep demand and supply in fair balance. But it is working better each year. No one has proposed any better system. Although it does not expire until 1969, farmers need to be able to make plans in advance. The 1970 wheat program should be announced 13 months from now. Farmers will need the adjustment features of the 1965 law for many years.

The time has come for an Agriculture Act of 1968 which will join the many other continuing legislative acts which protect and stabilize the other sectors of our economy. I recommend that this be accomplished by extending the Food and Agriculture Act of 1965 with a minimum of changes.

I have brought with me today suggested legislative language for such an act for your considertion. It has a number of provisions. A brief summary of these provisions follows:

In dairy, the bill extends the class I base plan for dairy, and puts it on a continuing basis. This authority has had only limited use so far but several areas are interested in it.

In feed grains, the bill extends the voluntary feed program and puts it on a continuing basis.

It provides, as in the past, for price support through loans and payments to program participants who divert acreage from feed grain production to conservation uses, at between 65 and 90 percent of parity.

Its provisions include:

(1) Programs for corn, grain sorghum, and also barley if designated by the Secretary; malting barley would be exempt from diversion requirements.

(2) To be eligible for price supports, feed grain producers must participate in the program to the minimum prescribed by the Secretary. In the past this has been a minimum diversion of 20 percent of their base acreage.

(3) Payments for diverting additional acreage could be made if determined by the Secretary.

In the absence of legislation, if legislation is not enacted, feed grain producers would—after 1969—return to the program of the 1950's. Price would be supported between 50 and 90 percent of parity, but at such level as would not result in increasing CCC stocks. This would mean a support of 75 to 80 cents per bushel for corn. There would be no production adjustment program.

Feed grain production would be far in excess of market requirements. Lack of an effective program for grains would cut livestock prices and incomes as well. In general, a 10-percent drop in feed prices results a bit later in a 1.5-percent rise in total livestock production—which in turn produces a 5- to 6-percent fall in livestock prices.

In wheat, the bill extends present wheat legislation and puts it on a continuing basis.

Its provisions include:

(1) Authorization of price supports, acreage allotments and marketing certificates which stabilize farm prices and income and assure adequate supplies for domestic and foreign markets.

(2) Price support for producers who comply with their acreage allotment, and devote to conservation uses the land diverted from wheat.

(3) Certificate payments on the share of the crop used for domestic food, providing 100 percent of parity returns for wheat used for domestic food.

(4) Price support for all wheat through loans at a level based on competitive world prices and the feeding value of wheat in relation to feed grains.

(5) Diversion payments at the discretion of the Secretary if additional voluntary diversion below the level of the national allotment is needed to balance production with utilization.

Changes recommended:

(1) Increased flexibility in setting loan rates.

(2) Authorization to increase the cost of the certificates to processors by the amount of any increase in parity price.

IN THE ABSENCE OF LEGISLATION

If legislation is not enacted, after 1969 wheat would return to a mandatory program. It would be necessary to proclaim marketing quotas and a vote on them for the 1970 crop year would be required by June of 1969 if farmers are to know what their program will be for 1970.

If quotas were voted down (as they were in the 1963 referendum), farmers complying with allotments would be eligible for loans at 50 percent of parity or around $1.30 per bushel; there would be no certificate payment.

If approved, price support (loan plus certificates) would be around $2 a bushel on the domestic food share of the crop. The certificate would be financed entirely by processor payments.

In cotton, the bill continues the one-price cotton program first adopted by the Congress in 1964 and improved in 1965. It extends the present cotton legislation and puts it on a continuing basis.

Its provisions include:

(1) Continuation of the 16-million-acre minimum national allotment, and the principle of one-price cotton.

(2) Price support payments on the domestic allotment.

(3) Loans to cooperators at 90 percent of the estimated world price.

(4) Acreage diversion payments if needed to balance supplies with market offtake.

Changes are recommended in the 1965 act to:

(1) Provide for amore realistic determination and allocation of the domestic allotment.

(2) Retain the guaranteed support of 65 percent of parity on permitted acreage as provided by the Ellender amendment, but limit its application to 87.5 percent of the minimum national allotment of 16 million acreas. This would keep faith with the legislative history of this provision but allow flexibility that may be needed in future years.

(3) Liberalize the provisions applicable to the marketing of cotton grown on export market acreage.

(4) Give the Secretary discretion to allow producers additional time for making lease and sale arrangements of allotted acreage.

(5) Let producers participate in the diversion program to the maximum extent and release the remainder of their allotment.

If legislation is not enacted, after 1969 cotton producers would return to the provisions of the 1958 act. Marketing quotas would still have to be proclaimed. If approved, farmers complying with acreage allotments could obtain loans between 65 and 90 percent of parity We would have to return to two-price cotton if exports were to be maintained. No diversion or price support payments would be authorized. In case of rejection of quotas, price support loans would be 50 percent of parity.

Approval of quotas would raise domestic cotton market prices several cents a pound—losing markets to synthetics, as well as shrinking exports and piling up surpluses.

CROPLAND ADJUSTMENT PROGRAM

The long-term cropland diversion authorized by the cropland adjustment program is an important supplement to the annual adjustment programs. It costs less per unit of production diverted since it appeals to many older and part-time farmers who wish to retire from crop cultivation. It authorizes Greenspan programs whereby cropland may be converted to recreational uses for urban areas. It also makes additional lands available to the public for hunting and fishing.

The bill extends the cropland adjustment program and puts it on a continuing basis, with the following changes:

(*a*) It directs that preference be given to farmers who because of age, physical disability, et cetera, wish to reduce their farming activities; to the Greenspan program; and to farmers who permit public access for hunting, fishing, et cetera.

(*b*) Makes it clear that 40 percent crop value limitation on amount of annual adjustment payment does not apply to public access payment.

(*c*) Permits the Secretary to terminate contracts if he determines such action to be in the national interest and gives public notice in ample time to permit producers a reasonable opportunity to make arrangements to return their land to agricultural production.

(*d*) Deletes prohibition against compensation or expenses to members of Advisory Board on Wildlife.

If legislation is not enacted, after 1969 all authority for the cropland adjustment program lapses. As contracts on land diverted to conserving use under earlier programs terminate, the landholder cannot be offered an economic alternate to returning those acres to unneeded crop production.

In wool, the bill extends the present wool legislation and puts it on a continuing basis. It provides authority for a program of incentive payments on wool and mohair at a minimum support level of 62 cents adjusted in accordance with a formula to reflect any increases in the parity index.

Without this legislation, authority for incentive payments would expire. A price support program would be the only means of supporting wool prices. When wool prices were supported at above-market levels in earlier years, U.S. production backed up in Government-owned inventories and was replaced by foreign wool and synthetic fibers.

Since the United States uses more wool than it produces, world market wool prices and cost of synthetic fibers largely determine the price level for domestic wool. U.S. producers cannot compete with lower cost foreign producing areas. The payment method has proved a practical method of providing income assistance to producers while at the same time permitting domestic wool to compete effectively with both synthetic fibers and foreign wool.

In tobacco, not Included in the suggested legislative language that I am submitting today, is authority to continue beyond 1969, the lease and transfer of acreage allotments and poundage quotas for certain kinds of tobacco. Appropriate legislation to this end is contained in H.R. 13653 which has already been reported favorably by the Committee on Agriculture of the House of Representatives. I urge the Congress to pass this legislation which has such widespread support among our tobacco growers.

FOOD BANK

National security, agricultural stability, and our growing commercial export markets require that continuing farm legislation provide for reserves of certain crops—a national food bank. This isn't a new idea. The basic principles extend way back to the ever-normal granary of the 1930's but the need is greater than ever. Its enactment is essential at this time.

Under our present legislation farmers bear too much of the cost of maintaining reserves at a safe level; this needs correcting. I have brought with me today a draft bill on food reserves, the provisions of which are supported by most farm organizations and by this administration. It differs in several respects from the bill which failed to

win the approval of your Subcommittee on Livestock and Grains last summer.

The draft bill has three critical ingredients:

A reserve owned by farmers under strengthened reseal provisions in the price support program. This administration has always believed that farmers should be able to retain their equity as long as possible, and that the inventory in the hands of the Commodity Credit Corporation should be reduced to a safe minimum. That is why we recently extended the reseal privilege to warehouses;

Authority for the Secretary of Agriculture to buy additional reserves at market prices—without waiting until prices drop to support levels; and

Insulation of the food bank from the commercial market.

Such reserves would protect domestic consumers and assure more stable supplies for export. The Secretary of Agriculture also would be able to administer the commodity programs more aggressively to help keep supply and demand in fair balance.

Might I interpolate here that I was made dramatically aware and, perhaps the chairman was also, in a recent visit to the Far East that our friends there who are heavy purchasers, particularly Japan, buying almost $1 billion worth of American food and fiber a year, are genuinely concerned as to whether we will provide them an assured supply. That seems strange to us here, with our great production potential, but what they are concerned about is that in our farm program they might be squeezed out or down so tightly by us trying to get better farm prices in a given year, that this, combined with adverse weather, which can always happen, would result in very sharp shortages, with resulting booming prices, and perhaps an inadequate supply at any price. They are becoming so dependent upon us for raw material that they are getting concerned and they, frankly, say that they are looking around for other sources of supply.

If we had this strategic reserve bank bill—the so-called compromise bill—we could assure them that although the price under that bill would be quite high before the Secretary of Agriculture would be authorized to sell, nonetheless it would be of immeasurable help, and it would be available at a determined price. They could be sure of adequate supply, and they thereby would not need to seek other sources of supply.

I will make the point that it is not only to get farm prices, which is vitally important, it is not only to permit the Secretary to act more aggressively in setting acreage allotments, which is important: it has also a very important factor in connection with our gross foreign markets which are vital to the farmers and critical to the Nation.

The basic legislation that Congress enacted in 1965 is sound. The need for placing it on a continuing basis is obvious to any farmer who has been faced with the economic and biological uncertainties of year-to-year farming operations. I have suggested some improvements in the basic act and I urge its speedy enactment with the addition of a national food bank.

Mr. Chairman, I would make one other possible suggestion to this committee. I know that there is no legislation regarding farm bargaining power pending before this committee. I have with me, a

chart here and in a couple of minutes, I could give a run-down of title II of the S. 2793, the Mondale bill in the Senate, which does get specific in regard to the bargaining power question.

I have had so many questions about it, including some from members of this committee, if the chairman thought that it was appropriate, we might take 5 minutes to do this. Otherwise, we will defer it.

The CHAIRMAN. I think that we will be glad to hear it. We certainly want to hear it.

Secretary FREEMAN. I will be very brief, Mr. Chairman, because I know that you want to ask questions on this statement.

First of all, I would like to emphasize that this is, really, a self-help bill. It is very similar to what we have had. It is based on the Agricultural Marketing Act of 1937, and the marketing orders that we have had for over 20 years or over 30 years. It goes like this:

Here is a group of producers. They decide that they want to have some kind of bargaining power so they get together and talk about it. They send a communication to the Secretary of Agriculture. They say, "We would like to have a marketing order," and the Secretary of Agriculture, in return, says that he will take a look at it and if it is all right, if these people seem responsible, if it makes sense, why, a referendum will be held.

So the purpose of that referendum is whether people do really want to do something. If 50 percent at this point of the producers agree they would like to do something, they are authorized to go ahead and, perhaps, an advisory committee might be established.

Then they go ahead and develop a marketing order. The technical people in the Department of Agriculture will help them if they wish assistance in drawing it and trying to work out something that will make sense.

When that order is developed there will be hearings on it. And aftre the hearings are completed, an order will be issued, based on those hearings which will be a matter of a tentative order which will be issued by the Department of Agriculture, exactly the same procedures as followed now and the same as have been followed for 30 years.

There will then be a producer referendum as to whether two-thirds of the producers want such a marketing order.

The basic changes, in addition to what is in the law now, are twofold:

First, it would include all commodities. As you are well aware here, the law now includes some commodities. But you could do some things under this legislation that could not be done under the current law. There could be bargaining between elected producer committees and handlers and groups of handlers for minimum prices and for other terms of sale that will be binding on all producers.

Also, various market supply programs are authorized, ranging from grading standards, applying to all producers and handlers to the sales proceeds, where commodities are sold on a use classification basis. There are a number of things that could be done under this legislation.

Some of the things the farmers could do themselves. Conditions in regard to market supply, diversion of commodities, effect on production allotments—there is a whole host of things that they could do.

Their ability to do those things means that they have muscle going into the bargaining process and, therefore, they will be able to talk price levels and minimum prices with handlers and others.

When 50 percent of the handlers and the processors agree and a bargain is struck with respect to minimum prices that becomes effective. And it is important.

So here we have a producer referendum. We have a marketing order. It has been approved by two-thirds and it will go to work.

There may be price bargaining, there may be volume control, there may be quality control.

As I say, when 50 percent of the processors agree, why, then, the agreement, for example, on minimum prices would go into effect and would be enforceable through the courts of law, primarily through civil procedures.

It is really not very complicated and it follows what has been done in past years. It is no panacea by any means.

I do not foresee myself that it would apply to the basic commodities that are produced nationwide, such as wheat and feed grains and cotton. The producers of a number of commodities are interested in trying this type of bargaining now and it would give the farmers real bargaining power in the marketplace which is lacking at the present time.

You have before you a sheet here which lists the different steps which would be followed in the event that you want to do so.

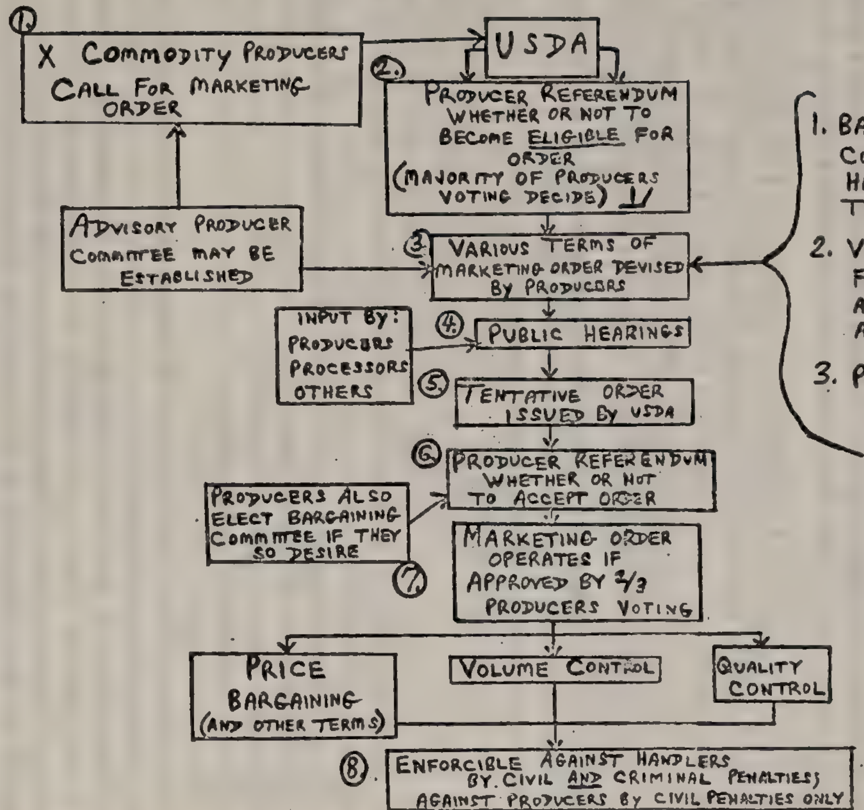
Thank you very much for your courtesy.

(The chart and the explanation follow:)

S. 2973
H.R. 15695

NATIONAL AGRICULTURAL BARGAINING ACT: TITLE II

S. 2973
H.R. 15695



ORDER PROVISIONS MAY INCLUDE (IN ANY COMBINATION):

1. BARGAINING BETWEEN ELECTED PRODUCER COMMITTEES, AND HANDLERS AND GROUPS OF HANDLERS FOR MINIMUM PRICES AND OTHER TERMS OF SALE, BINDING ON ALL PRODUCERS. 2/
2. VARIOUS MARKET SUPPLY PROGRAMS, RANGING FROM GRADING STANDARDS TO MARKETING ALLOTMENTS, AND BINDING ON ALL PRODUCERS AND HANDLERS.
3. POOLING OF SALE PROCEEDS WHERE COMMODITY IS SOLD ON USE-CLASSIFICATION BASIS.

1/ COMMODITIES PRESENTLY ELIGIBLE UNDER MARKETING AGREEMENT ACT DO NOT REQUIRE THIS INITIAL REFERENDUM.

2/ AGREEMENTS MUST BE REACHED BETWEEN PRODUCER BARGAINING COMMITTEE AND HANDLERS REPRESENTING 50% OF THE VOLUME, BEFORE MINIMUM PRICE AND OTHER TERMS BECOME BINDING

1. Any group of commodity producers may *petition* the Department of Agriculture for the opportunity to decide by referendum whether or not that particular commodity should be *eligible* for a marketing order. A special Advisory Producer Committee may be established by the Secretary of Agriculture to help focus producers' efforts in this direction.

2. A producers *referendum* would then be held to decide if a particular commodity shall become eligible for a marketing order (majority of producers voting decide). Commodities already covered under the Marketing Agreement Act of 1937 do not require this initial referendum.

3. Producers *devise the various terms* of the marketing order. The Advisory Producer Committee may assist in this. A marketing order may contain terms implementing:

   a. Bargaining between elected producer committees, and handlers and groups of handlers, for minimum prices and other terms of sale. The producer bargaining committee would be elected at the time of the referendum on whether or not to *accept* the order.

   b. Various market supply control programs ranging from grading standards to marketing allotments, binding on all producers and handlers of the particular commodity.

   c. Pooling of sale proceeds where the commodity is sold on a use-classification basis.

The marketing order may contain any *combination* of these terms that the producers so desire—e.g., price bargaining *and* quality control; only quality control; price bargaining *and* marketing allotments, etc.

4. Public *hearings* are then held on the proposed marketing order. Producer groups, processors, and any others having an interest in the order may participate.

5. A *tentative marketing order*, based on the hearing record, is issued by the Secretary of Agriculture.

6. Producers vote in a *referendum* whether or not to accept the order. The marketing order becomes effective if it is approved by ⅔ of the producers voting.

7. The various terms of the marketing order are then carried out, including bargaining over minimum price and other terms of sale, if that is part of the order. With respect to bargaining, agreements must be reached between the elected producer bargaining committee, and handlers or groups of handlers that represent at least 50% of the volume, before the minimum price and other terms become binding.

8. Marketing orders are enforceable against handlers by civil and criminal penalties, and against producers by only civil penalties.

The CHAIRMAN. We are always pleased to have you with us, Mr. Secretary. I understand that you went before another body yesterday and spent less time than you have ever before spent in that other body. I do not want to set any bad example here. So I would suggest those who have questions to ask them. And if there is plenty of time we will go into other details.

The Chair does not want to ask any questions. Mr. Belcher?

Mr. BELCHER. No questions.

The CHAIRMAN. Mr. Gathings?

Mr. GATHINGS. No questions.

The CHAIRMAN. Mr. DOLE?

Mr. DOLE. First of all, with reference to the food bank, on page 20, you make the statement:

"Insulation of the food bank from the commercial market."

I am certain you have details on this matter which concerned many of us last year. Perhaps this one provision led to the defeat of the bill at that time and it is a point we are all interested in.

How can we insulate what may be in the food bank?

Secretary FREEMAN. Mr. Dole, you, of course, have put your finger on it. We all know that this has been a controversial question. It has considerable overtones here. I would make the appeal that it is an important policy. We should take a hardheaded look at it.

The so-called compromise bill has been supported by all of the farm organizations, I think, with the exception of the American Farm Bureau, which opposed it. Those farm organizations that support it, the wheatgrowers and the rest, have all agreed that this would provide for the resale, that the Secretary could not sell out the stocks at a price less than 100 percent of parity minus the certificate payments in wheat and minus the price support payments in corn. For example, I think that parity in wheat is now, what, \$2.60, minus 75 cents, and you would have about \$1.85 level, something in that area.

And on corn I think parity is \$1.62, and with price support payments of 30 cents a bushel, you would have a minimum resale price of \$1.32 before you could sell corn. I think that is a reasonable level and one that would make this program work satisfactorily.

Mr. DOLE. It is a very important provision. There was an amendment offered at that time by Congressman Zwach, of Minnesota which many of us felt would affect the bill and that with it passage by the subcommittee. That did not happen. Certainly, there has been a lot of comment about the fact that had we passed this bill the price of wheat would have risen all the way from 5 cents to 15 cents a bushel. This is probably speculative and political, but I am wondering if you have any estimates on what this bill might do to, say, the price of wheat in Kansas.

Secretary FREEMAN. Let me ask an expert to answer that question at this point. Dr. Wilcox is, as you know, the Director of Agricultural Economics.

Would you respond to that question?

Mr. WILCOX. I would say that for the crop year just closing we estimated it would have been about a dime a bushel. I have not looked at the last figures of what we expect the new crop to be, but I think it would be in that neighborhood.

Mr. DOLE. How much wheat are we talking about in the food bank?

Secretary FREEMAN. This 10 cents a bushel would apply to the market price, so that it would apply to all wheat.

Mr. DOLE. How much would be purchased for the bank?

Secretary FREEMAN. The maximum limitation on purchase is the combination of 200 million bushels of wheat in Government hands, and 100 million additional bushels of wheat in reseal; about 15 million tons of feed grains in Government hands, and 7.5 million tons in reseal in the farmers' hands; 30 million bushels of soybeans in Commodity Credit Corporation and 15 million bushels resealed in the farmers' hands.

Mr. DOLE. On page 13 reference is made to the wheat program. I note you recommend two changes, the first being an increased flexibility in setting loan rates. I have interpreted that to mean increasing the loan rates. Is that correct?

Secretary FREEMAN. Well, as you are well aware, for all practical purposes you cannot increase the loan rates now, because to do so just takes money directly out of the farmers' pockets, because the difference between 100 percent of parity and the loan rate is the payment. We would change that, so that the processor payments would be not less than 75 cents a bushel and then the increase in parity, which has been 3 to 4 cents a year, which means an additional

payment, would be paid in the future by the processor. That then would free that measurement requirement and it would mean that the Secretary of Agriculture could increase the loan rate if it was sound judgment to do so.

Mr. DOLE. Do you have any guidelines with regard to this?

Secretary FREEMAN. In terms of the loan rate?

Mr. DOLE. Right.

Secretary FREEMAN. No, I have not given that matter a thought at this point. If I have the authority to do it, in all likelihood I would like to see those loan rates moved up, certainly up to what the world price would be. Always on these things you hedge any estimates short of the reality of the numbers and, certainly, you have to have it before you make a final judgment.

Mr. DOLE. I do not see anything here on that. I assume that there is nothing in the statement with reference to wheat that would touch on export certificates?

Secretary FREEMAN. No; there is not.

Mr. DOLE. Do you have that authority now?

Secretary FREEMAN. There is no authority for export certificates now.

Mr. DOLE. You are not now asking for authority for export certificates?

Secretary FREEMAN. No, I am not asking for authority for export certificates. I am very anxious that this bill pass, given the current situation and the current financial situation in the Congress, although I would like to see export certificates, I think that it would, undoubtedly, threaten the passage of the bill. On the other hand, if the members of the committee agree that it would not, I would be delighted, but the reason that I have not recommended it is because, primarily, I want to see this program passed. And I am concerned that it may not be passed and that there is a strong current running against the farm program and, therefore, positive action this year in this Congress is of the greatest importance.

Mr. DOLE. One of the strong points in the 1965 program, so far as I was concerned, was the fact of taking it out of the political arena until 1969. Do you have any comment on the political arena question?

Secretary FREEMAN. I am completely apolitical, as you know. [Laughter.]

Mr. DOLE. I understand that—apolitical. I also have the same problem.

Do you see any danger, frankly, in a nonpolitical way in enacting legislation now in the political atmosphere that we have in both parties? I am not certain whether Mr. Kennedy or Mr. McCarthy or Mr. Humphrey all endorse this or whether Mr. Nixon might or Mr. Rockefeller might. I have not heard what George Wallace's views are.

Would there be any value in extending a portion of this program for 1 year, and taking it out of the political arena and having the new Congress and a new President—and I assume that there will be a new President—go into it?

Secretary FREEMAN. I would say absolutely not. I think that we should have the strongest urgency to pass the entire farm bill. I would hope that all would gather on both sides of the political aisle and pass this legislation this year and almost for the reasons that you have

given. We all have studied agriculture and agricultural programs very intensively. I know of no other effective program. I have heard of no other program and I certainly feel that none of the candidates you have mentioned have come forward with any other program, other than phasing it out, eliminating the farm program.

I do not mean to say for a moment that they cannot be improved, but, fundamentally, and basically, economics and politics being what they are, I think that these are sound programs, workable programs, and that they ought to be extended.

I think there is a lot better chance of understanding them now when we have a President who is for them, who is strongly urging the Congress to pass them, who will help to get the city people to vote for them. What we will have next year and what will be here next year, nobody knows.

So I think there is a better chance of passing these programs now and, therefore, I urge action on them, politics aside.

There are many people who have given opinions. Some say, "Do not pass the bill—that will give us a good issue." And some say, "Pass the bill and that will give us an accomplishment."

I have been working at this for 8 years. I think these programs are the best that we can do, at least, in these times. I think it will be catastrophic to lose them and I think that this is the time to pass them, and that is why I have the sense of urgency about them this year.

Mr. Dole. There is some discontent in rural America, and dissatisfaction with these programs, by both Democrat, Republican, and independent farmers. Is there anything in this program that would overcome some of the opposition and some of the frustrations of the farmers in Kansas and elsewhere in rural America present now?

Secretary Freeman. We all know that we have not made the kind of progress toward our parity income that we hoped we might. Rome was not built in a day and we cannot overcome past mistakes and develop new and comprehensive programs overnight. I believe that the record of progress that we have had these past 7 years is one from which we can take comfort and that we can, as we learn to operate these programs more efficiently, reach those goals. I believe that this program is vastly superior to anything that has been presented to the farmers that I know of. And I believe also that if it were presented in the proper way of alternatives that there would be substantial farmer support.

Finally, based on some experience and as a matter of judgment, as to what we have and what we can get and what will work, I feel very strongly that this will command wide support and in the years to come will get the results you want. I have seen no alternative or heard of no alternative.

Mr. Dole. Do you feel that low prices induce participation?

Secretary Freeman. That low prices induce participation? In what commodity?

Mr. Dole. In any commodity program, does the price have to be kept low to have participation in the program?

Secretary Freeman. I do not think that we need to keep the price low to get people into the program. I doubt very much if I ever said that. We do know, as a matter of commonsense, that more farmers will sign up in a program when prices are low than when they are high. That is the purpose of the program. If prices are high, we put

fewer acres in. We make less inducements for participation. We need less participation. When prices are low we improve the programs. We need more acres. Obviously, farmers have more incentive to come in when prices are low. The prices are not made by the Department of Agriculture. The prices are made in the market.

There have been big changes in the program since when I came here 8 years ago. Then we had high price supports and the Secretary of Agriculture made the prices. It was just that simple. The market worked with very few limits. Today the market jumps all over the place. It has not worked very well in the last few years. It has not reflected very accurately what the supply and demand relation really is, but prices are determined in the marketplace. And outside of setting the basic allotments, the Secretary of Agriculture has nothing to do with them.

At one time when we were moving surpluses of grain into use perhaps we had some effect on the market price. As I have said many times, I do not think that at any time we ever depressed prices. They might have gone higher if we had not sold. We are out of the market now. We do not sell, we have nothing to sell. This is completely the result of forces in the free market.

Mr. Dole. There has been a big difference of opinion on the Commodity Credit Corporation's release prices and its effect. I know at one time testimony indicated that Mr. Jaenke said, and I quote:

> When we are down and the proposal is to increase the Commodity Credit Corporation's minimum sales price, we also must consider what effect those proposals will have on our commodity program. If many of the farmers felt that higher Commodity Credit Corporation prices would increase the market prices to any great extent, they would not participate in the voluntary and feed grain programs. Instead, they would stay out of the program and increase the plantings.

The statement is an accurate one, and it is important to the farmer, at least to have some statistics from the U.S. Department of Agriculture as to how many people signed up in a program. The farmers in my area, regardless of party, are concerned and many people who support this program are concerned. They would support the program if assured there was some hope for increasing farm income. Perhaps with a few changes that have been suggested this might come about. Support prices could be increased without diminishing the value of the certificate.

Secretary Freeman. It is all academic as you are well aware. We had several million bushels of wheat that we could not throw away and other commodities that we could not dispose of. So in the period of high prices we sold it into the market. At no time did it depress the prices, to my best knowledge. It may have kept them from going higher and, therefore, many farmers resented it—they wanted more and that is understandable and human. We had some grain and had to move it somewhere. We sold it very skillfully, I think, on the market. We do not have any more now.

Mr. Dole. If you create the National Food Bank, that will create that very problem, will it not?

Secretary Freeman. That is correct under the circumstances and conditions, but under those as I have read to you a moment ago, of course, the price would be at a level where it would not be that.

Mr. Dole. Thank you.

That is all, Mr. Chairman.

The Chairman. Mr. Abbitt?

Mr. Abbitt. I want to commend you for your fine statement, Mr. Secretary.

I notice in your prepared statement on page 18 you mention legislation dealing with tobacco. We ran into opposition from certain segments of Burley tobacco growers. The vast majority of the tobacco producers are very much in favor of the passage of the legislation you mentioned. We are thinking about eliminating Burley from the bill and would like to have your views as to that.

Secretary Freeman. I have not checked out that particular question in any depth, but it seems to me that if they did not want to participate in the system, which is fundamentally the right to transfer, it would not hurt, and that they should not do so.

Mr. Abbitt. As a matter of fact, the majority of the growers of Burley tobacco desire this. But in the matter of getting legislation passed, a certain segment does not desire it. I do not know whether we can get it passed without them. The question is should we take out Burley?

Secretary Freeman. I am sure I could see no reason not to do that.

Mr. Abbitt. I notice that there is no mention in your statement about peanuts. All segments of the industry are now trying to work out some legislation that can be passed.

Secretary Freeman. At this very moment people from various parts of the peanut industry are meeting in the Department seeking to reach a common agreement. We do need an improvement in the peanut program. The technology and the like is pretty well outdated.

Mr. Abbitt. I might point this out, that according to the figures I have, with exception of tobacco which is the lowest, the Government cost as a percentage of the value of the production of peanuts is lower than for any other commodity, including feed grains. I think that is a matter not understood by many. My information is that the cost of the peanut program over the last 3 years has been less than 16 percent of the value of the total production. I also understand that the basic commodities if averaged up have cost approximately 35 percent of the value of the total producton and that the cost of the peanut program is less than half of this average.

Secretary Freeman. Thank you, Mr. Abbitt.

Mr. O'Neal. Will you yield?

Mr. Abbitt. Yes.

Mr. O'Neal. Mr. Secretary, do you think it is highly important that any peanut bill to be introduced should be worked out in such a way that the peanut industry itself is not sharply divided?

Secretary Freeman. I certainly do. As a practical matter I think that we have little likelihood of passing a bill if the people involved in the peanut industry are not able to reach an agreement on the legislation.

The Chairman. Mr. Jones?

Mr. Jones of Missouri. I have one question. I appreciate your presence here this morning and the recommendations you have made.

However, in reading your recommendations on cotton I see that you make no reference to one provision in the present law which we passed here 2 years ago, the authority for the substitution of nonsurplus crops on alloted cotton acreage in the event of flood or drought or other national disaster. During the past 2 years, at least, it prevented bankruptcy of thousands of farmers, not only in Missouri but in Arkansas and in other places where we had a most unusual and unprecedented weather condition. I was hopeful that in continuing this law that we might continue those provisions. I was home this past week. We have been having rains and our plantings have been delayed. We are still praying that conditions will improve. But in that large area, throughout it, there is some indication that we might have the same type of thing we had before. Of course, this will be covered this year. It might not happen again because it is said that this may happen once in 50 or 100 years. It has happened 2 years in succession now.

Do you have any comment on that?

Secretary FREEMAN. That is in the statute now.

Mr. JONES of Missouri. It is in it now?

Secretary FREEMAN. It would continue on.

Mr. JONES of Missouri. You do not mention it. The provisions you say continue on?

Secretary FREEMAN. That is right.

Mr. JONES of Missouri. I cannot find that it would be included.

Secretary FREEMAN. It would be included. It is incorporated into the law now and if the law was extended that provision would be extended, too.

Mr. JONES of Missouri. Thank you, sir.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Goodling?

Mr. GOODLING. Mr. Secretary, my wheat processors have been unhappy with the certificate plan. Can you explain to me how this has benefited my farmers who produce soft winter wheat which is not in surplus?

Secretary FREEMAN. Well, I would guess that few of your farmers are, probably, in the program, anyway. Most of them do not produce very much wheat. They are not much concerned or much interested in the program. Probably, few of them are affected by it one way or the other.

Mr. GOODLING. They tell me that they are. I do not know who is wrong or right.

Secretary FREEMAN. The program would affect them exactly like it does other people. They would be getting about 50 cents a bushel payment on every bushel of wheat that is produced, that is, that they produce, if they join the program, and comply with the terms thereof. So they would benefit indirectly from it like farmers everywhere.

Mr. GOODLING. To whom is this 75 cents paid?

Secretary FREEMAN. To the farmer.

Mr. GOODLING. Directly to the farmer?

Secretary FREEMAN. In effect it is paid to the farmer. It goes directly to the farmer.

Mr. GOODLING. They tell me that some are mixing rye in with the white flour. It is being used in some of the mixes. They are concerned about that.

Secretary FREEMAN. A lot of rye?

Mr. GOODLING. It goes into some of the mixtures which are on the market today.

Secretary FREEMAN. I do not know how this bill has anything to do with that. That is not pertinent to the issue before the House, is it? If the baker wants to mix in rye flour, no one has any jurisdiction over his discretion in that matter. It is up to him.

Mr. GOODLING. One other thing: We have had contradictive statements made in this committee during the last several weeks regarding the amount of subsidy direct and indirect, paid to cotton farmers. Can you supply this committee with a breakdown of those figures, so that we have the correct figures?

Secretary FREEMAN. Certainly. As a matter of semantics I do not think there is a subsidy on cotton or wheat or feed grain producers. I do not like that language. I do not want to consider the programs as subsidies. They amount to rental payments. We say that as a matter of national policy. It is not in the national interest to produce so much cotton and wheat and corn. And the Government says that, "For 1 year we will rent so much of your land if you do not plant it."

I think that we ought to get rid of the word "subsidy." This is an economic arrangement in the national interest. I certainly will submit for the record what the cost has been for these programs.

(The information referred to follows:)

NET BUDGET EXPENDITURES FOR FEED GRAINS AND PRODUCTS

[In millions of dollars; minus sign represents receipt]

CCC operations	Fiscal year 1961 actual	1962 actual	1963 actual	1964 actual	1965 actual	1966 actual	1967 actual
Price support and related:							
Acreage diversion payments [1]	(1961) 333.2	(1961) 449.3	(1962(448.7	(1963) 273.1	(1964) 513.4	(1965) 545.6	(1966) 411.9
Do		(1962) 353.7	(1963) 188.6	(1964) 373.0	(1965) 400.7	(1966) 296.0	(1967) 129.8
Price-support payments [1]				(1963) 382.4	(1964) 282.0	(1965) 430.8	(1966) 583.8
Do							(1967) 214.7
Commodity export payments	18.6	6.5	-.2				
Loans and purchases	848.9	1,006.2	1,023.2	625.5	371.7	377.5	303.5
Storage and handling	224.6	213.5	184.0	179.9	169.5	118.8	76.5
Other outlays [2]	198.0	183.6	210.0	157.2	135.6	142.3	104.8
Total outlays	1,623.3	2,213.8	2,095.3	1,991.1	1,872.9	1,911.0	1,825.0
Sales proceeds	-415.1	-1,306.7	-1,106.4	-423.1	-648.0	-730.9	-659.5
Loan repayments	-110.2	-116.8	-54.8	-224.1	-273.8	-241.3	-329.7
Other receipts	-7.3	-15.3	-15.8	-6.1	-4.4	-7.9	-6.9
Total receipts	-532.6	-1,438.8	-1,177.0	-653.3	-926.2	-980.1	-996.1
Total above items (net)	1,090.7	774.0	917.3	1,337.8	946.7	930.9	828.9
Foreign donations included in Public Law 480 title II [3]	-16.0	-15.4	-17.0	-17.6	-13.8	-13.6	-3.5
Total price support and related [3]	1,074.7	758.6	900.3	1,320.2	932.9	917.3	825.4
Public Law 480 commodity costs (gross): [4]							
Sales for foreign currency	107.8	87.0	67.2	69.8	34.7	74.2	241.6
Long term credit sales			1.5	1.4	19.6	21.0	17.2
Foreign donations [3]	42.1	69.1	26.6	29.6	28.6	30.5	46.8
Total, Public Law 480 [3]	149.9	156.1	95.3	100.4	82.9	125.7	305.6
Total expenditures	1,224.6	914.7	995.6	1,420.6	1,015.8	1,043.0	1,131.0

[1] Crop year indicated in parenthesis.
[2] Includes transportation, processing and packaging, loan collateral settlements, reseal loan charges, and other expenditures.
[3] The Food for Peace Act of 1966 authorizes the commodity cost of former title III donations to be charged to Public Law 480 effective Jan. 1, 1967. The 1969 budget and above data have been adjusted to reflect costs on a comparable basis.
[4] Does not include ocean transportation costs, receipts from the sale of foreign currencies, or receipts from loan repayments.

NET BUDGET EXPENDITURES FOR WHEAT AND PRODUCTS—MINUS SIGN REPRESENTS RECEIPT

[In millions of dollars]

CCC operations	Fiscal year						
	1961 actual	1962 actual	1963 actual	1964 actual	1965 actual	1966 actual	1967 actual
Price support and related:							
Acreage diversion payments [1]			(1962) 220.1				
Do.[1]		(1962) 65.1	(1963) 48.5	(1963) 114.7	(1964) 32.5	(1965) 38.1	(1966) 27.2
Price-support payments [1]				(1963) 79.2			
Commodity export payments	74.3	56.8	26.3	96.7	11.1	159.8	107.7
Loans and purchases	861.0	576.6	720.0	425.3	396.4	322.6	259.9
Storage and handling	165.9	156.1	144.9	139.6	97.	67.4	30.0
Certificates issued					409.8	470.7	651.8
Other outlays [2]	147.6	191.7	137.5	161.7	88.0	117.1	71.9
Total outlays	1,248.8	1,046.3	1,297.3	1,017.2	1,035.7	1,175.7	1,148.5
Sales proceeds	−647.9	−797.7	−676.0	−945.1	−566.1	−789.5	−554.9
Loan repayments	−231.3	−283.1	−158.5	−158.9	−98.3	−171.5	−152.2
Certificates sold					−516.5	−630.7	−376.1
Other receipts	−7.2	−120.5	−40.4	−10.9	−5.2	−15.0	18.2
Total receipts	−886.4	−1,201.3	−874.9	−1,114.9	−1,186.1	−1,606.7	−1,101.4
Total above items (net)	362.4	−155.0	422.4	−97.7	−150.4	−431.0	47.1
Foreign donations included in Public Law 480, title II [3]	−63.1	−77.3	−80.5	−91.7	−79.4	−75.9	23.6
Total price support and related [3]	299.3	−232.3	341.9	−189.4	−229.8	−506.9	−23.5
Public Law 480 commodity costs (gross): [4]							
Sales for foreign currency	867.2	1,002.7	1,097.1	992.7	932.1	903.5	454.3
Long-term credit sales		18.5	15.4	30.0	121.3	185.0	88.0
Foreign donations [3]	177.9	177.1	199.9	204.9	132.7	182.0	128.8
Total, Public Law 480 [3]	1,045.1	1,198.3	1,312.4	1,227.6	1,186.1	1,270.5	671.1
International Wheat Agreement	76.5	90.0	74.2	125.8	34.8	10.2	
Total expenditures	1,420.9	1,056.0	1,728.5	1,164.0	991.1	773.8	694.6

[1] Crop year indicated in parenthesis.
[2] Includes transportation, processing and packaging, reseal loan charges, loan collateral settlements and other expenditures.
[3] The Food for Peace Act of 1966 authorizes the commodity cost of former title III donations to be charged to Public Law 480 effective Jan. 1, 1967. The 1969 budget and above data have been adjusted to reflect costs on a comparable basis.
[4] Does not include ocean transportation costs, receipts from the sale of foreign currencies, or receipts from loan repayments.

NET BUDGET EXPENDITURES FOR UPLAND COTTON AND PRODUCTS—MINUS SIGN REPRESENTS RECEIPT

[In millions of dollars]

CCC operations	Fiscal year 1961 actual	1962 actual	1963 actual	1964 actual	1965 actual	1966 actual	1967 actual
Price support and related:							
Acreage diversion payments [1]						(1966) 116.4	(1966) 168.3
Do [1]							(1967) 135.1
Price support payments [1]					(1964) 39.4		
Do [1]					(1965) 11.8	(1965) 57.6	(1966) 489.2
Commodity export payments	191.9	174.3	121.1	40.0	4.4		
Loans and purchases	1,288.2	800.6	1,068.9	1,266.4	1,051.6	958.1	287.3
Storage and handling	22.6	7.8	22.6	30.0	33.2	42.5	37.2
Equalization payments				62.6	435.0	332.2	20.4
Other outlays [2]	2.5	.3	14.5	23.7	24.8	23.8	23.4
Total outlays	1,505.2	983.0	1,227.1	1,422.7	1,600.2	1,530.6	1,160.9
Saleseeds	−1,644.4	−77.8	−70.2	−563.5	−485.3	−342.3	−794.8
Loan repayments	−58.3	−223.1	−360.2	−287.9	−362.1	−256.4	−148.8
Other receipts	−.3	−.1	−.5	−1.7	−.7	−1.8	−.8
Total receipts	−1,703.0	−301.0	−430.9	−853.1	−848.1	−600.5	−944.4
Total price support and related [3]	−197.8	682.0	796.2	569.6	752.1	930.1	216.5
Public Law 480 commodity costs (gross): [4]							
Sales for foreign currency	219.1	191.6	179.5	167.9	128.5	66.0	80.4
Long term credit sales		9.2	33.1	2.2	21.9	31.4	60.4
Foreign donations [3]	3.3	.1				−.1	
Total, Public Law 480 [3]	222.4	200.9	212.6	170.1	150.4	97.3	140.8
Total expenditures	24.6	882.9	1,008.8	739.7	90.25	1,027.4	357.3

[1] Crop year indicated in parenthesis.
[2] Includes transportation, classing, loan settlements, etc.
[3] The Food for Peace Act of 1966 authorizes the commodity cost of former title III donations to be charged to Public Law 480 effective Jan. 1, 1967. The 1969 budget and above data have been adjusted to reflect costs on a comparable basis.
[4] Does not include ocean transportation costs, receipts from the sale of foreign currencies, or receipts from loan repayments.

Mr. GOODLING. We were interested in having that, because there has been some question here as to whether or not the Federal Government can subsidize every farm commodity to the extent that it has the cotton industry. Again, I am using that word "subsidy," which you do not like.

Secretary FREEMAN. You can get into quite a numbers game, if I may use that phrase, when you start comparing various commodities as to what are the payments, what are the payments per acre and per unit and which is more expensive than the other. Suffice it to say, consistent with the needs of each commodity, with costs that are proportionate and reasonable thereto, and what the Congress will pass is a political reality. We are trying to pass the best programs we can.

Mr. GOODLING. We were thinking in terms of total volume.

Secretary FREEMAN. Offhand, I think that you would find that payments in cotton as a proportion to the total value of the crop would be probably higher in terms of total payments. Then we get down to the point made a moment ago by Mr. Abbitt that the total costs have gone up, but as he made the point in terms of total value, the costs are less than some others. So really, for each commodity we do the best we can. And if farmers are going to have the kind of program that they need, why, I think all of the commodities need to work together, and hopefully that the farmers' representatives in Congress will work for the farmers, even though they do not produce that particular commodity in their back yards.

Mr. GOODLING. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Purcell?

Mr. PURCELL. Mr. Secretary, I just want to compliment you on your statement. I think it is most meaningful as an analysis and description of the present act and has certainly been worthwhile. I hope that we we will pass the basic provisions you have indicated are needed at this session of the Congress.

Thank you.

The CHAIRMAN. Mr. Miller?

Mr. MILLER. Mr. Secretary, we had one witness who testified this week that, possibly, payments of $1 million or more would be going to one corporation or one producer of cotton. That would be, as you say, for rental?

Secretary FREEMAN. That is right.

Mr. MILLER. Is this a common occurrence year to year to have payments that high? Do you have any idea how many of such payments would be made in 1 year?

Secretary FREEMAN. Well, I could submit that information for the record. I do not remember offhand how many payments there are at that level. There are a number of them. A number of them sometimes involve holding corporations of various kinds and involve a number of different owners or lease holders or whatever it may be.

As I say, it really does not make such difference. This is not a subsidy program. This is basically a commercial program that we ask the man not to plant all of his land. And whether he cooperates, whether a small or big landowner—whether he gets a big or a little payment—he gets a payment based upon the amount of land that he has taken out of production.

(The information referred to follows:)

There were five payments of $1 million or more, as follows:

California:	
J. G. Boswell Co., Litchfield Park, Ariz	$4, 091, 818
Rancho San Antonio, Gila Bend, Ariz	2, 863, 668
South Lake Farms, Five Points, Calif	1, 304, 093
Florida: U.S. Sugar Corp., Clewiston, Fla	1, 275, 687
Hawaii: Hawaiian Commercial and Sugar Co., Honolulu, Hawaii	1, 353, 770

Mr. MILLER. Very good. The American Farm Bureau Federation testified not long ago on the same programs you are talking about and they stated that they would furnish each of us with a copy of suggestions which came yesterday to my office, and I assume that it came to the offices of the other members also. I have not had an opportunity to digest it, because it is some 16 pages long. They do make a statement in the covering letter, and they say,

> We hope that the committee will review our analysis of the operations of the 1965 Act and that no action will be taken to extend this legislation at this time. We believe that twelve months from now the Congress could better measure the results of the operations of the act of 1965 so far as income through the 1968 crop year. Since this legislation runs through the 1969 crop year on cotton and feed grains and wheat, we believe that any action should be delayed until 1969.

The purpose of my question is, here is an organization with many farm members. They have made remarks contrary to what you are saying which means that we should push for the legislation this year.

Can you clarify the difference in thinking between you and the American Farm Bureau Federation?

Secretary FREEMAN. Let me say I think that the quotes you have read ought to be the strongest reason for anyone who believes in farm programs to pass this bill this year. The only reason that the Farm Bureau says, "Let us delay it," is because they will do anything they possibly can to kill it and all farm programs. They do not believe in farm programs. They believe in what is the so-called "free market." That is their business. They fought the act of 1965. They fought every single recommendation that has come before this committee since 1961. I think they are absolutely, dead wrong. And every time they come in—not every time, there have been a few exceptions—nothing personal about this—I consult with them and their leaders, as I do with other farm organizations—but they simply do not believe that there ought to be any Government participation in farm programs at all. They can dress it up any way they want, but they are 100 percent against it. That is, the American Farm Bureau leadership.

The overwhelming majority of the Farm Bureau members, in my belief—I have seen many of them and have talked to many of them—do not support the position of the National Farm Bureau Federation.

Mr. MILLER. To pursue this just a little further, here are people who are making their income from just what you are talking about, a program for agriculture. You are working to increase that income, yet there is such a wide difference of opinion between your Department and the people who are actually making their income from the same area of work. There must be something besides just the thinking of the leadership, because these people are actually making their income from farming.

Secretary FREEMAN. There are, of course, a number of farmers. I would not venture to mention the number who support the position of the American Farm Bureau Federation. That is the position they take. It is a big organization, a big bureaucracy. It has built up a lot of power in the top, and they use it very skillfully. There are quite a number of farmers who agree with the economic philosophy they have.

In my best judgment the overwhelming majority of the farmers in the American Farm Bureau Federation do not, but that is a matter of judgment. In any event, the Department has seen fit in repeated instances to develop farm programs that the American Farm Bureau Federation has violently opposed before this Congress, including the one we are talking about now, and in my judgment the overwhelming majority of the farmers want these programs. I hope the majority of the people of this committee do as well and that we can extend it.

Mr. MILLER. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Foley?

Mr. FOLEY. Thank you, Mr. Chairman.

Mr. Secretary, on page 13 you list two recommendations as to the 1965 act. Let us engage in the supposition that the members of this committee will not be able, for whatever reason, to incorporate those recommendations into legislation. If we had a chance to vote for the kind of bill that we would like to frame, that would be one thing, but you know that we cannot do that. We have to vote for any kind of bill that is presented to us. If you are not in a position now to answer this question, you may reserve your answer until later. If we were in a position to vote the present wheat title up or down, without any changes or improvements of any kind, would you like for the members of this committee to vote "yea" or "nay"?

Secretary FREEMAN. To vote "yea" by all means.

Mr. FOLEY. In your judgment, from what you know of the attitude of the wheat farmers in the United States individually and through their organizations and expressions to you, do you think that they would share that view?

Secretary FREEMAN. I am sure that they would. Certainly, those people who make the major income in producing wheat.

Mr. FOLEY. Primarily wheat growers?

Secretary FREEMAN. They would overwhelmingly support the extension, even without any changes, if that were the alternative.

Mr. FOLEY. Does that include the members of all farm organizations who, in your judgment, make their income primarily from wheat?

Secretary FREEMAN. It would. I think on this question it would include the overwhelming majority of the members of the Farm Bureau Federation as well as the other farm organizations, as well as the wheatgrowers, the Farmers Union, the Grange, and others.

Mr. FOLEY. I agree with your supposition and your conclusions. And I thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Wampler?

Mr. WAMPLER. I want to take this opportunity, Mr. Chairman, and Mr. Secretary, to commend the Farmers Home Administration for the wonderful job they are doing, particularly in Virginia. I have

had occasion to discuss the program many times with Mr. Compton, the State Director of FHA. I know they are doing an excellent job.

I realize the funds are limited. I think this program and the concept of helping rural America, our small rural communities, in supplying modern water and sewer systems has done much to help reverse this trend of the people leaving the rural areas and the farms and going to our cities and in many cases going on welfare. I do think that this is an excellent program and within the limits of a sound fiscal system it has my enthusiastic support. I appreciate the kind of work that has been done.

Secretary FREEMAN. Thank you, sir. I will convey that back to the people who are in this work. I appreciate your statement very much.

I agree that providing credit has been helpful. Total Farmers Home Administration loans and grants tripled, from $400 million in 1961 to $1.4 billion in 1967. Dr. Wilcox at a staff meeting this morning gave us an interesting report showing some substantial changes in the job location and in the migration pattern of the people. And I think that some of those changes are attributable to some of the things that the FHA and the other programs are doing to bring some of the conveniences and opportunities to the people that traditionally has been had only by those in the big cities.

Mr. WAMPLER. Thank you very much.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Gathings?

Mr. GATHINGS. A bill was introduced a few days ago by Mr. Hathaway, of Maine, and others from both sides of the aisle to pump new money into the revolving fund of Farmers Home Administration. They said that they did not have sufficient money with which to operate. This money is to be used for crop production in disaster areas.

I want to ask whether or not a report has been prepared and if so could you tell us where that report is at this time.

Secretary FREEMAN. A favorable report was sent to Congress a few days ago.

Mr. GATHINGS. That money is so badly needed.

Secretary FREEMAN. I realize that.

Mr. GATHINGS. Time is of the essence. I am glad that the gentleman from Virginia has brought up that question. This bill was introduced by, I guess, 10 to 14 members on both sides of the aisle.

Secretary FREEMAN. We are very hopeful. I agree with you that it is desperately needed and I hope that the needed resources will be made available.

Mr. GATHINGS. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. de la Garza?

Mr. DE LA GARZA. I should like to commend the Secretary for his very fine statement and if I might be allowed, to thank him for the many things that he has done in my area since Hurricane Beulah. There are many matters that have come up with the Department of Agriculture which have had to be handled entirely without new legislation, either under existing law or administrative rules and regulations.

I should like to ask the Secretary whether in the legislation which is recommended, does he think that he would have the necessary

authority to act in emergencies, such as the ones we had in my area that he has been able to handle so satisfactorily for the benefit of the people who suffered?

Secretary FREEMAN. I believe we do now. And I appreciate your kind comments. As Congressman Gathings just pointed out, even in the area of emergency loan funds, we are currently out of funds. This has been the largest disaster year with the heaviest outlay for a long, long time. If the appropriations are available I think that we have the neccessary authority to continue to give a helping hand in the case of disasters.

Mr. DE LA GARZA. Thank you. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Burke?

Mr. BURKE. No questions.

The CHAIRMAN. Mr. Dow?

Mr. DOW. I want to commend the Secretary on a very splendid report and also on the fact that it is easy to understand. You have touched on a good many complex matters and have expressed them very simply, Mr. Secretary.

I should like to endorse the observations that have been made by Congressman Gathings and Congressman Wampler in favor of extending the loaning capacity of the Farmers Home Administration at this time, because it is badly needed in my district and elsewhere. So I hope that you will take that to heart, Mr. Secretary.

Secretary FREEMAN. Thank you. May I please, Congressman Dow, make a point to Congressman Wampler and maybe to the committee? This whole area of credit, credit available for rural America, is I think of tremendous importance and very important legislation in regard to this is pending now. Credit is a powerful engine for progress. We have been handicapped before, because money to be loaned goes into the budget as an expenditure and as such we have to account for it as an expenditure, even though it is paid back.

The repayment record is excellent. No financial institution, no bank would ever handle loans in this way.

Frankly, it just does not make any sense. So we have wrestled with it and we finally came up with a proposal that the President sent to the Congress whereby we would no longer budget this money.

In REA or FHA, these loans would not show as expenditures, but that we would pay the difference between the going rate of interest on borrowed money and the rate at which the money would be loaned to accomplish the purpose. We would make up the difference in the interest rate. So, if we had a $100 loan and you put it out at 3 percent interest, presumably $3 a year, and it cost you 6 percent to borrow in the money market, you would have a $3 subsidy that would go to the Congress as an appropriation item.

But the loans themselves would no longer be considered as they have been as if they were an expenditure. This would open up a lot of credit. Otherwise, when loans are considered an expenditure, along with the problems of tough budgeting and expenditure figures that are highly political in the nature of things, loans get squeezed down more than is sensible to squeeze them down.

This is not before the committee, but it will be before the Congress, and I believe it should be drawn to your attention, because I think it will be a major breakthrough and of tremendous importance. Credit is a powerful instrument for rural areas in helping themselves.

Mr. Dow. You are dealing with the whole concept of the capital budget, are you not?

Secretary FREEMAN. Exactly.

Mr. Dow. That is a concept that has been presented by many good thinkers for quite a few years. I expect to reach that point some day.

I have only one question, Mr. Secretary, that is: You indicate that in the past when the Government held bulging stocks, as you speak of it, of food and feed grains, et cetera, that the cost was over $1 million a day for storage and for handling these stocks. If we were to revert to a system of holding stocks as you indicate a little later here in your statement, where you mean to provide some storage, perhaps, of a lesser amount, have you any idea what the cost would be—would it be on the order of $1 million a day?

Secretary FREEMAN. No. It would be nothing like that. The volumes are very modest compared to what we had in Government hands before. This would involve 200 million bushels of wheat as compared with 1,400 million. It would involve 15 million tons of feed grains as compared to 85 million tons.

So the amounts involved that you would have to pay storage for, obviously, also carrying charges—the amounts would be very modest, and, I think, are consistent with the whole program.

Mr. Dow. Thank you, Mr. Secretary.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Mathias.

Mr. MATHIAS. I would like to have the Secretary expand on two remarks in his testimony on page 15 in relation to cotton. This is just to get my ideas straight on what you mean.

In No. 3, for example, you state:

> Liberalize the provisions applicable to the marketing of cotton grown on export market acreage.

Could you just expand on that?

Secretary FREEMAN. There are a couple of rather technical things there. As of now, the cotton export would have to be specific bales—the cotton grown on this particular farm. Many producers ask, "Could we not, because of economic and technical problems, substitute the actual bales, trade them for others, and not have to identify the crop bale for bale?"

I think that makes good sense. We proposed to liberalize it to that extent.

There are a number of others that slip my mind now. They are rather technical requirements.

We want to expand, perhaps, the amount of exports.

They are in the bill before the committee, and they can be identified. As a matter of fact, I am sure that Mr. Moss could do that. He could do that right now or after the meeting, to give you the specific details.

Mr. MATHIAS. As to No. 4:

> Give the Secretary discretion to allow producers additional time for making lease and sale arrangements of allotted acreage.

What about that?

Secretary FREEMAN. As of now, to make lease arrangement, it must be done between June and January of the year preceding the year in which the cotton would be planted. If it were extended a

couple more months into the next year, many more farmers would sell or lease their allotments. We recommend that change.

Mr. Mathias. Thank you. That is all, Mr. Chairman.

The Chairman. Mr. Nichols.

Mr. Nichols. I wish to support your policy here this morning. I just want to add my own expression at the grassroots level. Many of my farmers—and I am predominantly in an area which is a cotton area—many of them, of course, have asked me about the farm bill. That is, when they might expect some sort of action. They want to know what they can look forward to. They need to make their plans.

I am one who is hopeful that this Congress can get about the business of going into a new farm bill and, hopefully, that we might do it this session.

Thank you. That is all, Mr. Chairman.

Secretary Freeman. Thank you.

The Chairman. Mr. Mayne.

Mr. Mayne. Mr. Secretary, I was interested in your comments amplifying your prepared testimony on two things: The reserve bill that you are now recommending, and I believe you said that it would provide that resale would not be made from stocks at less than 100 percent of parity, minus the bushel payment on corn.

Secretary Freeman. One hundred percent of parity less the value of the wheat certificate payments and the price-support payments on corn.

Mr. Mayne. That does represent a change in your position from what it was last summer and fall, does it not?

Secretary Freeman. No. I think that when it was before the committee last year, this provision, if it had been offered, would have been more than acceptable to me with no change at all.

Mr. Mayne. As I recall——

Secretary Freeman. The matter, at least, that was reported to me, the requirement was that some people felt that it should not be sold at less than 100 percent. I thought that would be completely unrealistic. That price level would make it unworkable.

Mr. Mayne. As a matter of fact, when we were considering the Purcell bill, as I recall it, I offered an amendment which would prohibit the sale of reserve stocks at less than 110 percent of parity, and Mr. Zwach offered an amendment in identical language, reducing it to 100 percent of parity.

It was my understanding that you did oppose both of those amendments at that time.

Secretary Freeman. It would have made it completely unworkable.

Mr. Mayne. But now, you are entirely in favor of a proposal that would prohibit the sale from reserve stocks at less than 100 percent of parity minus the bushel payment on corn.

Secretary Freeman. One hundred percent of parity minus the value of the wheat certificate payments and minus the value of the price support payments on feed grains.

Mr. Mayne. Thank you. That is all, Mr. Chairman.

The Chairman. Mr. Montgomery.

Mr. Montgomery. I have only one question, Mr. Chairman, to the Secretary—talking about the Bargaining Act, the data sheet that you gave out, in paragraph two, you state:

A producers' referendum would then be held to decide if a particular commodity shall become eligible for a marketing order (majority of producers voting decide).

Mr. Secretary, several bills have been introduced along this line, but some bills have been introduced in which one producer would have more votes than another producer. Does one producer have the same vote on deciding the marketing order, or what? Have you had an opportunity to go into this situation?

Secretary FREEMAN. Let me say that it is part of the marketing order, either by volume or by number. It can go either way in the law. Mr. Abbott did a lot of detail drafting work on this. That is under the law as it stands, it would be up to the producers themselves, as they develop the marketing order to decide which they wish to have.

Mr. MONTGOMERY. I am not clear.

Secretary FREEMAN. All right. Let us say this: There are two votes involved. The first one is as to whether thay are really serious about having a marketing order. In this case it would require a majority vote.

And as to whether they want to become eligible, that could be a majority of either the producers voting, or a majority of the volume, or presumably a majority of both. When you get down to the marketing order itself, you would then require a two-thirds vote. At that point, by the same token, it could as announced include both or either, individual or volume.

Mr. MONTGOMERY. That is my question: who decides that—whether it should be both or either.

Secretary FREEMAN. It would be decided in the marketing order itself which was submitted for a vote. Basically, it would be decided in the hearing record that was made. The proposed marketing order would provide for the specific conditions it would take to put it into effect.

Mr. MONTGOMERY. It would be decided in the hearing when the group gets together?

Secretary FREEMAN. Yes, it would be submitted under those conditions.

Mr. MONTGOMERY. Thank you. That is all, Mr. Chairman.

Secretary FREEMAN. It is the majority of the people in the first instance.

The CHAIRMAN. Mr. O'Neal.

Mr. O'NEAL. May I ask one more question?

Mr. MONTGOMERY. I yield.

Mr. O'NEAL. Will the bill have any provision as to whether or not the handlers would vote in either referendum?

Secretary FREEMAN. Handlers would not vote until the producers had determined that they wanted a marketing order specifying minimum prices.

Mr. O'NEAL. They might include handlers or not include handlers?

Secretary FREEMAN. No. This would be the producers' operation up to the point of organizing a bargaining unit. They then would begin to bargain with the handlers. And then a provision, for example, on a minimum price, would only go into effect when 50 percent of the handlers had signed up. So this is a producer program. The handlers do not get in it until later.

Mr. O'NEAL. Thank you. That is all.

The CHAIRMAN. Mr. Zwach.

Mr. ZWACH. Mr. Chairman and Mr. Secretary, it is very nice to work with you again. We have even bigger problems here than we had in Minnesota, I see. I am encouraged by how you speak about the farm problem. And when I get back to the district, I am discouraged. So you encourage me this morning.

I would like to read from report No. 824, put out by this committee, on the "Agriculture Fair Practices Act," and then I would like to have your response as to whether you think things are going to get better under this act.

From August 1966 to April 1967, agricultural prices suffered their sharpest decline since the late 1920's and early 1930's. Prices received by farmers in the market places dropped to the lowest level in 33 years in relation to the rest of the economy. These prices declined 10 percent between August 1966 and April 1967. Although there was some recovery in May and June, the parity ratios dipped in April to 72 percent, the lowest for any month since 1934.

This is mainly what I wanted to ask about. Can we, under this program, look forward to believing that it will work better toward and closer to parity. This is my question.

Secretary FREEMAN. Yes, I think so. Let me set that quotation down in appropriate context. Gross farm income in 1966 was the highest in history. Net income per farm was by all odds, the highest in history. Total net income was the second highest in history. Farmers received $5 billion more total net income than when I became Secretary of Agriculture in 1961. It was an extraordinary year.

There were short crops. There was also a good deal of speculation in that year, and the result was that the prices reached levels that, really, did not reflect true economic conditions. So, in fact, there was a drop in net income, between 1966 and 1967. This does not represent a discouraging development, I think, because in 1967, total net income was still 25 percent, $3 billion more, than it was in 1961. Net income per farm was 50 percent more, $1,300 per farmer, than it was in 1961.

Not enough, but nonetheless, it represents important momentum forward.

I am happy to report—I do not know whether this has been publicly noted or not—we do look forward in the current year for an increase in net farm income of about $700 million over last year.

At the turn of the year, we felt that it would be about the same. Prospects now look a bit better. Cattle and hog prices have been better than estimated. So we, despite the fact that costs will go up $1 billion this year over last year, anticipate that net farm income will go up about $700 million. And as I indicated, the momentum is there. We have enjoyed an uptrend in income with these programs. Sometimes income jumps and economic factors do not completely justify those; nevertheless, the progress is steadily upward and I am personally confident that we have here the machinery that will make it possible to reach the parity goals that we seek.

Mr. ZWACH. Thank you.

I have had communications from one area in my district that there have been 110 farm sales. Many of them are unable to get credit.

Many of them are being forced off the farms. Undoubtedly, they will pile into the cities.

I am aware of your concern for the countryside. Is there any way in this program—and I think I should say that it will be disastrous if we lose the independent family operation—that is, for America—is there any way that this program could be geared somewhat more in the direction of the independent family farm?

Secretary FREEMAN. I think that the program is geared in the direction of the independent family farm, and I think that the independent family farm has a great stake in this program. True, we are having fewer family farms. And I believe that both you and I would hope that that trend might not continue, but so long as a man is able to farm efficiently more land with modern technology, I think there are going to be fewer farms.

The fact that there are fewer farms does not necessarily always represent that these people are forced out of farming, all of them, because of income reasons.

The shift from dairy farming on our farm happened because the people who were living on it got to the age where they no longer could milk 30 cows a day. And in that particular area there was no one to dairy. And grain farming was more economic.

The truth of the matter is that the number of farm foreclosures has dropped sharply in the last 8 years. In 1960 there were 5,500 farm foreclosures. In 1967, there were only half of that number, 2,400 farms, foreclosed.

While I would like to see more farms, I do not think that you or I will be able to stop the progress of technology. We have farm programs for efficient family farms where they can get a fair price, and not be swallowed up by conglomerate corporations, as I pointed out in the testimony.

Mr. ZWACH. You would agree that the economics on farms has been too severe and has driven the people off more than ordinary change would?

Secretary FREEMAN. Well, if we had been able to move more swiftly and could do it now, in strengthening farm income, why, I am sure that we would have held more people on the farms. I hope that we will be able to alleviate that kind of pressure by extending this program and by operating it more skillfully.

Mr. ZWACH. I would like to bring up one more point. There is a dairy product called chocolate milk crumb. I am informed that this product has come in at the rate of nearly 50,000 pounds of imports to begin with. And in 1966, there were over 10.4 million pounds. And that the projection for this year is 21 million pounds.

Is it possible that this product is so much cheaper because the producers do not have to meet the same stringent requirements in other countries, that they are being subsidized or being paid an export fee?

Secretary FREEMAN. It is possible. I really could not answer that question, because I suppose that this commodity comes from a number of different sources. We are watching this volume very carefully to make sure it does not get into a position where it appears to have an adverse effect on our own dairy price and income situation. If it does we will act on this as we have acted on other dairy imports very recently.

Mr. Zwach. Could I have a report on this?
Secretary Freeman. Surely; yes, sir.
(The information referred to above follows:)

U.S. imports of chocolate crumb [1]

	Pounds
1965	2, 000, 000
1966	6, 500, 000
1967 (estimated)	21, 500, 000
1968 (January–March) (estimated)	3, 500, 000

[1] U.S. imports of chocolate crumb have not been separately reported in official statistics, but are included in the data on imports of sweetened chocolate in forms other than bars or blocks weighing 10 pounds or more each.

Mr. Zwach. That is all. Thank you.

The Chairman. Thank you, Mr. Zwach.

Mr. Brasco.

Mr. Brasco. After a long consultation with some of my gardeners in my district in Brooklyn [laughter]—and by the way, they are not members of the American Farm Bureau Federation, either—I want to ask you a question. You can imagine the conversation was so complex that the question I have to ask is complex, too.

It is in the form of an observation, with a sort of question on the end. It is something that comes to my mind. I am wondering if you could answer it.

I get the impression that our farm programs are to hold the farmer on the farm and in business, so to speak, in producing farm products. It is to do that. I am just wondering whether or not the question that Mr. Miller proposed, in terms of the difference of opinion between the American Farm Bureau Federation and our own agricultural policy, that they might be saying that it might be to more advantage to the American people as a whole to develop the agricultural potential and the industrial potential of America if we allowed the small farmer who cannot make a go of it on the farm to find himself employment in other areas and to allow our agricultural economy to develop into a free market, thus capitalizing on the most productive, the most efficient kind of a unit.

It would be nothing different than, say, that an elevator operator in New York, when they put in automatic elevators, would find himself out of a job. And we have to make a choice of, what should we do—should we allow technologies to languish, shall we keep the elevator operator in the corner and pay him to do nothing, or to pay him to walk up and down the stairs to see that there is no one in the hallways, or should we retrain him for another job. The same is true of surplus farmers and migrant workers who crowd our cities. Shall we hold them on the farms or develop programs that will allow them to be retrained and to fall into the job category that might be able to be more effective in terms of their own support, and their families.

Secretary Freeman. Your question is a very basic one. And let me say this: the programs that we have been discussing here are not designed for small farms. I mean, small rather than marginal, because "marginal" is a question. The larger farm could be marginal

if he was running an uneconomic operation. These are for commercial agriculture. They are not relief programs. They are not designed to help small farmers.

They do help them, but they do not help small farmers very much. They help an adequate sized commerical agriculture operation. That is what they are designed to do. So that we could continue to have the most efficient agriculture in the world. We have a production overcapacity here which would depress prices severely, and with the number of farmers involved there is no means of adjusting their production to the market, such as is done in large segments of American industry. That is the great difference. Another point: Little farmers who do not have a commercially viable operation, even if squeezed out as some people have recommended, would change the situation very little.

You would not be helping your overproduction problem, because the truth of the matter is that they produce a relatively small percentage. As a matter of fact, the land they have likely would be used by someone much more efficient. And you would make the overproduction problem worse, and not better.

So the problem of overproduction is not people; it is land.

The fact that people leave agriculture to do something else is not going to solve the problem; as long as the land is there, someone else will use the land and will produce more.

So you have two separate problems. We have a special problem for ·mall farmers; those you call marginal farmers. I think it is better to keep them there. They do not contribute very much in terms of total agriculture production, but by keeping them on the land, by providing small-farm programs, they are better off than in putting them in the big cities. But that is a separate problem from the one before this committee.

Mr Brasco. Mr. Secretary, is that not, in effect, a social program?

Secretary Freeman. Yes.

Mr. Brasco. You are just telling me that these farmers do not amount to much and that this is not being directed against farmers—it is something that I am curious about. Is that not a social thing?

Secretary Freeman. Yes.

Mr. Brasco. They do not amount to much in terms of productivity?

Secretary Freeman. That is right.

Mr. Brasco. But you keep them on the farms and that is like an antipoverty or welfare program?

Secretary Freeman. In a sense.

Mr. Brasco. It is?

Secretary Freeman. Yes. What we have before us today is a matter of commercial agriculture. It does not have any welfare overtones at all. This is a matter of commercial agriculture.

Mr. Brasco. That is it. Then, I turn my time over.

That is all, Mr. Chairman.

The Chairman. Thank you, Mr. Brasco.

Mr. Kleppe.

Mr. Kleppe. Mr. Secretary, we are talking about a pretty important piece of legislation, as you and I know, and most every member of this committee knows, and many others know.

In the area that I represent we have both commercial farming operators and those that are just living on the farm and just getting along, Mr. Brasco. It seems to me, Mr. Secretary, that in your remarks you addressed yourself, primarily to the importance of extending our Food and Agriculture Act of 1965 with relatively minor changes or suggestions.

I might add here that I think you have documented your thoughts on this thing very well.

I would like to get a comment from you if I may, about how you would suggest that the Committee on Agriculture might get around to considering some improvements or amendments, many of which have been suggested to us by other witnesses who have appeared during these hearings.

The problem of continuing this thing right now and voting this thing out—is this not going to foreclose to some degree making any improvements?

Let me just tell you why I am asking this question. This area that I represent, the average age of our farmers is 56 years. The war of attrition is taking place. Death and retirement, and what-have-you. They are not being replaced with young farmers.

So there are segments of this program that are not working as well as in many other areas. So I bring up this question of how we might have some changes in the overall aspects of the farm program.

Could you comment on that?

Secretary FREEMAN. First of all, again, certainly nothing is perfect, and everything can be improved. And basic improvements, I think, are acceptable now as recommended to your committee, but I am concerned about losing this program altogether.

Your wheatgrowers in North Dakota want this program. They do not want to lose it. And I think that we had better play safe. In my judgment, we have a lot better chance of passing it now than we may have next year. So, let us not get off on a lot of things that we might consider are improvements that might cost us passage.

We can get around to that next year. We may or may not get to that. I think a minimum of changes will upset people outside of the Congress the least. It will give us the least opposition. That is what we ought to do. Then, when we see what happens in the year to come, we can take a look to possible improvements.

We may not, any of us, be here, but, in any event, we will have that monument to history, that accomplishment.

Mr. KLEPPE. It seems to me then, it is apparent that you believe the chances of the extension of the program in this Congress is more understandable and has a better chance of passage than if we were to make many changes of any kind in the overall aspects of the program?

Secretary FREEMAN. I would defer to Members of the Congress—to most of the Members of the Congress with whom I have discussed this who have expressed such an opinion, and I am guided thereby.

Mr. KLEPPE. We have had a great number of witnesses indicate continuation of this legislation and also a great deal of conversation about the 4-year provision. Would you make a specific comment as to your opinion, whether, in time, your testimony indicates continuation, or how do you feel about a 4-year extension?

Secretary FREEMAN. Very frankly, I have learned to take what I can get. I would like to see continued legislation which exists in other areas, as I point out in my testimony, but if we could get a 4-year extension, I would be very pleased.

Mr. KLEPPE. I will not ask you any questions about the strategic grain reserve. I introduced a bill—and I think you are generally familiar with how I feel about this thing—I am glad to see that we are beginning to get some areas of agreement here that make it look, I think or hope, more hopeful.

Secretary FREEMAN. Yes.

Mr. KLEPPE. One more question. You are familiar, Mr. Secretary, with the fact that this committee and the House passed a bill last year providing advance payments to farmers for wheat certificates. The bill is in the Senate and no action has been taken up to this time. It is obvious to know that this will not be of any benefit, if it is passed, to farmers this year.

Is it stlll the position of the Department and yourself to oppose this particular type of legislation?

Secretary FREEMAN. Actually, I have not checked recently. When it was up last year, it was just not possible to move those payments into the given fiscal year because of other fiscal problems.

I must say, honestly, too, that I have had some reservations in connection with advance price-support payments as distinguished from diversion payments.

Mr. KLEPPE. This is a wheat certificate only that I am talking about.

Secretary FREEMAN. This is basically a price-support payment. I think that there is a good deal of merit in trying to make the payments as close as you can to the time that the grain is harvested. You must not overlook the fact that this is a part of their income and should be added to the market price. Advance payments, confuse their relation to market price in the program. I have found many, many farmers who would like to have advance payments but on balance, it may be wiser to make them close to the time of the harvest.

Mr. KLEPPE. It became particularly acute to me again, since being home over the Easter recess. I had a number of farmers approach me on just exactly this problem. Interest rates are high. They look at something they know they are going to get and they said, "Why not"—"why can I not get it?"

This is the reason for my question, again.

Will you indicate, then, that there may be some different consideration of this particular legislation?

Secretary FREEMAN. There is always a possibility. The budget situation was extremely difficult when the decision was made.

Mr. KLEPPE. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Foley wants to ask another question.

Mr. FOLEY. I have a very brief question: Does the Department have any present plans to change the compliance requirements for the substitution of wheat for feed grains?

Secretary FREEMAN. No; no.

Mr. FOLEY. Thank you. That is all.

The CHAIRMAN. Thank you.

Mr. Price.

Mr. PRICE. Mr. Chairman and Mr. Secretary, I have a few questions that I would like to ask for the record.

You are fair game, like we are when we go back home. I would like to ask you some of the questions the people have asked when I was back home.

Secretary FREEMAN. That is fair enough.

Mr. PRICE. We have discussed this program with a good many members. You said this program is working. Is not wheat at 74 percent of parity and corn at 65 percent of parity, and grain sorghum at 68 percent of parity, and cotton at 51 percent of parity, and wool at 45 percent of parity?

I believe, unless I am mistaken, the whole parity is at 74 percent today.

Secretary FREEMAN. Yes. That is right.

Mr. PRICE. You do have the authority to raise these prices to 90 percent of parity today under the law?

Secretary FREEMAN. No, I do not. Very few of then. As a practical matter, the answer is no. As a theoretical matter, for example, if I wanted to take money out of the farmer's pocket, I could increase the loan rate for wheat, decrease his certificate payments. There is no authority in cotton. That is established at 90 percent of the World price.

In feed grains, why, it is 65 to 90 percent. As a practical matter, if you had a loan rate at a level 90 percent of parity, it would make the program totally ineffective. So the allegation that the Secretary of Agriculture has the authority to increase support rates is simply not true.

Mr. PRICE. What was the farm income last year?

Secretary FREEMAN. $14.5 billion for last year.

Mr. PRICE. If the American farmer were receiving parity today similar to what every one else supposedly is receiving, what would their income be today?

Secretary FREEMAN. I think—you ask your question in terms of price, which is fundmentally not a very accurate measure of what takes place—I said earlier, farm income last year was $3 billion more than it was 7 years earlier. Parity of income across the board—I, frankly, could not answer that question offhand, exactly, what the total net income would be.

I can say this: that today farmers are getting, on a per capita basis, about 61 percent as much income as nonfarm people in our economy. And on a per capita basis, again, price comparisons are not very meaningful. The meaningful thing is income.

The Economic Research Service recently completed estimates of farm production, prices and income, 1961–67 in the absence of farm programs. In the absence of farm programs net realized farm income would have been 36 percent lower. The conclusion of the study follow:

ESTIMATES OF FARM PRODUCTION, PRICES AND INCOME, 1961–67, IN THE ABSENCE OF FARM PROGRAMS

At the beginning of 1961, new farm policies were initiated in an attempt to balance the supply and demand for major farm products at acceptable prices. At that time, Government stocks of many farm commodities were at or near all-time

high levels. Farm programs in effect during the period 1961–67 included a combination of price support and acreage diversion programs affecting supply and promotion of export and domestic demand. Export subsidies for many crops were substantial in the early years of this period, but were generally reduced as U.S. prices moved toward the lower price levels prevailing in World markets.

This report gives estimates of farm production, prices and income during the period 1961–67 if we had had no price supports, diversion payments and export subsides on farm products and had allowed these products to be produced and marketed under more nearly "free market" conditions.

The only notable exceptions to this "free market" condition were that (1) government financed exports (so-called P.L. 480 shipments) would have been at actual levels during the period 1961–67, and (2) other minor programs, notably sugar, wool, and special soil conservation programs would have been unchanged.

Also, though substantial stocks of most major farm products were on hand at the beginning of 1961, for the purpose of this analysis, these stocks were left "insulated" from the market and were assumed to constitute "ample carryover stocks" for all products.

About 28.5 million acres of land were in the Soil Bank at the beginning of 1961. This land was allowed to become available for production or for other use as the Soil Bank contracts actually expired.

PROCEDURE

Compared to the situation which actually prevailed, greater production and lower prices would be expected for farm crops between 1961 and 1967 under essentially "free market" conditions. These lower prices would have resulted in an expansion both of exports and of domestic consumption. Lower feed prices would have encouraged expanded livestock production, with some decline in prices and some expansion in consumption of livestock and livestock products.

After estimating the production and utilization (including exports) expected under alternative "free market" price levels, a general balancing of supply and demand was required for the 1961–67 period. No rigid balancing of supply and demand was required for individual years, however.

Estimates of crop yields were based on the yield actually realized during the 1961–67 period but adjusted downward for the effects of larger acreages in production. New higher export levels were estimated as increases from actual exports in response to lower prices for U.S. products in World markets.

RESULTS

The implications of shifting from actual conditions to a free market situation are extremely complex; they are only highlighted here.

Effects on production and prices

Substantial increases in crop production were estimated under the "free market" situation as compared to the actual situation with farm programs during the period 1961–67. Wheat acreages were estimated to increase 27 percent, feed grains 16 percent, and cotton 19 percent.

Annual average prices were estimated to decline by 45 percent for wheat, 34 percent for corn, and 35 percent for cotton. As a result, expected market prices would have been about \$.90 per bushel for wheat, \$.75 for corn, and \$.18 per pound for cotton.

Substantial increases in production and declines in prices also would have occurred for soybeans, rice, and tobacco, while the acreage of hay would have increased only modestly to utilize a portion of the Soil Bank land becoming available and to service an expanded livestock industry. Soybeans would have increased by about 4 million acres as compared to the actual acreage produced in 1967 with further expansion curtailed principally by expanded acreages of feed grains and cotton.

The impact of "free market" conditions on livestock production and prices would have been substantial also. Since beef production takes longer to expand, the major initial increases in production would have occurred in hogs and poultry.

Because of the substitution of pork and poultry meats for beef, however, beef prices would have been depressed. By 1967, lower prices for feed grains and other feedstuffs would have resulted in an estimated increase in production of 9 percent for beef and 7 percent for hogs. As a result, in 1967 average annual beef prices would have declined an estimated 22 percent from actual 1967 prices and hog prices 24 percent. The impact on dairy production and prices, however, would have been somewhat less pronounced.

Effects on income

The impact on net farm income under the "free market" conditions would have been even greater than the impact on production and prices. Increased volume of marketings would have held gross realized farm income during individual study years at levels of 80 to 90 percent of their actual 1961–67 levels. Net realized farm income, however, would have declined sharply. It would have been an estimated 76 percent of the actual in 1961, and 54 percent of the actual in 1967 as the cumulative impacts of lower livestock prices were fully realized.

For the entire period of 1961–67, net realized farm incomes under actual farm programs totaled to $95.4 billion. Under the "free market" situation, net realized farm income was estimated at $60.9 billion. Thus, net realized farm income would have been lower by a total of 36 percent between 1961 and 1967 if farm price supports, acreage diversions, and export subsidy programs had been eliminated.

CONCLUSIONS

The impact of changing to a "free market" situation during the period 1961–67 would have resulted in:

1. A total of 36 percent less net realized farm income.
2. 21 percent more wheat and 45 percent lower average annual wheat prices.
3. 17 percent more feed grains and 34 percent lower average annual feed grain prices.
4. 9 percent more cotton and 35 percent lower average annual cotton prices.
5. By 1967, 9 percent more beef and 22 percent lower prices.
6. By 1967, 7 percent more hog production and 24 percent lower prices.

Clearly, price and income changes of these magnitudes would have resulted in severe, sustained problems for farmers. Yet, these appear to be the likely results under "free market" conditions because:

On the demand side—an increase in commercial exports by optimistic amounts would have been necessary to prevent even greater price declines. For example, we would have needed 40 percent more "free market" commercial wheat exports than actual exports in Fiscal Year 1966.

On the supply side—the land and other resources required for the estimated expanded production under "free market" conditions are readily available. The initial consequences of much lower crop prices would have been a revaluation of land prices to much lower levels and an expansion of livestock production.

Land prices would have borne the brunt of adjustment as some farmers were forced out of production and their land transferred to other producers at successively lower prices.

The history of earlier farm depression suggests that, rather than idle their land, farmers would have repaired their machinery and equipment and continued production even with a much lower level of new machinery purchases than before.

Moreover, returns from the use of fertilizers and agricultural chemicals would remain high even at the lower prices. Hence, it is unlikely that farmers would have curtailed production by reducing their use of fertilizers and other chemicals until forced to do so by a complete lack of capital or credit.

As a result of spreading use of machinery, and continued use of fertilizers and other agricultural chemicals, a high volume of production would continue under "free market" conditions.

Mr. Price. This is what I was driving at. I have heard the figure of 85 billion. I wonder if this would be correct or not.

Secretary Freeman. I am sure that is away out of line.

Mr. PRICE. How many people have left the farms since 1960?

Secretary FREEMAN. Approximately 4 million.

Mr. PRICE. Financially, are the farmers in further debt today than they were in 1960, comparatively?

Secretary FREEMAN. No, they are not. The farmer's debt position is much improved over what it was in 1960. The debt, of course, as a number, is greater than it was in 1960, but the only realistic interpretation of that is in regard to assets.

And so, although the farm debt has increased about $24 billion since 1960, farm assets have increased three times as much—$78 billion. So, in terms of his debt-asset relationship, the farmer has improved his position significantly since 1960.

Mr. PRICE. The figures I have are that the farmer debt in 1960 was 11.1 percent of his assets. In 1967 his debts to assets has grown to 17.3 percent. In other words, farm indebtedness in 1967 was $44,532 million; and the total farm assets have gone up to $209.5 billion.

Secretary FREEMAN. I think that is right. You see, when you get into percentages, they do not mean very much.

Percentages are not very realistic. If your net worth has tripled in that period, you are better off.

Mr. PRICE. What did it cost to get rid of the wheat carryover since the certificate plan went into effect in 1964?

Secretary FREEMAN. It is difficult to isolate the costs related only to reducing stocks or to bolstering farm prices and income or to maintaining exports. Our certificate payments on the wheat program averaged, roughly, $500 million a year for 3 years. This totaled, approximately, $1.5 billion representing Government outlay, and approximately $1.5 billion which came from processors, as shown on the following table:

WHEAT AND PRODUCTS—MINUS SIGN REPRESENTS RECEIPT

[In millions of dollars]

	1965	1966	1967	Total (3 years)
Certificates issued to producers, domestic and export	409.8	470.7	651.8	1,532.3
Less: Certificates sold to processors and exporters	−516.5	−630.7	−376.1	−1,523.3
Net certificate costs	−106.7	−160.0	275.7	9.0
Other receipts and expenditures (net)	−123.1	−346.9	−299.2	−769.2
Total price support and related	−229.8	−506.9	−23.5	−760.2

Mr. PRICE. What would it be on feed grains, the carryover, since 1961?

Secretary FREEMAN. As I said before, it is difficult to identify expenditures related only to reducing stocks, since there are other important objectives involved. Detailed tables showing expenditures and costs for the various commodities will appear elsewhere in these hearings. However, the feed grain direct payments averaged out about $1.3 billion a year. That would be about $6.6 billion since 1961, as shown on the following table:

FEED GRAINS AND PRODUCTS—MINUS SIGN RESPRESENTS RECEIPT

[In millions of dollars]

	1961	1962	1963	1964	1965	1966	1967	Total (7 years)
Direct payments to producers	333.2	803.0	677.3	1,028.5	1,196.1	1,272.4	1,340.2	6,650.7
Other receipts and expenditures (net)	741.5	−44.4	223.0	291.7	−263.2	−155.1	−514.8	278.7
Total, price support and related	1,074.7	758.6	900.3	1,320.2	932.9	1,117.3	825.4	6,929.4

Mr. Price. The reason I asked that is because, according to the figures in testimony that we have been given here, it has cost $6.50 a bushel to get rid of the wheat carryover since the wheat certification went into effect in 1964, and $4.68 cents a bushel for feed grains since it went into effect in 1961.

Secretary Freeman. I think those figures are extremely doubtful; and I would want to see from whence they came before I passed judgment on them.

Mr. Price. What I was trying to determine is if material that was presented to the committee is factual—they have gotten these figures from the USDA Statistical Reporting Service, I understand——

Secretary Freeman. I will be glad to think of it. I think this is a use of the old saying that "figures never lie, but liars figure."

Mr. Price. It is very hard for us to determine when we are trying to look at the figures.

Secretary Freeman. We will be happy to analyze it for you.

(See preceding report.)

Mr. Price. I would certainly appreciate that.

To wind this up, would you say that the American farmers are subsidizing the American consumer?

Secretary Freeman. Yes; I would.

Mr. Price. Do you not think that we need to spend a lot of time—quite a bit of time—I guess, in public relations and all of these things, and that all of these programs have provided cheap food for the American consumer?

Secretary Freeman. That is correct.

Mr. Price. In closing, are you, as Secretary of Agriculture, dedicated to—or have you ever been directed by—the President to pursue a cheap-food policy for the American consumer?

Secretary Freeman. No; absolutely not.

Mr. Price. Thank you, Mr. Secretary.

That is all, Mr. Chairman.

The Chairman. Thank you, Mr. Price.

Mr. Myers.

Mr. Myers. Thank you, Mr. Chairman.

Sometime ago, Mr. Secretary, you mentioned in your statement to Mr. Miller in reference to the Farm Bureau's position, that they were antiextension of this program. I have read their statement, not in detail as you have, but I did not quite draw that conclusion, because they did favor marketing orders, as I recall—some form of it. And increased bargaining powers for the farmers; did they not?

Secretary FREEMAN. No; not in terms of what we talked about here.

Mr. MYERS. Maybe not your bill, but did they not say some type of this?

Secretary FREEMAN. Not really.

Let me speak, possibly, to this. They did not support any participation by Government in this whatsoever. They supported private farmers voluntarily associating with themselves, with no participation by Government whatsoever.

Mr. MYERS. You would oppose the farmers' organizing themselves—you would want the Government in there?

Secretary FREEMAN. Not at all. It has never been worked—it has never worked in the history of the country. And it has been tried, and tried, again. The reason is that 5 to 15 percent of the farmers are able to wreck any plan and the Farm Bureau is finding this out.

Mr. MYERS. You would not favor a bill introduced that came to this committee that would have the farmers operate by themselves?

Secretary FREEMAN. That is what this is, a plan for farmers to operate.

Mr. MYERS. It has also the Government in it. What about if the Government was excluded?

Secretary FREEMAN. I do not think it would work.

Mr. MYERS. You would oppose it, then, that aspect of agriculture?

Secretary FREEMAN. There would not be any reason to have a bill here if the Government were not involved.

Mr. MYERS. What is your position, then?

Secretary FREEMAN. To oppose the Farm Bureau position.

Mr. MYERS. You said, further, that one of the reasons that they did believe in a free market—does this mean that you do not believe in a free market?

Secretary FREEMAN. I do not believe that there is a free market. I do not think that we have a free market. We have all kinds of limitations on free markets. I was talking about the railroads and the shipping companies. We have organized labor. We have the Wagner Labor Relations Act. We have bank insurance. We have social security.

Mr. MYERS. Do you call these subsidies, programs such as social security?

Secretary FREEMAN. In principle, they are; they are certainly Government participation. If we did not have the Government involved in our economy, in a host of ways, then perhaps we would have a free market that would work. But, I doubt it very much.

Mr. MYERS. Your statement, practically all of it, is devoted to the extension of the Food and Agriculture Act of 1965. In the discussion with Mr. Dole earlier, you did get around to saying that you asked for a permanent extension and one reason given was the fact that is was a necessity. And then, I think on pages 4 and 5 you also talk about the extension of this, the necessity for it.

You make reference to the programs originally, in 1930's and 1940's, and 1950's, how they have been updated and improved. Are you not contradicting your own statements when you ask for a permanent extension—when you admit in your statement that Congress had been

able to take succeeding looks at these and has come up with revisions and has brought in new laws, revising and updating the law?

Secretary FREEMAN. I can assure you, having been around here 8 years, I am aware of the fact that Congress can change anything.

Mr. MYERS. But you say now it is necessary for permanent extension.

Secretary FREEMAN. I used the word "continuing", which is like other legislation. The Social Security Act is continuing. The tobacco program is continuing. The peanut program is continuing. The Federal Trade Commission is continuing. But Congress can change them at any time.

Mr. MYERS. On pages 19 and 20 you speak of the national food bank, and that the need is greater than ever. Since a few years after the Pilgrims came over—when have we required a large national food bank, or any food bank, when did the annual production not meet the supply requirements?

Secretary FREEMAN. I do not think I said that. I do not quite understand how that question is even halfway pertinent to the issue that is before the committee.

Mr. MYERS. I am asking it. I do see it pertinent.

Secretary FREEMAN. Would you repeat it. It did not make any sense at all.

Mr. MYERS. When, since the Pilgrims came over here, shortly after we came here, we had agricultural problems. We did not raise enough production here to supply the needs of this country. When, since that early date, has American agriculture failed to produce enough annually to supply the needs of this country?

Secretary FREEMAN. I would refer you to a book written by a man named Ole Rolvaag, "Giants in the Earth." It tells how many people in the Dakotas and from Minnesota, where I come from, starved to death in the long, cold winter, because agriculture did not function very well. That is the kind of question you are asking?

Mr. MYERS. Yes.

Secretary FREEMAN. It repeated instances many people, trappers, for example, starved to death in the Rocky Mountains; settlers starved to death in the Red River Valley, because they could not produce the food needed.

Mr. MYERS. Did not agriculture produce enough, or was it a question of not being available where they were?

Secretary FREEMAN. I suppose both, but the result is the same.

Mr. MYERS. We are subsidizing the railroads now, so that they can get it. Nevertheless, I think that here, again, you spoke about your recent trip to Japan with our Chairman. You were told by the Japanese that they were asking us to guarantee them a certain production. I think that you said at a price. They were fearful that various conditions in this country might alter the price.

Is not really this bank somewhat price dictating?

Secretary FREEMAN. Well, we hope that it will make it possible to get the farmers better prices.

Mr. MYERS. You say, at a price that they can afford to purchase—that is, the importers, those we are exporting to. Are you not saying that to keep prices at a lower level, so that they can afford to buy them?

Secretary FREEMAN. We were saying that we might be able to increase confidence regarding available supplies to our foreign buyers that prices would not go to an excessively high level, and that the supply would be available since, they were depending on it so heavily.

Mr. MYERS. That would mean that prices would stay cheap if they do not go high.

Secretary FREEMAN. Not at all.

Mr. MYERS. This, I will never understand. OK. Thank you. That is all, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Jones of Missouri.

Mr. JONES of Missouri. With reference to what was said a moment ago by Mr. Price about public relations, I think it should be taken notice of at this time that the present Secretary of Agriculture, in my opinion, has done more than any Secretary of Agriculture I have observed, not only during the 20 years I have been here in Congress, but before that time as a newspaperman.

I have never seen a Secretary of Agriculture do more to carry the farmer's message to the American people and, particularly, the American consumer; and to point out to the American consumer that today he is receiving more for his food dollar than at any time in history. I think that we should take notice of that and commend the Secretary of Agriculture for the great service he has done for the American farmer in trying to carry his story to the American consumer.

And if some of us, as well as the American farmer, would avail ourselves of the public forums we have in service clubs, veterans' organizations and other groups, to remind the people of what the farmer has done, we would not have some of the situations that we have today where the people are continually harping that the farmer is getting rich and taking advantage of the people. High retail prices in some food items have resulted from processing, transportation, and in handling of foods, and other costs that do not revert to the producers.

Nonproducers are the ones who have been getting it. And they are responsible for the prices that we have been paying. The farmers should not have to bear the criticism of high prices for food, because the price that the farmer receives is not high.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Jones.

I do not want to prolong this. I want to thank the Secretary for a very good statement. I simply want to ask you a question so that we may have it clear on the record.

If it became evident that we could not pass or could not get any changes in the existing law, would you believe it advisable to extend the present law on a continuing basis without any change?

Secretary FREEMAN. Yes, sir, Mr. Chairman; if that were the alternative, I most certainly would.

The CHAIRMAN. That is my feeling, too. I feel there are certain improvements that we should make. And I hope that we can make them. But unless we can have general agreement about the amend-

ments which we propose to make in the present law, I think that we will not get any law.

I would much prefer to have part of something, rather than to have all of nothing.

If there are no further questions, we are very much obliged to you, Mr. Secretary.

Secretary FREEMAN. Thank you, Mr. Chairman.

The CHAIRMAN. We will recess until tomorrow morning, at which time we will consider the long staple cotton bill.

(Whereupon, at 12:10 p.m., the committee recessed, to reconvene at 10 a.m., Friday, April 26, 1968.)

EXTEND THE FOOD AND AGRICULTURE ACT OF 1965

WEDNESDAY, MAY 1, 1968

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The Committee met, pursuant to notice, at 10 a.m., in room 1301, Longworth House Office Building, Hon. W. R. Poage (chairman) presiding.

Present: Representatives Poage, Gathings, McMillan, Abernethy, Abbitt, Jones of Missouri, Purcell, O'Neal, de la Garza, Jones of North Carolina, Dow, Montgomery, Rarick, Belcher, Teague of California, Dole, Hansen, Goodling, Miller, Mayne, Zwach, Kleppe, Price, and Myers.

Also present: Christine S. Gallagher, clerk; William C. Black, general counsel; Hyde H. Murray, assistant counsel; L. T. Easley, staff consultant; and Fowler C. West, assistant staff consultant.

The CHAIRMAN. The committee will please come to order.

We are met this morning for further consideration of possible changes and extension of the existing farm legislation.

We are honored to have at least two of our colleagues present. We will ask our colleague, Mr. Kleppe, to introduce this unknown colleague of his. [Laughter.]

Mr. KLEPPE. Thank you, Mr. Chairman. I do not think that Congressman Mark Andrews needs an introduction to this committee nor, probably, to most members in the room, but suffice it to say that he and I represent the congressional delegation from the State of North Dakota, and all we can say is that the long and short of it is present. This is the long part, Congressman Mark Andrews.

The CHAIRMAN. We will be glad to hear from you, Mr. Andrews.

We are always glad to have you come before this committee. We know of your great interest in agriculture. We are happy to have you with us.

STATEMENT OF HON. MARK ANDREWS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH DAKOTA

Mr. ANDREWS. Mr. Chairman and members of the committee, I know the importance of time to this busy committee, and I will try not to be too long this morning.

I am here today to urge the improvement and extension of the Food and Agriculture Act of 1965. As a farmer myself, and as a representative of an agricultural district, I am aware of the vital necessity for continuing this law. It should be emphasized, however, that the city

93-873—68——21

dweller, too, has a stake in this law. The problems of rural America and the problems of the cities are far more closely related than most people seem to think. A healthy, prospering and stable rural community shares its success with the urban areas. Among other things, it provides greater demand for urban produced goods, increased rural spending in urban areas and much needed Federal tax revenues.

And there are those who say that this legislation is restrictive legislation. As a farmer, I can hardly go along with that idea. It is far less restrictive than any farm act we have had in the last 20 years. As a matter of fact, I have, as a wheatgrower, the complete right to stay out of the program and no penalties attach to me. This was not the case under the old programs where penalties were levied.

Failure to renew this legislation would result in the loss of farm homes and would depress rural businesses in communities which are already having great difficulty maintaining their schools, churches, welfare programs, local governments, roads and community organizations. This rural decline would contribute significantly to already critical urban problems. In addition to reducing the demand for those goods produced in the cities, such a decline means millions of farm families migrate to the cities seeking the opportunity they cannot find at home. Tragically, this opportunity is all too often not to be found in the city either and the migration just compounds the existing joblessness, poverty and ghetto conditions in our cities. It is clear, therefore, that our urban and rural problems are interdependent, one upon the other, and opportunities for rural America are also opportunities for urban America.

I was one of the strong supporters of the present Farm Act when it first came before the Congress, because I believed it to be the best possible program agriculture could get under the circumstances, but every member on this committee had—and has—ideas of how this program could be a better one, but it was one that we could get, and it has served fairly well during the four years it has been in existence, especially in giving us the opportunity to judge its values, to discover its weaknesses and improve its strong points. During the time this act has been in effect, it has provided a much needed stability for American farmers, but the steady decline in commodity prices to a near all-time low in the parity index demonstrates the necessity for modification and improvement of the act. I do not think that this means throwing it out of the window and chucking it altogether. I think we have to keep what we have and make it better.

Accordingly, I would recommend:

That the Congress set more definitive guidelines for the administration of the act, thus limiting the far too broad discretionary powers now left to the Department of Agriculture.

That acreage allotments reflect conservation practices prior to base periods for those farmers who have followed proper conservation practices on their land.

That priorities be established for contracts under the cropland adjustment program and that no preference be given under this program for those who buy land as a speculation or for a hobby.

Finally, I recommend that purchases for the food for peace program for distribution and sale abroad be paid for at a price covering costs

of production and a reasonable profit—just the same privilege enjoyed by others from whom the U.S. Government makes purchases.

While these improvements are indeed important I cannot emphasize enough the urgent need to reenact the Food and Agriculture Act in this session of Congress. How far farm prices would drop if the 1965 Farm Act is not extended is well documented. Various college and USDA studies estimate a one-fourth to one-third drop, from already too low prices.

Obviously, then, without the stability created by this program our already hard-pressed farmers could be brought to the brink of disaster by a lack of operating capital—owed and borrowed. Availability of credit is absolutely crucial to the successful modern farm operation. A farmer does not enjoy a steady monthly income nor are his costs spread over the year. Thus, without available cash for operating expenses, he is hamstrung. Recently, I received a letter from a North Dakota banker on this very problem which states most cogently the concern of many, not only in my state but throughout America, in the fact that farmers have been living off the borrowing power of their land appreciation caused by inflation. This is a tenuous existence at best. The letter stated the case well, so well that I inserted it into the Congressional Record on January 22 and I commend it to you.

In the final analysis, the message is simply that with tight money, farm prices at 74 percent of parity, inflation, and higher farm wages, farm loans are very unattractive to lenders. The failure now of the Congress to renew this law in this session would deny our farmers and their bankers and other businessmen servicing the farmers the confidence and continuity that they need and might well begin a re-evaluation of a large percentage of farm operating loans with disastrous consequences to most farmers.

The farmer, probably more than any other businessman, must be able to plan ahead. He plants his crop at the beginning of the crop year and must wait until it is finally harvested and sold to pay off the operating expenses incurred many months prior. A lack of confidence in future prospects for agriculture could make virtually impossible the operation of a high percentage of our family farms, dependent as they are on credit that is become more and more difficult to obtain. Closing down these farming operations would create not only the problems I pointed out within the Nation but also seriously injure our posture as the one nation that produces enough of the basic necessity, food, to not only meet our own needs, but also help a hungry and troubled world. I am confident that this great Committee on Agriculture will respond to the urgent and immediate needs of our farmers and see that this legislation is continued.

The CHAIRMAN. We are very much obliged to you for your fine and sound statement. I would like to comment that I think that your suggestion that we must have stability to get credit is absolutely true, and that stability goes a great deal further. I have had the opportunity to visit recently in Japan and Taiwan with the Secretary on a trade mission, and we found, as I saw it, that one of the two great concerns they had was whether our program was going to remain stable enough that they could rely year after year on the United States as a source of supply for soybeans, cotton, and the like—for all of the numerous

items that they buy from this country. They were very much concerned with our farm program, whether we were going to let it lapse or if there was to be any disruption of our program which might mean a disruption of their supply lines and they would have to turn to other suppliers under very unfavorable circumstances.

So, I think you have been and are right in emphasizing the necessity of maintaining stability in our agriculture.

I have said a couple times that I believe that a poor program might be a good deal better if farmers could rely on it for a substantial period of time than a much better program on which they could not rely too much of the time.

Mr. Andrews. I think that you have made an excellent point, and this point can be stressed in other parts of the world, too. When there was concern in USDA about whether we had enough wheat available, just a few short years ago, we had commitments for sales to South American countries—for cash incidentally. We told them that we could deliver only 75 percent of the wheat. The effect was immediate and disastrous for our farmers' market; because these countries were our wheat-trade friends, and we had been working with this for a long time. Immediately and naturally they thought, "Are you a dependable supplier, now?" And after years of trying to build up this trade, we now had our customers seeking elsewhere for the dependability of supply that they must have. Also I think in line with this need for operating funds by the farmers, that it is wise to point out that with the budget crisis that we face, the Appropriations Committee in following the President's budget has had to cut the Farmers Home Administration funds from last year; and this, of course, is doubly damaging to the farmers when local availability of bank loans is becoming a crisis, too.

So, the continuity of the program I think is doubly indicated at the present time to provide a dependable supply for our customers and confidence for our farmers and their credit suppliers.

The Chairman. Thank you.

Mr. Kleppe?

Mr. Kleppe. Mr. Chairman and Congressman Andrews, I just want to add my word of assent in commendation of what I think is a good statement. To me, it verifies the fact that you not only understand this subject but you understand very truly the people that we represent out in North Dakota.

I thought that I was going to have a lot of questions that I wanted to ask you, but it seems to me that, because of the way you have spelled it out in your statement, you have made pretty clear your position and you are thinking about a particular activity on this legislation. But let me just point this out and ask you this question:

We have had a number of witnesses here that by and large have indicated some changes to this act. Maybe they are minor or maybe they are major; but almost invariably when we asked them if they would take the extension of the act the way it is, because of the difficulties we might have in passing any changes, they usually said, "Yes." I gather that that is exactly the way that you feel. Is that correct?

Mr. Andrews. Yes. It is exactly the way I feel.

Certainly, we would like to build on it and make it better; but the farmers you talk to when you travel over the western part of North Dakota have the same problem as the farmers I talk to in eastern North Dakota. You have done a great job in championing their cause here on this powerful Agriculture Committee, and they are most grateful to you for it. Your concern and my concern are one and the same. I think that this act should be continued. If we cannot improve it, we can take a look at it in another year or 2 or 3 years. The power of the Congress to initiate changes in legislation is over there; and I think that if we reenacted this on a permanent basis we would have something that the farmers could depend upon and that the farm supplier could depend upon and the banker could depend upon; and when, and as, and if, changes were needed they would be made from time to time by this great Committee on Agriculture of the Congress of the United States rather than coming up against an arbitrary deadline where you get crammed in with an election, and the exigencies of a crash reenactment of a program—why, this is when you get bad legislation. So, it is far better that we have a permanent continuation of the act and improve it from time to time.

Mr. Kleppe. The reason I asked you this question is because we want to come out of here, I think, with the best program that we can possibly pass in this Congress, because of the urgency of it. You have touched on these points. These are urgent questions. They are very serious questions, not only in our area and in our districts but throughout the agricultural area.

Let me ask you this, Congressman Andrews:

You mentioned permanent extension of the act. I think you mentioned a 4-year extension in your statement. Do you have a personal feeling as to whether it would be advisable for us to extend this for 4 years, permanently, or on a continuing basis? The Department, through the Secretary of Agriculture, constantly used the word "continuing." "Let us put this legislation on a continuing basis." Somehow or another this has appealed to me, because it seems to me that this would make it easier for us as we go along to make the necessary corrections and the amendments that we need to make.

Mr. Andrews. I could not agree with you more wholeheartedly. My statement says: "to continue the Farm Act." I in no way urge a 4-year, or a 3-year, or a 6-year limitation. What I mentioned was that when we first enacted it we thought that a 4-year program would give us time to assess it, and I supported that bill at that time, because it was the best bill that we could get, and it served us well in the interim. It needs improvement. All laws do. You are never going to find a perfect farm bill, and because it is the result of compromises between the various parts of our country and the various philosophies of the people in the Congress, that is the case. But it should be enacted on a permanent basis. This is a basic and fundamental farm law, and it should be put into permanent law, so that it is there to depended upon. Labor legislation is enacted on a permanent basis and farmers should have the same continuity.

Mr. Kleppe. Again, I just want to say that I appreciate and commend your statement very, very much, and your attitude and your position, insofar as agriculture is concerned.

Mr. Chairman, thank you for this time.

The CHAIRMAN. Thank you, Mr. Kleppe.

Are there other questions?

Mr. Jones?

Mr. JONES of Missouri. I do not have a question; but I would like to emphasize here this morning the appreciation I have of having men who are actually engaged in farming and are engaged therefore in its problems and know them firsthand. As I look across the desk here at two of my colleagues on this committee, I have come to appreciate their knowledge and their wisdom and the suggestions they have made. I am hopeful that with their help we can reestablish this farm program on a bipartisan basis to avoid as much politics as possible, as we did years ago, when Clif Hope was chairman of this committee and we enjoyed a very fine relationship. We do not have too many actual dirt farmers in the Congress, but I think you are performing a very excellent service to the people of America by making your contribution, from the experience you have had in this field.

Thank you.

Mr. ANDREWS. If I might say so, I appreciate those kind words, Mr. Jones, and I suppose that you could say, since I am an actual farmer and my income comes from the farm and all of this, that I probably have a vested interest in farm legislation which might be a conflict of interest. With the new ethics bill which the Congress has passed, where full disclosure is deemed proper in these cases, I think I have always been covered because you cannot hide acres under a rug, and everybody back in North Dakota knows I am a farmer.

Mr. CHAIRMAN. I do not want to keep talking, but I would like to say that I have seen Mr. Andrews' farm. It is not covered up, and there is no gatemen when driving in. Everybody seems to be welcome. He was not there, but I drove all over the place and watched the operations and saw what they were doing there, and he certainly makes it available to the public. He has a good farm and does a good job of farming, and I think that he does a good job of presenting the farmers' needs to this committee. We are very happy to have you here, Mr. Andrews. We appreciate your statement.

Mr. Zwach?

Mr. ZWACH. I would like to commend my neighbor to the west for the very fine statement. I should like, if I may, to have an enlargement possibly upon one point, your final recommendation:

> Finally, I recommend that purchases for Food for Peace Program for distribution and sale abroad be paid for at a price covering costs of production and a reasonable profit—just the same privilege enjoyed by others from whom the U.S. Government makes purchases.

Now, we know that the farm benefits come by shipping wheat abroad. Let us take your farm, where it is bought at the lowest possible price.

Mr. ANDREWS. At a fire sale price.

Mr. ZWACH. Around 65 percent of parity, plus the payment, but the moment it is turned into flour, everybody else that works on it gets parity, but the producer does not. This is what you are referring to here?

Mr. ANDREWS. Exactly, that is what I am referring to.

Mr. ZWACH. Have you any further suggestion as to how we can implement this?

You have had broad experience in this. I am looking for information.

Mr. ANDREWS. Mr. Zwach, I think that this is probably one of the key problems, say, in our country: Our farmers and the opportunities they give our Nation to become an effective leader in the world today. I serve on the Appropriations Committee. I am on the subcommittee that handles the State Department funding. And in this work I have to go to many other countries. I have been in these underdeveloped countries; I have seen countries where half the children will not live to the age of 10 because of malnutrition. We have a great opportunity to present our side of the picture, to show that democracy really works, because they are not impressed by our atomic bomb and missiles and all the rest. They are impressed in these under developed countries by the fact that our system supplies enough food for our people with a little left over.

Now, we know that in the world today there is a net deficit in total food availability necessary to maintain minimal health. Nutritional experts estimate that it can be expressed in terms of 1 billion or 1,200 million bushels of wheat—and some of it would be rice; some of it would be other grains, of course. Actually the opportunity is here, because all of the talk about democracy and freedom of the individual, all of this, falls on deaf ears if they are hungry. Communism can move in where hunger is rampant. It has in Vietnam and it will in other areas.

We could provide this 1 billion bushels of wheat to the world and pay above parity prices for it for less than 4 percent of what we are spending on armaments each year. Maybe I am old fashioned; maybe I am leaning too much on Christian ethics on this, or whatever it is, but I think we are passing up a great opportunity in overlooking the fact that food will win a whale of a lot more friends than bullets and bayonets.

If a pastor of a church hears somebody knocking at his door who is hungry, he feeds them before he tries to speak to them about the Lord.

If we use this food as a positive weapon for peace, a lot of the problems of misunderstanding we now have in the world might be alleviated. I know that it is not that simple. I know that the chairman of this great committee has expressed his concern many, many times in his travels, and he has found that you cannot just dump wheat here, there, and everywhere, or any other food, but used wisely and with imagination, this can be done. I would suggest that at the beginning of the year or during the year the Secretary of Agriculture could go out and place an order for 300 million bushels, or 250 million, or 450 million bushels of wheat and buy it just like any other commodity that the Government buys. If you place this order with the Grain Terminal Association, with Cargill, with Continental Grain, with Bundy, or whoever else it might be, the price in the marketplace would reflect that. The farmer would know that he is being asked to produce not for a dead horse but for a viable and firm commitment of purchase.

And a lot of the problems that we have in pricing and distribution, and all of the rest of it, I think would be alleviated. This is what I would like to see done in the food-for-peace program.

Mr. Zwach. Thank you.

The Chairman. We are very much obliged to you, Mr. Andrews. We are always glad to have you appear before the committee and hope that you will come back again.

Mr. Andrews. Thank you very much for your time.

The Chairman. Now, we have our colleague from Missouri, Dr. Durward G. Hall, who is one of Congress's fine Members. He has always done a good job here with us.

We are glad to have you here, and we shall be glad to hear from you.

STATEMENT OF HON. DURWARD G. HALL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Dr. Hall. Thank you very much, Mr. Chairman and distinguished members of the committee. We are delighted to be here. We appreciate your alloting this time to us. We hope that we can make a positive and tangible suggestion. We are not against anything. We simply want to be positive and dynamic in these suggestions, and in doing so we have distributed to every member of the committee, those that did not have it, a copy of our guest's statement this morning and a copy of his book entitled "Our Margin of Life". He will not repeat his statement here before you. But we have also presented an analysis of a bill, H.R. 10742, which I have discussed with the chairman and the members of the committee, together with charts and an explanation on the cost of the price squeeze to the farming operation, and we would ask permission of this committee, Mr. Chairman, that they be made a part of these hearings.

The Chairman. Without objection, that may be done; but, for continuity of the record, will appear following your presentation.

Dr. Hall. We are here, as I say, not to decry any situation, not to testify against anything, but to testify for perhaps a new concept of farming operations which we believe would profit the Nation. This comes as the result of much study, as an amendment to a bill previously introduced, which was predicated on the balance of nature and chapters 8 and 9 of the book "Margin of Life". If it could not be accepted in total concept, it certainly could be an expansion of title IV of the existing Farm Act.

I think there is general agreement today that what was once called farming, and is now known in its broader term as agri-business is in trouble. According to a national magazine report, somewhere in America this year, or next, when a farmer calls in an auctioneer and sells out, the total number of U.S. farms will fall below 3 million. This is old hatch to the members of this committee, but I do watch dispersal sale notices closely, because this is a good pulse feeler in any community. Only 8 years ago, there were 4 million farms. One-fourth of the farms in the Nation have disappeared in less than a decade. The reasons are well known, and a few statistics come in mind.

Farm prices are down 5 percent from 18 months ago. Farm costs are up. Farm debt is climbing fast. Farmers buy $5.3 billion worth of

equipment yearly, and the $256 billion in land, buildings, and equipment that comprise farm assets are yielding a poor return. It was said in the 1930's that the depression began on the farm. Today's agriculture is still big business, but inflation, coupled with an unsatisfactory farm policy, may well start another general downturn for U.S. business if the farm fiscal burden becomes too great.

Today, many farmers, as said by the previous witness, Congressman Andrews, are living off the inflated value of their land. When debts pile up, they get a bigger mortgage, pay more interest, go deeper in debt and finally some of them are forced to give up.

Everyone has his ideas on how to solve the farm problem, and I know how long and hard the distinguished members of this committee have struggled to develop sound farm policies that benefit the Nation and the farmer. The solutions range from getting the Government completely out of farming, to assuming more and more controls. I believe that the answer lies in a new direction and toward that end have again introduced, in the 90th Congress, a bill—H.R. 10742—whose title describes the basic thrust of the legislation "The Cropland and Water Restoration" bill. Soil and water restoration, and the incentive to accomplish both so as to provide a realistic profit margin for the farmer, are what this bill is all about.

The bill has been revised and updated with the help of the General Counsel of the Department of Agriculture from the original bill—H.R. 7164—introduced in the 89th Congress. I am not here to argue in any way against the omnibus farm bill, but rather to suggest that there is a better way to meet the farm challenge, based on concepts which any farmer can understand and on concepts which if properly explained to the public will erase the popular conception that farmers are being paid not to grow food and fiber.

We have no pride in authorship, and we have often stated, Mr. Poirot and myself, that if the committee and the Department will adopt this to the hilt either under this bill that is being considered or separately, I am thoroughly convinced it will solve the problem.

It is not the farmer on top-quality land, with adequate water, in close proximity to markets, with sufficient capital, who is in trouble today. It is the farmer on marginal land, thin soil as we call it in the Ozarks, with the ever-present threat of inadequate rainfall, with little capital and no margin for error, and no control of the market forces, who is in real trouble. Yet, this is the same man who under the farm policy of the past two decades or more, receives the least Federal assistance, while the man who already has everything going for him, including rich soil, benefits the most from present farm program outlays.

In gaining acceptance for a new approach—however simple the basic principle on which it rests—there must first be agreement on basic facts:

1. Farmers are a minority representing only slightly more than 3 percent of our population. The only time the vast majority of our population ever sees a farm, any more, is when they are traveling from one city to another. Consequently, few understand their problems, and no one understands this more than we from farm areas who are in politics. Many consider farmers expendable and without knowing better, oppose legislation enacted to directly benefit farmers.

2. Cropland soil, its plant food, and the water necessary to make crops grow, are not expendable. If these die or disappear, the rest of the population cannot be sustained, and some will also die until these basic elements are brought back into balance with human need. That is nature's law. It is basic. The end product of the farm program is human bodies in nature's balance of power. I can prove this scientifically.

3. My proposal is for soil and water restoration. It is intended to benefit all people, but especially farmers who own the land, and the water that falls and can be retained on it. Farmers are the only people who can accomplish soil and water restoration. They must be the first and most enthusiastic cooperators.

A basic premise of my bill is that the cost of doing soil and water restoration is a cost of producing food. It must be paid by the consumer either directly at the store, or indirectly through the Government which represents all the people. It must result in voluntary and honorable profit to the farmer. He must be consulted and respond with his expertise.

As the colloquy pointed out so beautifully in the first testimony: The basic approach is to offer farmers a second market by the opportunity to shift a percentage of cropland to the production of a suitable cover crop for his particular region, such as sweet clover, plowed under, with the Government paying a fair price per dry weight ton, and with the farmer free to choose between this market or the consumer market—perhaps, the open marketplace—for food and fiber he would otherwise grow.

Assuming that this basic approach, the offering of a second market for restoration replaces the basic farm subsidy program we have today, and here are the immediate consequences:

1. The Government is now out—entirely out—of the farming business, and in the business of restoration and protection of vital food-producing resources, soil and water—title of farm bill.

2. Supply and demand, cooperative buying and selling, even collective bargaining, and all other various farm organization objectives are not interfered with. All of them can continue, but only above the fair parity of income price, set by the second market.

3. This second market says to the farmer:

The Government will buy from you:

a. An increased productive capacity for acres you designate, so that your per bushel costs will be lowered for the next crop, and abundance will be supplied for the consumer at a reasonable cost.

b. When in your opinion, that land is not needed for crop production, under local conditions of price, costs, and yield.

c. This second market buys from you at a fair parity price, below which you need not produce food or fiber for anyone.

d. It buys a suitable crop designated by the science of agriculture, for the best land use. It may be for better food and fiber, wildlife, recreation, land beautification, preservation of virgin lands, et cetera. In any case, for the first time in agriculture policy history, the reward is for the scientific use and development of our resources, in place of a payment for bushels. It will preserve for, and reward future generations instead of mining their soil and thus robbing them.

e. The second market buys estimated tons per acre, plowed under, which calls for returning soil minerals, inoculation of the seed, and growing the crop alone for one year to enrich land according to science. The more you grow, the greater your reward, regardless of the richness of your acres or the history of its past production.

4. For the first time, under this concept, he would place a minimum price on something, which cannot become a surplus.

Individual farmers would determine when the price-cost squeeze hits them, and the exact acres causing the trouble.

By taking those acres out of production, and putting them into a "restoration bank" if you wish to call it that, they remove the surplus they know exists because of cost, price and yield.

5. The results for the Nation as a whole are:

a. Surplus control is done by farmers, voluntarily.

b. Abundance is assured in steady nutritious supply at a reasonable price for the consumer.

c. Net profit for the farmer is assured at or above the parity of income level.

d. Above that level, the farmer regulates the price of what he buys by his demand, and/or options.

f. The nation is assured of a permanent potential in case of emergencies for the production of food and fiber by a constant program of soil and water restoration.

Now, a gentleman whom many committee members know as a result of a visit on June 3 last year which this committee made to his farm operation is here today to make a visual slide presentation that will show the need for and the feasibility of the second market concept. Gene Poirot of Golden City, Mo., is truly a man of the soil. He is a graduate from the University of Illinois School of Agriculture, who followed his grandfather and settled in southwest Missouri where the plains meet the Ozarks. His grandfather invented and sold reapers throughout that part of the country. He is a master agronomist and is a man of the soil. He has applied the fruits of science and technology to his farm operation, and had outstanding success at a time and in an area when many others have failed. Many of you have read his book, "Margin of Life," and I hope you have had an opportunity to review the material I sent to you yesterday giving a more detailed description of the second market concept. Gene has made this presentation to countless farm groups in the Midwest and the reception was invariably ranged from eager interest to enthusiastic reception—and it is my pleasure and privilege, Mr. Chairman, to introduce Mr. Gene Poirot of Steubenville, near Golden City, Mo.

The CHAIRMAN. We are delighted to have you with us, Mr. Poirot.

Dr. Hall and a number of our committee had the privilege of visiting your operation in southwest Missouri, and I know that everyone was as enthusiastic as I was with it. We appreciate the fact that you have come to Washington to make a presentation to us today as evidence of your interest in agriculture and in trying to get our country to understand the problems of agriculture.

We are glad to have you here, and we will be glad to hear from you now—we will be glad to see as well as hear.

You may proceed.

STATEMENT OF E. M. (GENE) POIROT, FARMER, GOLDEN CITY, MO.

Mr. POIROT. Thank you, Mr. Chairman and members of the committee for the opportunity to be here—to the committee, my gratitude for this opportunity.

Many of you, of course, have read my book, "Margin of Life," and I would be glad to furnish a copy to those of you who have not seen it or who may have misplaced their original copy.

It is more than just a story.

Its title foretells its theme.

Its last few words suggest a challenge and with it an offer to serve. These words are: "I am your farmer. You are my final product. What do you want of me?"

The question is asked in the name of all farmers. It is nature who says that human bodies and their minds capable of reason are the final products of farmers. I imagine that if the people knew the full truth of that statement they would have a lot of answers to the question: "What do you want of farmers?" I imagine that economics would become the tool for providing those answers rather than an end in itself.

The pictures which will follow were all taken last year except two of them which were taken the year before. The locality is not more than 20 miles in diameter. In 1922, it was considered submarginal land. In 1924, cropland restoration and later water restoration were emphasized as important parts in good farming. The pictures will show at least part of the impact of soil and water restoration—the name of the bill we are considering here today. [Slide.]

Here is the farm problem. Legislation and farm organizations have not corrected it. Only the farmer if he has the know-how, the will, and the money, can do it. This farmer failed, so also did the banker and merchant who gave him credit. So also did the consumer who expected to eat the products grown here and the processor who had a factory to put them into usable form. If this land is abandoned it will still be a liability in causing floods, siltation of streams, and an unsightly mark of man's failure. [Slide.]

Nature has four requirements for the production of agricultural products. All are here. They are sunshine, air, soil plantfoods, and water at the right time. In most cases plantfoods and water are in short supply. Bill H.R. 10742 called "Cropland and Water Restoration" offers a scientific, workable, low-cost and economically sound way for restoring and maintaining these two important food producing resources. [Slide.]

Without plantfood, this failure. [Slide.]

This failure, without water at the right time.

Please forgive me for being brutally realistic at this point in observing that this young man, a college graduate in agriculture, has just lost 1 year of his productive lifetime and his consumer must look elsewhere for the foods that should have been grown here. None of our Federal farm programs, past or present, can solve this problem. Nor can collective bargaining, uncontrolled supply and demand, cooperative buying and selling, increasing the price to the consumer, or higher priced machines, more land, or weed and insect killers. It takes 4 acre-inches of water and bill H.R. 10742, through its second market feature, in an attempt to provide a chance for an individual farmer to get it. [Slide.]

This success in the same year, when both are applied. One hundred and fifty-five bushels of corn. [Slide.]

Jar on the left, distilled water without plant food. Jar on the right filtered drinking water from city faucet, yet still containing plant food from farmland and sewage. Both were inoculated with plankton (plantlife) from a pond. [Slide.]

The distilled water without plant food will not support life. The river water with plant food on its way to the ocean will support plantlife and produce fish for human food. [Slide.]

Here plant food is being restored to a field on a farm. [Slide.]

The result is an increase of about 400 percent in the yield of the crop. [Slide.]

The cheapest way to restore water is to catch it when it is going to waste in a damaging flood. [Slide.]

Then pump it with a cheap pump and a farm tractor to: [Slide] a holding basin such as this which will supply water for 300 acres of corn: [slide] through a 35-cent-per-foot-plastic pipe, at a cost of about $5 per acre, resulting in an extra average net return of about $30 per acre, amortizing the total cost in from 3 to 4 years. [Slide.]

The first pond is now ready for the next flood to provide more water for irrigation, or to hold it for a short time thus preventing a downstream flood. [Slide.]

Wild geese are a byproduct of this good kind of arming done with cropland and water restoration. [Slide.]

So are fish, also. [Slide.]

Upland game. [Slide.]

Siltation control. [Slide.]

These are the products of unrestored pastures. The farmers' problem is unsolved, the community has nothing much to process or haul or buy. The consumer has few hamburgers coming from this pasture. The cow died of milk fever a few days after this picture was taken. [Slide.]

This is a restored pasture. Temperature, six above zero. Cows and calves comfortable. No infectious disease here for 26 years. No shelter, no silage, no grain—only hay, and 1-pound-per-head-per-day of a protein mixture. Restored land provides an income for the farmer, commodities for the community to sell and process, and many steaks for the consumer. [Slide.]

The final result of unrestored soil. Three vacant houses in 1 mile. [Slide.]

This one across the road on restored soil. [Slide.]

This school. [Slide.]

Or this school? [Slide.]

This store now selling the antiques left by farmers who did not restore their soil. [Slide.]

Or this rebuilt store 8 miles away providing service to those who did. [Slide.]

In the same town of 700 people, this 6-million-dollar bank grew from soil considered to be submarginal by university economists in 1922. [Slide.]

Suitable crops according to the bill we are considering are not limited to those that result in food and fiber production. What about the land from which this water carries cropland to the sea? [Slide.]

Restore it and you get this for wildlife, hunting, recreation. [Slide.]

And this kind of water going to the sea. [Slide.]

And this kind of hunting. [Slide.]

And this kind of gulley control. [Slide.]

And perhaps in another case, this kind of crop—pine trees. [Slide.]

Or even the preservation of this virgin blue-stem and its natural flowers so that people of the next generation may see where the bison lived and the Indian did his hunting. If it has value it can be brought through the second market feature in bill H.R. 10742 and correct a lot of farm problems at the same time. [Slide.]

How would the bill accomplish this?

The best way to understand it is for me to ask you this question: Consider present costs, the yield per acre on your various fields and the price you get as of now for what you grow, what percentage of your cropland would you devote to the production of a suitable crop such as sweet or red clover in the Corn Belt if the Government paid you a parity equivalent price for doing so? Assume it to be $25 per dry-weight ton. [Slide.]

This refers to the price-cost squeeze chart you have on your desk. You are a farmer. You have been offered a profitable market for producing a crop on your unprofitable acres as they appear to be unprofitable just now. They are not to be idle but at work solving your problem for next year and later. Where are those acres located as of now on your farm?

Observe the cost-squeeze chart. On the top is the yield per acre in bushels—from zero to 100.

On the left is the cost of producing a crop on one acre, from zero to $100.

On the right, the price for a bushel of corn, from zero to $1 at the top of the column.

In this case, the cost line is set at $50 per acre. It is the red line.

The green line is the market price of $1 times the yield. It starts at zero yields times $1, and ends at 100 bushels times $1 or $100 if the yield is 100 bushels.

Observe both lines across at the 50-bushel yield per acre line. Here, the cost and the gross income—yield times $1—are the same leaving no net profit.

Significance: As of this date and time and yield, price and cost, all bushels and acres growing them to the left of where these lines cross are surplus. They do not yield a net profit to the farmer, but their bushels go to the market and depress the price.

These are the bushels and acres that should come out of production and only a market for doing so can take them out of production. Only the individual farmer knows when and where they are on his farm.

The market outlined in H.R. 10742 not only takes them out of production but buys the correction of the problem causing the trouble. [Slide.]

Sweetclover is our suitable crop. The cost of soil restoration for growing it is $25 per acre. If it yields 1 ton at $25 per dry-weight ton, it will break even. If it yields 2 tons, the farmer makes a net profit of $25. [Slide.]

When both slides are combined, please observe that as the richness of the soil increases it becomes more profitable to grow grain than the

suitable crop. Also observe the risk of loss is less, as the yield for sweetclover declines, as shown to the left of the break-even point, than it is for corn. [Slide.]

At your desk is a 5-acre fractional farm table which shows the actual mechanics for correcting the problem, which is to increase the productive potential of the acres producing at a loss.

The market price and the cost of production remain the same. The surplus is controlled. The yield per acre is increased. The net profit is increased.

Simply stated, the farmer moves, by cropland restoration, his land from the 50-bushel spot, where both lines cross on the first chart, to the 60-bushel spot where there is a net profit of $10 per acre. The favorable results are evident and are listed in the various columns in the table.

This example is based on 5 acres as a fractional part of a farm. One acre will be 20 percent of the cropland, and then you can multiply it by any figure that you want to get a different size farm, a figure large enough to give you the national cropland total.

With corn at its present low price of $1 per bushel, the cost of production is not changed. So as to change, how the farmers can correct these problems themselves, he can do so by using the second market. That covers the 5-year period.

We are not asking the consumer to pay any more for the product than he gets or to take less for his services. In the block, acres producing sweetclover as a suitable crop can be changed to any crop which will fit the needs for better land use or cropland restoration, and for other reasons.

The per acre market value and the cost of producing them can be changed to fit any other crop or livestock production. Such as cotton, rice, or anything else. And it will tell the individual farmer at a glance which market is the most profitable for him.

Controls are limited to supply and demand of consumer; that is, above the minimum parity level regulated by the crop, which is, of course, the sweetclover at $25 a ton.

It is only those farmers and acres in economic trouble that will use the second market; but the cost to the Government should be less than that of any other farm program paying higher price for retiring rich land. This is controlled by the second market. That is, the surplus is.

The purpose of control on the market is not even mentioned, nor is the economic force of the second market which strives for the farmer to seek scientific information from the State and Federal agencies so that he may grow a higher yield of a suitable crop. Even though the market price and the cost of production held at the same level in this example, the net profits to the farmer are increased to 125 percent. This is the bottom of the fifth year. While the amount of corn going to the market from the farm is reduced an average of 18.5 percent above, less the 11.1 percent below, divided by 2, an average of 14.8 percent during the 5-year period.

Also, if the consumer now wants the farmer to do so, he could grow 300 bushels of corn in place of 270, his capacity to begin with 5 years ago. Please note that after the farmer had run his land through the

5-year soil restoration program, he can now divert 2 acres to the second market and so double the net profits that he had on all acres to begin with. The 2 acres taken out of production would decrease the surplus by 40 percent. See, the fourth year, 2 acres, in that place down there.

Another point: The grain market had better respond to this threat since the farmer has until about May 1 to decide if he will plow down the sweetclover and plant corn or if he will sell it to the second market at $25 a dry-weight ton later.

It could be financed by a tax on the food and fiber production produced by them and returned to those members shifting land to the second market where it is not taxed.

If Congress wants to avoid more appropriations for agriculture, they may be interested in loaning $4 billion to a group representing all farm organizations for financing the second market. They could then attract a lot of it by offering for participation in the second market before collecting the tax on the food and the fiber produced that year by that member. Now, the $4 billion would become a revolving fund—it would not have to be appropriated every year—it would be kept going by the farmers to control their surplus and to keep their productive potential in order.

Other suitable crops could still be offered and paid for by the Government through the second market run by the farmers, if other land uses were desired. They, of course, would pay for that above the parity price established by the second market.

Basicaly what is the difference between this program and others?

1. This is a market buying—results proven in degree accomplished. Not a contract.

2. In place of buying only surplus control, it also buys:

   a. The correction of the problem for the individual acres, on the individual farm by cropland restoration, water restoration, and/or a suitable crop for more rewarding land use.

   b. It buys a permanent system of agricultural production for the consumer without a penalty in net income to the farmer for providing it.

   c. It buys better land use as a means of increasing net income to farmers in place of retiring land to get a higher market price from the consumer for farm products.

   d. It buys freedom for the individual farmer to run his business for a reward for work accomplished. Not "subsidy" relief payments, et cetera. It is a market.

Substitute any group of figures or crops in place of those on this chart and one of three answers becomes evident, in the net profit column:

1. The farmer makes more money now producing for the consumer market, than he could under the program.

2. The farmer needs the program and will use it because it makes him more money, as this example shows.

3. The farmer has no chance to make a living on his farm. Economics and science do not have an answer to his problem. He should move off!

(The prepared statement of Mr. Poirot follows:)

STATEMENT BY E. M. (GENE) POIROT OF GOLDEN CITY, MISSOURI

My name is E. M. (Gene) Poirot. I am a farmer living near Golden City, Missouri. I am here at my own expense. I would like to say I represent farmers because I am one. I would also like to say I represent consumers because they are my only reason for being a farmer.

The slides you will see are all from pictures taken during the past two years. They are of farms and crops in an area not more than twenty miles in diameter. In the agricultural depression after World War I, it was considered sub-marginal for agricultural production because of a "price cost squeeze" such as we have now. During the past 46 years, these farmers had a chance to follow one or both of two courses. The first one began in 1924. Let us call it the science of agriculture. Bill H.R. 10742 provides farmers with a market for following this course, and calls it "soil cropland and water restoration." Up to now, its use has been limited to those who had money and the will to get the needed scientific information from the local county agricultural agent.

The fundamental purpose of this program was to change sub-marginal land into productive land, to increase its yields per acre so that the cost of producing a bushel or pound would be reduced and thus leave a net profit when sold. This was done by returning to the soil the plantfoods taken from it by previous crops, by holding the soil in place to prevent its erosion and later by impounding surplus rainfall to be used for irrigation during summer dry spells.

The second course or program appeared in 1930 when Mr. W. F. Schilling, dairy member of the Federal Farm Board, told about it to 6,000 farmers who had come to my farm to see the results of applying the science of agriculture at an annual field meeting held for that purpose. The new thought was that the market price for farm producers could be increased by controlling the production of surplus products and by pegging the price of those that were already produced. At the same meeting a much older speaker whose farming experience dated back to covered wagon times pointed out the great difference between these two programs and yet the dependence one has on the other when he said "a farmer must first have something to sell before the price becomes important."

Bill H.R. 10742 considers both the "something to sell" and the fair price to the farmer for growing it.

The best way I have found to describe this bill to farmers is by asking the following question, "considering present costs of growing what you now grow, its yield per acre on various parts of your farm, and the local price you can get for that product, what percentage of your cropland, zero to 100 percent, would you devote to the production of a suitable crop such as sweet or red clover for the corn belt, if the Government paid you a fair minimum parity price equivalent of say $25.00 per dry weight ton for plowing it down?" You pay all of the costs to produce it, let it occupy the land for one year and dispose of it as the Government directs. You can earn additional payments for each ton of the crop if you have water conservation for flood control and irrigation that meets the SCS standards, siltation control, wildlife habitat restoration or a number of other valuable land uses as later designated. The average answers of each group have run from 22 to 68 percent of their cropland.

On page 2 of the President's message to the Congress on February 27th, 1968 are listed the farm "problems today".

"His income lags" the second market feature of Bill 10742 buys soil and water restoration at a parity of price level which will automatically force the price offered in the consumer market to that level.

"His production costs are rising and he is trapped in a vicious price-cost squeeze." The second market feature of the bill we are considering gives the farmer an escape from the price-cost squeeze on any acres too poor to yield enough that when that yield times the price offered less the costs returns less net profit that he can make in the soil and water restoration market. "For most of his commodities he has no practical means of tailoring his output to total demand." For the first time in our agricultural history this bill H.R. 10742 gives him that chance down to the field on his farm where the correction should be made. It is the least productive field which should come out. The bill gives him the choice of taking it out of production. Its potential to produce should be increased to meet the competition of richer fields on his farm and on other farms competing with him. The bill pays him a fair parity price for restoring that potential by soil and water restoration.

Bill 10742, if enacted into law, will not only quickly solve these problems but many more not listed in this message. Some of those other problems are to:

(1) Protect the consumer, the only reason for farming, from unfair price rises, (2) to provide abundance so that good food can reach down to the low income families of our nation who according to nature's law need it just as badly as the rich people, (3) to provide a food and fiber producing potential in our farms that can meet an immediate demand for more food, fiber or any other agricultural product, (4) to hold that high potential and increase it if need be to serve following generations as well as we are being served at this time, (5) to provide agriculture with a way to quickly adapt its production to valuable scientific discoveries as soon as they are available. There are others that deal with rural community development of processing industries to ultilize local labor, capital and management in place of shifting such industries to already overcrowded cities.

The following pictures will show how inadequate our past farm programs have been in developing out agriculture with only a market price increase that was supposed to follow surplus control. They will also show that an increase in price would still be inadequate to bring about the local progress brought about with soil and water restoration.

Some pictures will be shown of farmers who could not be helped if corn prices went to two dollars per bushel because for a lack of plantfood and water they did not grow enough to pay expenses, yet what they did grow went to the market and depressed the price of corn grown elsewhere at a profit.

Under present farm programs, payments to farmers on such poor land are only about one third of what they are for the rich land. They are therefore of little help in solving the problem of low yield at high cost. Yet the farmer stays on until he is broke hoping for some increase in the price of his products.

Going to town for a job may solve his problem, but it does not solve it for the consumer who someday, if not in the near future, must depend upon products of one kind or another produced on that soil. Even if we admit we will never need it for anything, we will still pay the price for neglect, in flood control, siltation prevention, or just a loss of natural beauty not present on abandoned farms.

These same farmers will be reached by the soil and water restoration program. The market it represents will pay them a fair parity price for results measured by tons of a suitable crop proving that they enriched their soils and in some cases provided water to irrigate the crops. They are then able to meet the competition of better farmers without asking the consumer to pay more for farm products or to take less for his services to the farmers.

Let us consider low income farmers in the dairy business. Twenty percent of their cows, let us assume, cannot make a profit at present prices. They continue production hoping for an increase in price. If it comes more substitute products will go to the market. The consumer will complain to his congressman. The taxpayer will call it class legislation favoring one group of farmers. The present feed grain program can do little if anything for these farmers.

Under the terms of the bill we are considering farmers could make the adjustment and correct their own problems of inefficient production. They would sell the unproductive cows thereby taking the surplus off the market. They would place the land these cows needed in the soil restoration market, and get a fair parity income while improving it. They would grow, or buy some more efficient cows, producing milk, from the now more efficient restored acres to meet the competition of other farmers. They would be supplying the consumer with the real thing, not substitute dairy products, at a reasonable cost to him.

There are many, many cases such as these of farmers doing various kinds of farming that this program can reach with a scientific solution to their problem. The best we have been able to do for them in the past is to provide a bit of unwanted relief. The solution to their problem seemed hopeless. For example what about the low income farmer in competition with the very rich corporation, the city farmer who makes his money in a town profession, or those who never saw a farm but find it a place where they can get some so-called income tax relief? According to the second market features of this bill, the poor farmer can build up his acres to the same high level as that any of them can reach with all their money and do it cheaper because he and his family will work at the job in place of hiring experts to do it for them. The consumer will be guarded against a possible take over of production by a sinister few who after they got control could dictate the price and in a great measure the government of our people. It is a terrible thought to someday face up to a demand "you do so and so if you want to eat."

There is yet another farmer we have not considered. Most of his farm is washed away. The balance of it is so poor that it will not produce food or fiber at a profit for the consumer market. It cannot be restored to a point where it would be profit-

able to grow a measurable net profit for either the consumer market or the soil restoration market. The wildlife specialist has investigated it and finds that the farmer cannot make a living by selling hunting or recreation rights.

The forester has also turned it down for any "suitable" crop he has to offer. Under this bill there will be other plans, each with a scientific approach, for the best land use for a profit by growing a designated suitable crop, but they do not apply here.

If his farm cannot use any of these plans, then the only course left for this man is to abandon his land and seek employment elsewhere. But he leaves the farm at a parity of income level, not at a pauper's level. He leaves under the advice of good *economists* such as his banker who cannot loan him the money, the farm home administrator who says there is no chance for him to pay the money back and the science taught by the county agent and the SCS engineer. He has had the services of experts in place of a low relief payment that in the end forces him to leave his land at a pauper's level. If you don't believe that read the last report of your committee print, "Food Costs and Farm Prices."

There is still another case involving the rural town and community. There are many such places with a surplus of labor. They have a good water and electric power supply. A good road and a nearby railroad offers the necessary transportation for a well-processed agricultural commodity which can be grown on the land in that trade territory.

There is a good demand for the product and an industry is ready to come in if it can be assured a supply of the fruit, vegetable, drug plant, tree wood, cellulose, sugar or what not. The scientist of the industry or the college of agriculture determines what the "suitable" crop should be, for preparing the land and its farmers for the most efficient profitable production of the product to be processed by the local industry. This is a pilot plant operation carried on by the government making a market for soil and water restoration to bridge the gap between agricultural production for the factory and the final location of the processing industry which will employ local labor, use local capital, provide a market for a local product to supply the consumer with what he wants.

This bill opens the door for the science of agriculture so that it may bring its values to the final consumer by way of the farmer without first training the farmer to be a highly educated specialist. Thirty years ago a farmer had to be well trained to mix a good ration for his livestock. He can now buy the feed mixed by the most exacting machines controlled by the best scientists at less cost than he can make it. The consumer gets the final product in abundance at a reasonable cost.

The "suitable" crop brought by the second market in the bill we are considering offers the same avenue for service to the consumer by the science of agriculture as the sack of feed illustrates. If we will always have more cropland than we need, and more farmers than we need to produce all the food the world wants, we could have our scientists start such ventures as finding new products. To illustrate—One could be an insecticide as good as the best we have now, such as an improved pyrethrum which can be grown on our extra land and be harmless to humans.

Perhaps the bill cannot become a law until we have wasted more of our resources and get a little hungry, but we in southwest Missouri would sure like to have it there so we can, in the next few years, move our agricultural industrial development twenty years ahead of the rest of the Nation. We are on the move with the good help you have already provided.

The bill has many other values such as taking the government out of the farming business and turning that over to the farmer and consumer under our already accepted supply and demand system. Under the terms of the bill the government could not be criticized for protecting and restoring the two food producing resources of cropland and water. There could not be criticism for paying the farmer or anyone else a minimum wage for doing it. They pay such wages for flood control by way of big dams that become large lakes at which private capital finds a profitable investment and people a place to play. The government pays minimum wages and a lot more to keep our Armed Forces well supplied and no one objects to that which is a valuable protection against death by the bullets of an enemy. One is just as dead by starvation but it is much slower. It starts with the mental retardation of kids. It goes on to adults first as hunger, then as a listless discouraged existence accepting the impossible as a way of life. The world around us is an example. Surely our people would not deny farmers a minimum wage for preventing it.

The bill would be the only law I know of that hands freedom without a lot of qualifications right on down to the individual. It is an offer to buy a finished product in degree accomplished when and if the farmer wants to sell. Just like buying a hog, weighing it and paying accordingly. There is no previous contract that says you must do so and so. There is no "average" of what other people do that determines the price per acre for the suitable crop. It is determined by the tons growing there. There is no majority vote that tells the minority what they must do. Each individual farmer says I will accept or I will reject your offer.

A few years ago a majority of wheat farmers under various types of pressure voted to make a minority of farmers take less for their next wheat crop. In other cases majorities have voted to force a minority to take allotments of less bushels or acres than they wanted to plant. Some bills now being suggested would have various ways of taking production away from the efficient and subsidizing the production of the inefficient, thus allowing those products to come to the market as a price depressing force working against the efficient. Under the terms of this bill the Government stands by, as the consumer and the farmer, with the help of his various farm organizations, fight it out on a supply and demand basis. When the fight gets too rough for any individual farmer to make a net profit as high as that offered by the Government market buying proven soil and water restoration he has the choice of shifting one acre or all of his land to that market. If he makes a mistake by not shifting soon enough it is his. If the consumer pays too much for some food he has a choice of shifting to another. The Government is not to blame. Its job is to protect and restore the soil and water resources so all people may enjoy good food in abundance for this and coming generations.

THE COST

Many city people believe that all costs for Government agricultural programs are directly caused by farmers wanting more and more. In order to strike out this thought let us be very realistic and say, "Last night all farmers died and this morning all of them have been replaced with robots. Farming will go on without interruption."

What is the cost of producing food without the farmer? Oddly enough the bill comes from mother nature, not farmers or robots. She will continue to produce for robots as she did for farmers or even as she did before man made a plow or gathered a seed to plant next year. Her demands have not changed and we had better pay. She would say, and all agricultural science would agree: (1) "enough money to have someone return to the soil or ponds, if the product is fish, as much plantfood (or more) than you use and waste in yearly agricultural production if your numbers increase or you want to eat better." (2) Enough money to hold the remaining soil and organic materials in place against erosion and leeching so as to have a way and place for holding plantfood." (3) Enough money to provide water for irrigation just when the plants must have it for maximum growth." Robots can't do that job very well, but accordingly to Bill 10742 we can hire farmers already here at a minimum wage equivalent to do it since they already know just exactly where it belongs. Never in our agricultural history have we returned as much plantfood to the soil as we used and wasted in agricultural production. The figures run from three hundred to seven hundred percent net loss above that returned in all fertilizers each year.

We are losing the battle for soil erosion control even though some excellent work has been done by the soil conservation service. The loss from erosion increases as the extra organic matter is burned out by present methods of using large amounts of nitrogen fertilizers to get the high yields you read about. Plots at Sanborn Field University of Missouri, after 25 years of using only 25# of nitrogen fertilizer per acre lost all that had been applied and 45 percent of the original organic nitrogen that was there when the experiment started. When such land is on a slope, it moves more rapidly to the sea—(Dr. W. A. Albrecht, College, of Agriculture, Missouri).

We pay well for the science it takes to fly a ship to the moon and land in on a predetermined spot.

Should we not also be willing to pay for the science it takes to restore our soil and water resources so that we may have food in abundance to better nourish and keep healthy bodies and minds for this and coming generations? Bill H.R. 10742 provides the mechanism for doing it and the cost will be less now than current costs, and less than it will ever be in the future.

Summary of H.R. 10742

This bill provides:

1. A government market for
2. Buying at an effective price, measurable results of soil and water conservation known to be of great value to
3. The *farmer*—the *rural community*—the *consumer*.

The bill is activitated by providing:

1. A second Market competing with the first, or Consumer market on a supply and demand basis. The consumer market buys the products resulting from *resource exploitation*. The government market buys products proving *resource restoration*.
2. The government *buys* at prices *high enough* to cause effective results in holding and increasing our potential to produce agricultural products.
3. *Tons* (to prove the degree or amount of value accomplished)
4. A *suitable crop* named by science (to prove the kind of value accomplished)
5. Growing *alone for one year* or more (to provide surplus control above the level determined in the second market.)
6. On *any number* of acres (to assure abundance for the consumer by a rapid adjustment of supplies to his demand without causing a price depressing surplus or a short supply of products.)

The Bill is Not in conflict with the Objectives of Farm Organizations or with the Free Functioning of Supply and Demand Economics

Collective bargaining, supply and demand, Co-op buying, processing and selling the finished product are in no way affected by the bill except that these activities must take place above the price offered by the second market. "Cost of Production", "fair price", "parity of income", are all determined by the farmer in his acceptance or rejection of offers made by the second market. The "freedom" offered him is in an individual basis, not determined by the vote of other farmers of the price-squeeze of the market buying his products. He is offered the freedom of farming or not farming above a price floor level determined by the second market and below which he need not produce agricultural products.

THIS BILL IS NOT A RELIEF MEASURE

It at once takes the government out of the farming business in attempting to give relief to individual farmers. In place of this the government is put into *soil and water conservation* business which is of vital importance to all of our people. Since farmers represent only about three percent of our population they could be considered as *expendable* but the *food* they grow, the *soil* they use, and the *water* required in agricultural production are *not expendable*.

Headlines saying, "All farmers died last night" should affect only 3 percent of our population and perhaps could be forgotten in a few days.

Headlines saying, "There is no more food", or "the soil is radio active and its products are poisonous", or "rainfall is no longer fit for growing crops, would cause wide uncontrolled panic because the effects would be disastrous to *all* of our people.

Food or the *soil* and *water* producing it are *not expendable*, therefore, the second market buys something of great and important value to all of our people.

The First Set of Pictures of Proof of these Important Values to all People as shown by the Resulting

1. Good health, Abundance, good food, reasonable price.
2. Preserving and increasing the potential for producing these values now and in coming generations.
3. A price floor for farm production determined by supply and demand which considers the cost of returning to the soil the plant foods we use and waste, holding the water available for plant growth and preventing erosion from destroying the soil body as cost items in agricultural production.
4. A continuous growth in the economy of the rural community.
5. A control of unwanted surplus production yet a continuous flow to supply consumer demand.
6. The control of the rapid flow of poverty stricken farmers to the cities.

7. An elimination of products produced at a loss by farmers or produced with the aid of government subsidies both of which cause the successful farmer unfair competition in the market place.

The Next Group of Pictures Will Show the Second Market at Work to Bring About the Values of Soil Restoration and Water Conservation on a National Basis

The chart shows 5 acres as a fractional part of a farm in which one acre represents 20 percent of our cropland. On a national basis this is equal to about 60 million acres generally considered as surplus land under present conditions. Corn is used as the crop because of its present low price and high production cost. It therefore represents an impressive picture of our farm problem. The figures in this chart are very conservative. The costs for producing the corn are quite low. The yields are near the national average. The figure of $25.00 per dry weight ton for the suitable crop which is sweet clover may be too low. The cost of soil restoration for sweet clover is relatively high.

These adverse figures are deliberately used to show the effective way the second market can solve our farm problem. In addition the chart shows that the present price cost squeeze is not relieved during the next five years since we are maintaining the price of corn at $1.00 per bushel and the cost of producing it at the same figure throughout the period.

In addition we will expect this farmer to control the surplus as it exists on his farm, double his net profit in four years and maintain that high level of net profit after the fifth year while actually reducing the surplus if need be by 40 percent more than double the reduction he made to begin with.

Any crop other than corn, any kind of livestock, or livestock products can be used in this example. Any figures that apply to any individual farm can be substituted for the figures used here. Regardless of what they may be they will show that the farmer will follow any one of three different courses:

1. If the figures show a high net profit, at least higher than that offered by the Second Market, the farmer will not be interested in this program. He has no farm problem.

2. If the figures show as they do in this example, that the farmer is in trouble, he will use the second market perhaps devoting 50 or 100 percent of his cropland to its offer.

3. If the figures show an impossible situation for producing a crop proving soil and water restoration the farmer will leave his land. He, however, does so because the science of agriculture as taught by his County Agent and University says the task is near impossible, and his banker or the Farm Home Administrator will tell him it is an unsound economic venture. In any of these cases he will be leaving the farm without first becoming a pauper by losing all of his savings and a good part of his life time.

SUMMARIZING

In summarizing the favorable effects of the Second Market as shown by this table, we can say that:

1. The price of food and agricultural products has not been increased for the consumer.

2. The consumer has not been asked to reduce the price of the products and services he sells to the farmer.

3. The farmer has been kept on the land doing something of great value for all of our people rather than appearing as a relief client in some city.

4. The taxpayer supplying the money has bought something of important value for his immediate needs and those of his children.

5. The farmer can now increase his production by eleven percent more than he could produce 5 years before (if the consumer wants it) or he can reduce his production by forty percent and still make twice as much net profit as he could five years before.

6. This farmer is withholding the corn from the market that he produced without profit is not offering price depressing competition to those farmers still producing at a profit.

7. What has been done in this example has actually improved the economy of the rural community in which the farm is located. The land devoted to the suitable crop required materials and services furnished by the rural community. In addition the extra net profit represents actual new wealth for the rural community.

SOLVING THE FARM PROBLEM THROUGH AN ANNUAL CROPLAND RESTORATION PROGRAM

Who benefits? Farmers—Rural Communities—American Housewife—and Consumers.

How? By Farmers using an alternate market provided by the Government in buying—SOIL AND WATER RESTORATION. A farmer in *Serious Economic Trouble* using the alternate market would: Increase his net profit—control surplus—increase the productiveness of his soil—*without* increasing the market price to the consumer and without asking the consumer to decrease the price for what he sells to the farmer.

Example: Yield x Selling Price less Cost=Net Profit. Any kind of crop or livestock can be used. Corn is selected because of its present low price of $1.00 per bushel and its high production costs. Sweet clover, requiring soil restoration at the farmers expense, is selected as the suitable crop. Sweet clover yielding 2400# per acre, costing $25 per acre to produce and selling for $30 per acre are not changed during the five years covered by this example.

Purpose: Showing under these adverse conditions farmers can correct their problems if given the *alternate* market chance to do so.

	Acres					Net profit	Percent increase	Total yield	Bushels reduced	Percent reduced
	1	2	3	4	5					
Under present conditions of price cost squeeze:										
Yield	$50	$55	$55	$55	$55			270	0	0
Cost	50	50	50	50	50					
Net profit	0	5	5	5	5	$20	0			
Effects of the alternate market:										
1st year:										
Yield	*30	55	55	55	55			220	50	18.5
Cost	*25	50	50	50	50					
Net	*5	5	5	5	5	25	25			
2d year:										
Yield	60	*30	55	55	55			225	45	16.6
Cost	50	*25	50	50	50					
Net	10	*5	5	5	5	30	50			
3d year:										
Yield	60	60	*30	55	55			230	40	14.8
Cost	50	50	*25	50	50					
Net	10	10	*5	5	5	35	75			
4th year:										
Yield	60	60	60	*30	55			235	35	12.9
Cost	50	50	50	*25	50					
Net	10	10	10	*5	5	40	100			
5th year;										
Yield	60	60	60	60	*30			240	30	11.1
Cost	50	50	50	50	*25					
Net	10	10	10	10	*5	45	125			
Average each year							75			14.8

A study of this five acre, five year performance table of a farmer in serious economic trouble reveals the following:

1. The *surplus is controlled.* It is that number of bushels (50) in one acre that are produced at a break even point that doesn't result in any net profit to the farmer. This fifty bushels going to the market will depress the price of corn produced on the other four acres which represents a small profit. The fifty bushels also depress the price for other farmers who have richer land still producing at a net profit. It is in their interest to have it removed from the market.

After five years in the program this man could reduce the surplus by 40% taking out two acres of his cropland and still make 100% more net profit than he made to begin with. See 4th year in chart.

If the producer needed it, he could also increase production by 11%, make a net profit of 150% without increasing the price to the consumers or asking the producer to take less for his products.

2. The net profit for the farmer is greatly increased, he could now better stand a depressed market price than five years before.
3. His land is much richer than this conservative table indicates which means that adverse weather conditions will have less effects on his yields.
4. He has learned more about the science of agricultural production and also where to go to get the information.
5. The rural community in which he farms has not experienced a serious reduction in his demand for supplies. He has had net profit to spend in increasing amounts each year. When he leaves his farm, the land can produce more effectively than it could five years before, thus increasing community wealth.
6. The *consumers* of the farm products have not been asked to pay more or take less and they are assured of a steady supply of farm products for their children when the present farmer leaves the land.

Soil and water restroation and conservation are the vital part of successful farming anywhere in the world. This is *nature's* demand, not that of man. Farming in most cases destroys these resources. An *alternate market* offering to buy their restoration is most important.

Why have a *market* buying tons of a *suitable crop* at a *fixed price* occupying land for *one year* or more on *any number* of acres?

An "*alternate market*" competing with a first market for land use can prevent prices in the first market from going too high or too low and still have the free working of supply and demand for the consumer. Participation in the alternate market will be very sensitive to consumer demands in amount and kind of product. For example, substitute any set of figures for those in the chart based on yield, selling price and costs and any one of three choices will at once be evident:

1. The farmer who has no problem is not interested in the alternate market.
2. The farmer who has a problem can make more money producing for the alternate market on his poorer acres.
3. The farmer who does not have any soil productive enough to supply either the first or second market and return a profit at the price offered in either market must quit farming. The good economics and science of agriculture will tell him so.

"*Tons*" of a suitable crop are bought to measure degree of fertility and the kind of fertility provided by the farmer. Also to encourage the farmer to get the necessary scientific information so as to grow the largest amount of tons which by their weight reveal the degree of restoration he has done.

"*Suitable crop*" offers a scientific means for determining what kind of *land use* is most desirable. The best land use may be pasture and flood control, timber and wildlife habitat restoration, agricultural production plus wildlife with some special crops for insect control and high income vegetable and fruit crops. In some cases the preservation of wilderness, virgin praries and their native creatures may be desirable, and add beauty to the landscape and serve as sources of recreation.

"*Fixed price*" is important so that a floor for agricultural production may be established for earning net profit below which farmers need not produce agricultural products. It also needs to be fixed so that above it an increase may be offered to encourage soil and water restoration to meet the need for our increasing population. The fixed price should begin at a place which will encourage farmers to return as much plant food to national cropland

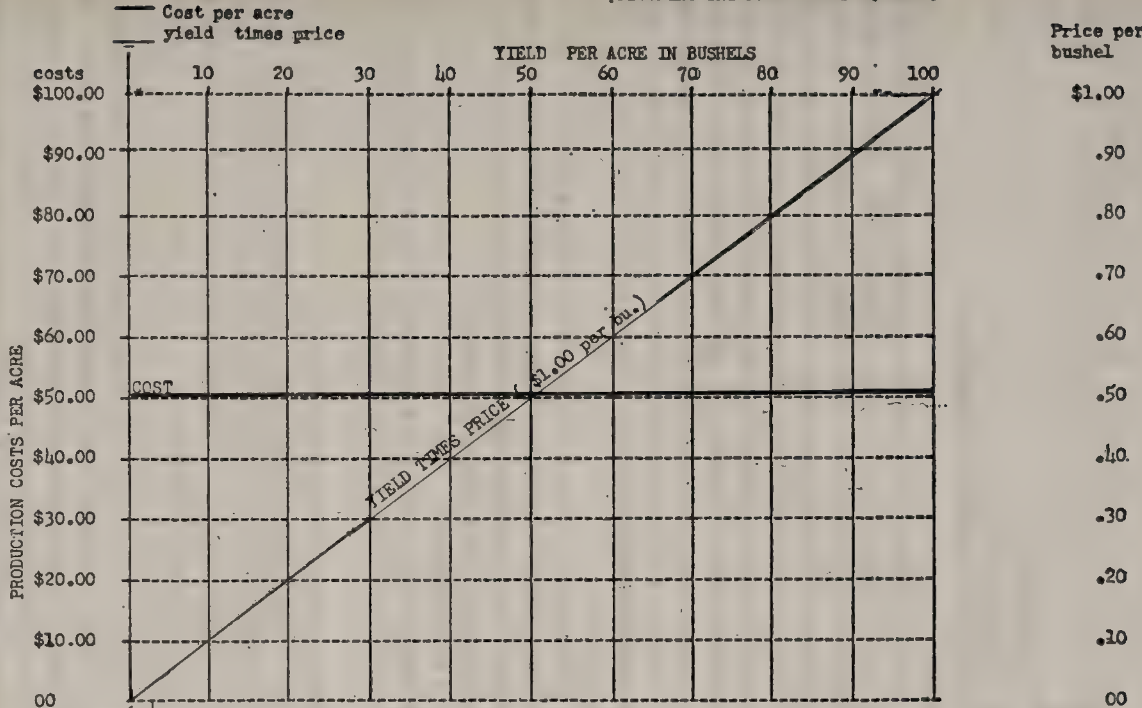
as is used in annual production and to hold the soil in place and provide water from rain fall to irrigate it for the highest economical production.

"*One year*" or more in the suitable crop is for the purpose of allowing a biological adjustment (if any) to take place after large amounts of plant foods have been applied and to allow the farmer to control surplus production.

"*On any number of acres*" will allow a quick adjustment to supplies, up or down, by the land best equipped to do so. It will also give farmers a chance to shift to some other kind of farming if economic conditions suggest it.

"*Community and social betterment*" by encouraging industry to locate in the area to provide additional employment and utilize local resources.

FIGURING THE PRICE COST SQUEEZE.



This graph shows three variables-- YIELD--PRICE-- COST. YIELD times PRICE less COST equals NET PROFIT.

A change in any one willincrease or reduce NET PROFIT (or marginal land). The farmer has no control over the price where he sells or the COST where he buys-- SO-- his only chance to increase NET PROFIT is to increase the yield per acre. Doing so helps him but intensifies the problem for those who do not.
Bill H.R. 10,742, through its second market feature,prevents this consequence by offering ANY farmer a FAIR PARITY equivalent price for withdrawing his MARGINAL acres from production, increasing their YIELD per acre thereby reducing the COST per UNIT of the next crop they grow.
The significance is:- each individual farmer controls MARKET PRICE by withdrawing HIS UNPROFITABLE PRODUCTION.
HE REDUCES HIS COSTS by increasing his YIELDS PER ACRE. In buying soil and water restoration the second market gives him a chance to adjust YIELD-- PRICE-- and COST for NET profit at a parity of income level. It also provides continuous abundance for the consumer at a reasonable price to him

The CHAIRMAN. Does that complete your presentation?

Mr. POIROT. Yes, sir.

The CHAIRMAN. We are very much obliged to you. You have made a very fine statement. Does anyone want to ask any questions of Mr. Poirot?

Mr. McMillan?

Mr. McMILLAN. I would just like to tell Mr. Poirot again how very much I enjoyed visiting his farm last year. I think it was a wonderful example of how you can do something with a farm that had been downgraded to the extent it was not even a good pasture. I think that you are to be commended on the fine attainment you have made. I hope every member will have an opportunity to visit your farm.

That is all, Mr. Chairman.

The CHAIRMAN. Thank you.

Does anyone else wish to make a statement?

Or to ask questions?

Mr. HANSEN. I would like to join in the remarks by Mr. McMillan. I did enjoy very much my visit to your farm, Mr. Poirot, made possible by your good Congressman, Dr. Hall. You are to be commended on your statement today, and on the information presented. This will be helpful to agriculture and I hope much good comes from this. I believe firmly in conservation practices. I like your idea of emphasizing restoration and upbuilding of the land. And this is in a way that has not been done heretofore. This is certainly commendable, and I hope, again, as I have said, that some good can come of what you have presented today.

Mr. POIROT. Thank you.

The CHAIRMAN. Thank you very much, Mr. Poirot.

And thank you, Dr. Hall. We are always glad to have you come before our committee. You are welcome at anytime, both of you.

Dr. HALL. We thank you for your patience.

The CHAIRMAN. Mr. Belcher.

Mr. BELCHER. I was to the farm in Missouri. The trip was a revelation to me to see the work Gene Poirot has done in that part of the country.

Mr. POIROT. Thank you for those remarks.

This would make it possible for many of our farmers to do this if we can get that kind of legislation, without having to reach into their own pockets and then get enough of an education to be able to do it. I think this bill presents that chance.

The CHAIRMAN. Mr. Dow.

Mr. DOW. I think that Mr. Poirot has made a very provocative statement, and since this is new to me and possibly to some of the other members, it does appear somewhat complex.

That is not said in criticism.

Mr. Poirot, has the Department of Agriculture made any comment on your poposal?

Do you have any reaction from them either on your plan or on your bill?

Mr. POIROT. I think the best way to answer that question is to say we have not heard from them, but basically what you have seen here is what is taught at every college of agriculture in the United

States. It is the basic scientific approach to good farming. And one of the reasons that we can brag about agriculture production is because many farmers have done what is sought here today. Those who did not are the ones who are in trouble, those that come before your committee and say: "Well, we have got to have more money." There are others who are making a net profit and parity of income who have done these things, but those who have not are not making it.

Now, if you raise the price for those who have not, then the others, of course, will increase their production, but, also, if they do not get a raise in price, then you are penalizing the efficient, scientific agriculturist.

Dr. HALL. May I add that the answer to the distinguished gentleman from New York's question is negative.

We invited and tried to lay this discussion in a demonstration area in the hope that the Secretary could go with us. He tried hard to go. There is no question about that. I believe the chairman will confirm that we have asked for departmental comments. They have not been forthcoming yet. They are under study. As I said, in my opening statement, the amendments to this year's bill were drafted by the counsel for the Department of Agriculture. We cannot in any manner say that this has any approval, and, again, as I said in the beginning, we hope that the principle of the second market for restoration can be adopted, whether it is within the existing farm legislation as an expansion of title IV or whether this is taken over and marked up as a clean bill. We have absolutely no pride in authorship.

Mr. DOW. Mr. Chairman, has the committee asked for a report on this bill?

The CHAIRMAN. We have.

Mr. DOW. I am glad that they have. That is fine.

I think that some further exploration of this proposal ought to be undertaken. I am a layman. I am not qualified to sit here and say that this is a fine idea or that it is not a fine idea. It looks good to me. A man like myself has to be backed up by technical concurrence from others who may be qualified. I do hope that this can be had, in support of this.

Dr. HALL. May I say further, Mr. Chairman, that we are available at all times to explain how this actual 20-percent concept of participation on the voluntary basis with the four options by the individual farmer would work. I think we have amassed enough research and experience in the last 4 years, since the first bill was originally written, among farmers in different kinds of crop producing areas. It is also applicable to livestock and dairy farming and to cotton farming and to corn and wheat farming and rice farming. After the bill and the new concept is expalined, it ranges from 26 to 42 percent. This was more, if it applied nationwide, than meets the 60 million acre requirement for not being in production. And, of course, the beautiful part is that it would eliminate the surplus and hold the land in readiness at anytime in case the Secretary of Agriculture or this committee wanted to call it out, to wit, the war in Vietnam; to wit, the war in Korea in 1951, et cetera.

The CHAIRMAN. Thank you.

Mr. POIROT. I would like to make one more point.

You are from New York. You represent a lot of people, a lot of consumers. It has always been my feeling that the efficiency of agriculture should receive priority for the benefit of the consumer, not only our own consumers but people in foreign countries who could buy our products because we produce them as cheaply as some of them shown to be produced here in these pictures. Then, certainly, we could expand our agriculture and expand our facilities here and meet the needs and take care of our own people.

The CHAIRMAN. Thank you, sir.

We, again, thank you, Mr. Poirot, and you, Dr. Hall.

Before the Chair calls the next witness, I want to say something off the record.

(Discussion was had outside the record.)

The CHAIRMAN. The committee will go back on the record.

We will now hear from Mr. Herschel C. Ligon, president, Registered Farmers, Inc., Lebanon, Tenn.

We will be glad to hear from you now, Mr. Ligon.

STATEMENT OF HERSCHEL C. LIGON, PRESIDENT, REGISTERED FARMERS, INC., LEBANON, TENNESSEE

Mr. LIGON. Mr. Chairman and members of the committee. I very much have enjoyed my stay here and listening to you just now.

Gentlemen, I am honored that you have invited me, a farmer, to testify before you. I think I represent the only organization in the world in which you have to be a farmer to be a member.

My roots are deep in agriculture: My farm, my father's farm, my sister's farm have never belonged to anybody but my family. They were granted from the government of North Carolina. My father's house is the oldest house in Wilson County, having been built in the first administration of George Washington.

One thing that really bothers me is, if this farm economy doesn't change immediately, I will be the last farmer of this family because I can't conscientiously encourage my boys to farm, because they can't make a living. One enters college this fall and the other enters high school. The second oldest has been chosen as Tennessee's outstanding livestock farmer. The younger one has won one demonstration in his county and district and last night he was competing again. Both are excellent farmers—both would like to be farmers. They can do practically anything on the farm I can. Along with my 77-year-old father we own and operate 250 acres, breeding registered Poland Chinas, Polled Shorthorns and Hampshire sheep and use no hired labor. Every year it gets harder to make a living and we get deeper in debt. If may wife did not have a part-time bookkeeping job, we could not wear decent clothes.

I am proud of my Government—think we have the greatest in the world—am proud I gave it 4 years of my time in World War II, and many years since in the National Guard and Army Reserve. If my Commander in Chief asked me to, I would be willing to come out of retirement and go to Vietnam.

I well remember the depression of the thirties—my father sold hogs for 3 cents per pound, and I remember his receiving a cream check for a total of 3 cents.

I was most happy to see President Roosevelt begin the Federal farm program which saved the Nation's economy by saving the farmer's economy, but for a number of years our Federal Government has been putting the Registered Farmers out of business. When I use the term "Registered Farmers", I mean people who earn at least 75 percent of their total income from farming.

The Federal Government has taken all the risk, and I guess it has more than any other profession, out of farming for nonregistered farmers. They can't lose. All they lose on their farming operation counterbalances the profit they make on their other businesses, putting them in a lower income tax bracket. In 1965, of the 119 millionaires farming, only 16 paid income tax. Over half the people with a $50,000 or more annual income, with farming operations, showed a loss on their income tax return.

Under the Federal farm program, a nonregistered farmer can buy a woods, charge the cleaning-up off his income tax and under the ASCS program get the Federal Government to terrace, lime, fertilize, seed, build a pond and fence it. Then he goes to the market with cattle in competition to us Registered Farmers who do not have the capital to participate in the ASCS program. I repeat, the nonregistered farmer can't lose, but when the Registered Farmer loses, it is gone.

The Nation's average taxpayer is tired of paying taxes every week, and the nonregistered farmer using farming for tax writeoff. The Nation's average taxpayer is also tired of his taxes financing a Federal farm program that is putting Registered Farmers out of business, when it was originally established to assist them.

We Registered Farmers propose the Federal Government adopt the three following proposals as a solution to the farm problem:

1. One hundred percent parity of price for registered farmers agriculture products produced and/or finished by them and sold on established markets by grade.
2. Not allow nonregistered farmers to participate in the Federal farm program.
3. Not allow nonregistered farmers to use farming as tax writeoff.

I have seen it proven from the President's Economic Report that a dollar spent by a farmer puts $7 into the Nation's economy. I have also seen it proven, from the President's Economic Report, that for the past 16 years the Nation's farmers have been underpaid $422 billion. Multiply that by seven and you get $2,954 billion the Nation's economy has been shorted. To make up for this, the Nation had to go in debt a thousand billion.

When farmers have money to spend, much is spent with small business, which is also suffering from this economic situation.

In 1966, all farmers in the country received $3,281,621,070 in ASCS payments. I ask you, what percent of that went to registered farmers? I think you will find only a small percentage.

I may have gotten $70 that year, but that may have been 1 year that I did not get any.

Everybody tells us that RF's solution to the farm problem is the fairest and simplest they have heard—nobody is fighting us. Many ask how many members have we? We are a new organization, and will

never have many members, because there are not many people eligible for membership, and this is good because nobody will ever get all farmers to join one organization. The many, many average taxpayers will help get this program adopted because they are in sympathy with Registered Farmers, and they want their tax money to be put to better use, and they do not want nonregistered farmers using farming for tax writeoff.

We Registered Farmers think, after maybe 5 years of receiving 100 percent parity and the elimination of the unfair competition, we will get back on a supply-and-demand that will bring balanced economy, and we will not have to have a Federal farm program.

If surpluses have been the problem, I think you will find most of the surpluses are produced by nonregistered farmers, because Registered Farmers do not have the finances and can't afford the risk. I also think you will find surpluses increase when prices are low. One hundred percent parity will take care of this. Registered Farmers never try to get rich—all they want is a decent living for their families.

It has been said that we have too many farmers. We do not have a surplus of farmers; we have a surplus of people farming.

Many say that the farmer has to become more efficient. I have had experience in other professions besides farming, and I say that parity of income improves efficiency more than any other thing.

The morale of the Registered Farmer is about as low as it has ever been. In Tennessee we are losing 14 farm units every day. Two or 3 years ago, 62 percent of the farmers in Tennessee went into the poverty program financially, and I guess the percentage is like that now, or maybe many more have gotten out of it and it may be the same. Something has to be done to save the family farms, because they go with the American way of life, like pie goes with a picnic.

Many of this Nation's greatest leaders have come from the wars. The best way for us to keep from losing one is to produce the quality soldier it takes to win them. There is no better source of supply than the family farm. The late Sgt. Alvin C. York is an example.

The strongest and greatest society is a balanced society. We need farm boys and girls to keep this balance. I ask you: How many farm-reared boys and girls do you find in the student riots?

But I am here for one purpose, and that is for us to work out a solution to the farm problem so that we can have this family farm system and so the family farmer can earn a decent living for his family.

The greatest product from the family farm is one that not enough people think about, that is, boys and girls that will work, know how to work, and above all have good character.

Since preparing this paper, I have been informed that my older son Bill has been chosen for the second consecutive year as Middle Tennessee's Outstanding FFA Livestock Farmer with a $11,000 inventory. His closest two competitors had $90,000 and $150,000 inventories respectively.

I will be glad to answer any questions, and if I do not know the answers I will try to find them for you.

(A prospectus of Registered Farmers, Inc., submitted by Mr. Ligon, follows:)

ANNUAL DUES $10.00

RF

REGISTERED FARMERS INCORPORATED

211 East · Main Street Lebanon, Tennessee 37087 Phone 615 444-8766 or 758-5597

STATEMENT OF PURPOSES

1. Creating an organization restricted to members earning at least (75%) seventy five per cent of their annual income from the sale of agriculture products produced and or finished on farms owned or rented by members.

2. It is the intent of this organization to include nurserymen, timber growers, poultrymen, dairymen, livestock producers as well as crop growers.

3. Promoting legislation to guarantee one hundred (100%) percent parity of price for all products sold by members to established markets.

4. Promoting legislation to restrict unfair competition to registered farmers by the invasion of the farming industry by citizens and corporations earning their income from sources other than farming using various competitive farm scheme techniques for the purpose of obtaining tax relief.

5. To promote legislation to prevent citizens and corporate interest from syphoning away from the farm industry those benefits which the congress only intended for farmers.

6. To sell to the people the fact that the economy of the farmer is the backbone of the nations economy. To sell to the people the necessity of curbing the flow of government subsidies into chanels competitive to registered farmers. To sell to the public the fact that the promotion of registered farmers and their welfare will lower their taxes.

7. To organize farmers for the promotion of the farming industry by and for registered farmers.

8. To organize farmers of Tennessee and of the United States for all the common interest of farmers toward the promotion of their economy and the economy of the nation.

9. Stabilizing the economy of the United States of America through the promotion of legislation favorable to registered farmers.

10. The income tax return of farmers determine whether or not they are registered farmers.

After chartering "Registered Farmers" we found published, the following facts compiled by the research director of a national farm organization.

. . . . If you're wealthy and want to get out of paying taxes, go out and buy a farm . . . . of the 119 millionaires engaged in farming, only 16 reported a profit on their income tax returns . . . . Put another way, more than half the individuals earning $50,000 a year or more who had farming operations showed a loss on their income tax returns.

Hershel C. Ligon
President

The CHAIRMAN. Mr. Ligon, you make a statement of the objectives which most of us will agree with, but you made it in such a way that it is not of much help to the committee.

On page 3 of your statement, I believe you say that you propose that the Federal Government adopt three proposals:

1. 100 percent parity of prices for Registered Farmers' agriculture products produced and/or finished by them and sold on established markets by grade.

How do you propose to get that?

We would like to see 100 percent parity for the farmer.

I am sure that there is not a man on this committee who would not like to see you get it. How do we do it?

That is what we want to do, is to find out how you get 100 percent of parity on everything that you sell on the established market.

Mr. Ligon. My idea on this thing is when a person files his income tax return, if he gets 75 percent of his total income from the farm he is a registered farmer; otherwise, not.

As to parity, well, we feel that if you start collecting these taxes on the other end that you are now missing—and maybe if you want to change the farm program, you can just give the rest of the farmers a check when he files his income tax return, so that the difference between what he sold his production for and parity would be that amount. This thing will then eventually balance out. We would like to see where we do not have farm programs; we would like to say that we can make it ourselves.

The Chairman. Would you go so far as to say that a man who is a registered laborer but who did not get a certain amount during the year, that you would give him a check for the balance?

Mr. Ligon. I think that labor is taking care of itself. We do not have to worry about labor, I think.

The Chairman. There are only so many members in the unions. The unions, generally, have been pretty well able to take care of themselves, but there are many laborers who are not in unions. Sometimes, they cannot get jobs; sometimes the jobs that are available they will not take—at least, there are a lot of people that do not make what they or we think is a fair income. Would you give checks to every laborer who did not come up to a certain standard of income?

Mr. Ligon. I feel that labor can find jobs for themselves.

The Chairman. I think that is right. I have said that, too, myself. I think that is exactly right; but I come back to the question: Would you give a check to every laborer who fails to make the grade?

Mr. Ligon. I understand that some politicians will give them everything. You probably know the answer to it.

May I ask why do we have a farm program?

The Chairman. I come back to the question. I have asked you a question, and I would like to have it answered before I get into this farm proposition, because I think that it has a great deal to do with your proposal:

Would you give a check to every small farmer who failed to make an adequate crop every year?

Mr. Ligon. Let me answer you in this way, then: As I pointed out, President Roosevelt started this farm program back in the thirties to save the economy of the Nation and the farm economy. I presume that this program was started to help the farmers financially and that is what I am saying, the thought that we are getting at is that we are helping the wrong people now. The farm program has gotten into the hands of the wrong people.

The Chairman. I think there is merit in what you say about tax exemptions, but I have suggested that that is a matter for the Ways and Means Committee which has jurisdiction over the taxes, and I come back to the proposition: Would you treat everybody in the United States alike?

You point out the number of farmers who cannot farm in Tennessee.

What about the number of druggists who cannot keep their drugstores?

Mr. LIGON. That is because the farmers, as I say, are not making any money. Small business relies on farmers to a great extent.

The CHAIRMAN. That is true; but you take in Nashville and in Memphis and in Knoxville and in Chattanooga, there are a lot of small druggists who are quiting the drug business all of the time; there are a lot of small retail grocerymen quiting the grocery business all of the time. In the large cities like Memphis they are quiting the business because the big chainstores are taking the business; are they not?

Mr. LIGON. Yes, sir; there is no question about that.

The CHAIRMAN. It is not confined only to agriculture.

Mr. LIGON. Right.

The CHAIRMAN. This movement from the individual entrepreneur is not confined to agriculture alone. In fact, it has moved more slowly in agriculture than it has in most of the rest of the business worlds.

I come back and ask you a specific question: Would you support a proposal to have the U.S. Government give to every groceryman who quits business in Nashville a check?

Mr. LIGON. Sir, I go back to this: I am in favor of giving nobody nothing unless they try or unless they make an effort to do something.

The CHAIRMAN. I do not think that these grocerymen have failed to try. I think some of them have tried just as hard as you and I do to try to farm, but they face the same kind of proposition. Maybe even more. Maybe even more powerful groups are entrenched than any of the big farming corporations.

Mr. LIGON. Do you think that big business has taken everything and that that is a good situation to have them do so?

The CHAIRMAN. I do not think that it is a good situation, but since you will not answer my questions, I will answer by saying that I would not pay everybody a check.

Will you be good enough to answer the question I asked?

Would you pay these laborers a check for the difference between what they made, regardless of whether they are slovenly or inefficient or what, and what they should have made?

You suggested that we should pay every farmer parity. I should like to see every farmer get parity.

Mr. LIGON. I am talking about the people who try to make a living farming.

The CHAIRMAN. How would you determine that?

Mr. LIGON. When you file the income tax.

The CHAIRMAN. Who is going to determine who was trying and who was a good farmer and who was not?

Mr. LIGON. Anybody who pays is bound to be a good farmer.

The CHAIRMAN. Then, anybody who stays on the farm is a good farmer? Would you say the same thing about anybody who stays in the grocery business, that he is a good groceryman.

Mr. LIGON. As I said, these grocerymen do not have to get together and try to get something done for them. I think that if he could get 100 percent of parity, maybe that groceryman would make a living.

The CHAIRMAN. I think good farm prices helps the groceryman. I think that 100 percent of parity would be fine, but I am simply asking

you this question: We have to pass legislation for all the people of this country. If we do that here, will you support us? Will you support us if we pass legislation that gives every groceryman a fair income?

Mr. LIGON. You are putting me on the spot.

The CHAIRMAN. I want you to answer my question.

Mr. LIGON. I cannot say—but the point I am trying to get over to you, sir, is this: that the Federal Government is spending billions of dollars trying to assist the farmers, and I contend that it is assisting the wrong people.

The CHAIRMAN. Well, now, we can all agree that certain people get help who should not. If you are going to consider that it is simply a social proposition, we must realize that some people get help that they do not need. Many of us in Congress—I should not say all of us—many of us think that the way to help farmers is to help the public as a whole. Our present program would not work if you held out inducements simply because a man had 40 acres and a mule. A man who used a tractor, and as you have, or who had 250 acres would get no help. You would not go back to the 40 acres and a mule. Some of my friends up North do not know what I am talking about. You know what I am talking about.

Mr. LIGON. Yes, sir.

The CHAIRMAN. You would not help just the 40-acre-and-a-mule man, would you?

Mr. LIGON. No, sir; I would help the one that gets at least 75 percent of his total income from farming, regardless of whether he had a million or 5 acres. You know that we have got to start out somewhere. Maybe I have drawn the line wrong, but at least I am making an effort.

The CHAIRMAN. That is what I am interested in.

Can we get that 100 percent of parity?

And how can we get it?

That is what I want to know.

Mr. LIGON. Here is one thing that we are going to have to face: The public is getting tired of this farm program. To give you an example, I received a letter the other day from a friend of mine from World War II days. I had not heard from him since then. Farmers should not be paid. They are paid for this and that and the other. They should not be crying. The public knows what is going on. If we are going to keep this farm program going to where it is going to assist the one who does not need assistance, I say that we might as well get rid of it. I think I am a typical farmer. I get my total income from farming. And you see my background in farming, sometimes I get something out of the Government and sometimes I do not; and what I do get out of the Government helps me practically none. I will be honest with you. You know, to get rid of all farm programs, there are some who say that. I am not for that. I am for phasing it down to where we do it gradually. I do not think that the Nation's economy could stand to phase it out completely. I am for phasing it down and protecting those that are actually doing farming. I think the Treasury will come out dollars ahead if they start collecting these dollars on the other end, eliminating the nonregistered Farmers in the program, and to give us 100 percent parity in price.

The CHAIRMAN. Thank you.

Are there any other questions?

Mr. Gathings?

Mr. Gathings. Mr. Ligon, how long has your organization been formed?

Mr. Ligon. My organization?

Mr. Gathings. Yes.

Mr. Ligon. It just started in December. It is a brandnew organization. We do not have many members. We will never have. We do not find anybody against it. Everybody tells us it is the fairest solution they have ever heard. Just last week, we got a letter from a man in Michigan and he says: "I am with you 100 percent."

Mr. Gathings. I like the way you are going about this thing.

Mr. Ligon. Thank you, sir.

Mr. Gathings. The chairman appointed me as chairman of the Subcommittee on Family Farms. I am very much interested in the man who lives on the farm and derives his income from farming. I am vitally concerned about the continuation of the family-sized farm.

Now, Mr. Ligon, what are you going to do about the family who lives out there on the old homestead and he gets into his car every morning and drives 25 to 30 to 40 miles to town and works in a plant, and he comes back in the evening and feeds his chickens, he milks his cows that night. He is making $2.50 an hour in town, and when he figures up his checks on his milk and on his poultry that he sells, and the livestock if any, he finds that maybe he is making the greatest part of his income in town, although that man is a family farmer—Is he not? Would he be eligible for membership in your organization?

Mr. Ligon. That is a good question. That is one question that has really been thrown at me. I will answer you like this: I realize that we are not going to make this thing affect everybody. Now, what we would like to do is: Frankly, as I say, when he files his income tax, if he does not get 75 percent from his farming, he is a nonregistered farmer, but we would like, if that man wants to be a farmer, to get it to where he can make his living off of that farm and he can forget that job in the factory.

Mr. Gathings. We do not want to drive him off the land, do we?

Mr. Ligon. He has already gone. He has left. He had to leave, because he could not make a living.

Mr. Gathings. He feeds his chickens every night and milks his cows. He is back there at home at night.

Mr. Ligon. Yes, sir. We would like to get him back there permanently; we would like to see him do that.

Mr. Gathings. You do drive him off the land, then.

Mr. Ligon. Just temporarily. As I say, we hope that we can get this economy in balance so that he can go back there and make a living and give up that job in the factory and give some of these fellows in the ghettos that job.

Mr. Gathings. Where would you draw the line, 75 percent of his income?

Mr. Ligon. Yes, sir.

Mr. Gathings. Why do you not make it 49 percent or 50 percent or 57 percent?

Mr. LIGON. We should have put it at 100 percent instead of 75 percent.

Let me say or ask you this, sir: How many farmers do you find in the American Medical Association?

Mr. GATHINGS. I am not the witness. I have nothing to do with how many doctors we have in the American Medical Association, in or out of it—that is, how many farmers. But I am anxious, though, to follow up on that 75 percent figure that you testified to.

Mr. LIGON. I was leading to this, sir. As I said before, this is the only organization in which you have to be a farmer to be a member. I belong to other farm organizations, but I do not think that any of them mean that you have to be a farmer. These other organizations that I am talking about, you have got to be a doctor or a lawyer to be a member of that organization. As I say, this is the only organization in the world where you have to be a farmer to be a member, and that gives us a common interest. That is what makes the other organizations different. They practice medicine and law. It is our common interest in making a living as a farmer.

Mr. GATHINGS. It is in the interest of the family-farmer in my part of the country to make a living for himself and his children, to send them to school. He wants to live on the farm and carry on the best he can.

Mr. LIGON. Yes, sir.

Mr. GATHINGS. You do not want to drive him off, do you?

Mr. LIGON. We want to get him back there; we want him back there. To be honest with you, if my wife was not working, I would have to get a job in a factory.

Mr. GATHINGS. What is that?

Mr. LIGON. If my wife were not working, I would have to get a job in a factory.

Mr. GATHINGS. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Any other questions?

Mr. O'Neal?

Mr. O'NEAL. Is that the reason that you do not want to make it 100 percent, because you do have a member of your family who is working in town?

Mr. LIGON. Well, in the requirements of this organization, we do not consider the wife's income. Why should we not make it 49 percent or 50 percent? We figured that 75 percent was a pretty good compromise between 50 percent and 100 percent.

Mr. O'NEAL. You do file a joint return with your wife, don't you?

Mr. LIGON. As I say, in this thing, let me tell you this: We just started on this thing, and it has probably a million bugs in it, and I will be glad to compromise on anything. I am a firm believer in compromising. We set it at 75 percent, because we figured it was a breaking point between 50 percent and 100 percent.

I have here copies of the purposes of this organization.

The CHAIRMAN. If there are no further questions, we are very much obliged to you, Mr. Ligon. You do present something that I think is worthy of thought. You present it in an enthusiastic manner. We appreciate that. We appreciate your coming before us.

I believe that concludes the list of witnesses for this morning. Tomorrow morning, we will have Mr. Marsh, Mr. Waters, and Mr. Swindle, who are listed on the witness list. If there are others seeking to testify on this bill they had better get in tomorrow.

I will ask Mr. Gathings to start the meeting tomorrow.

Friday is reserved for Members of Congress.

If there are other people who want to be heard on this legislation, they will have to be heard tomorrow.

The committee will stand in recess until tomorrow morning at 10 o'clock.

(Whereupon, at 12, a recess was taken until 10 a.m., Thursday, May 2, 1968.)

I believe that concludes the list of witn

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May 2, 1968.)

EXTEND THE FOOD AND AGRICULTURE ACT OF 1965

THURSDAY, MAY 2, 1968

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 1301, Longworth House Office Building, Hon. E. C. Gathings presiding.

Present: Representatives Poage, Gathings, Jones of Missouri, Purcell, O'Neal, de la Garza, Vigorito, Dow, Belcher, Teague of California, Dole, Hansen, Goodling, Miller, Burke, Mayne Zwach, Kleppe, Price, and Myers.

Also present: Martha Hannah, subcommittee clerk; William C. Black, general counsel; Hyde H. Murray, assistant counsel; L. T. Easley, staff consultant, and Fowler C. West, assistant staff consultant.

Mr. GATHINGS. The chairman will be delayed, so he has asked me to sit in until he arrives.

The committee will come to order.

We are met this morning for further consideration of the Agriculture Act of 1965.

Our first witness this morning is Mr. Edwin E. Marsh, executive secretary, National Wool Growers Association, Salt Lake City, Utah.

We will be glad to hear from you now.

STATEMENT OF EDWIN E. MARSH, EXECUTIVE SECRETARY, NATIONAL WOOL GROWERS ASSOCIATION, SALT LAKE CITY, UTAH

Mr. MARSH. Thank you, Mr. Gathings and members of the committee.

For the record, I am Edwin E. Marsh, executive secretary of the National Wool Growers Association. In my presentation today, in order to save some time of the committee, I am going to omit a portion of the material in my prepared statement; however, I would appreciate it very much if the complete written statement and the accompanying tables could be included in the hearing record.

Mr. GATHINGS. Yes, sir, Mr. Marsh, without objection, your complete statement will be made a part of the record.

Mr. MARSH. Thank you.

To briefly identify the National Wool Growers Association, I will say that it has been in existence for 103 years, that we speak for the farmers and ranchers of the Nation who produce both lambs and wool.

Our principal membership consists of 20 State and area sheep producer organizations operating in the States of Arizona, California, Colorado, Idaho, Indiana, Iowa, Kansas, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, Oklahoma, Oregon, Texas, Utah, Washington, South Dakota, Wisconsin, and Wyoming. In this 22-State area, 88.7 percent of the Nation's wool was produced in 1967. Wool, however, is produced in all 50 States.

At our 103d annual convention, held in January of this year, a resolution was unanimously adopted, urging further extension of the National Wool Act of 1954. The National Wool Act, as a part of the Food and Agriculture Act of 1965, applies on wool marketed through December 31, 1969.

Mr. J. A. Crowder, President of the National Association of Wool Manufacturers, who had to be out of town today, also authorized me to state that his organization joins with us in strongly endorsing further extension of the National Wool Act and to advise the committee that his organization has supported the act since its inception in 1954.

The Wool Act is now in its 14th year of operation. We think it is a unique program in that it has had consistent and almost unqualified support from the administrations of both parties, as well as all major segments of the wool industry from producer through manufacturer.

Wool, like sugar, is in deficit production in this country. Part of the congressional policy in establishing the Wool Act was to encourage domestic production of wool. The act was also established in lieu of a tariff duty increase on imported raw wool which was recommended by the Tariff Commission in 1954. Congress in the Wool Act has recognized that sheep are not only important to the economy of many semiarid regions where crop production is not feasible but has recognized the importance of having a supply of domestic wool so that our mills will not be entirely dependent on foreign supplies.

OPERATION OF THE PROGRAM

Under the National Wool Act, growers sell their wool in normal marketing channels. After the year is over, and the average price received for wool sold during the marketing year is known, payments are made to bring the national average price received by all growers up to the incentive level. The incentive level is determined each year by a parity index formula in the Wool Act. The payments are made at one percentage rate—the percentage required to bring the national average price for wool sold in the free market up to the incentive level. This one rate is applied to the net sales proceeds received by each grower to determine the amount of his incentive payment. By making the payments on a percentage basis, growers are encouraged to improve the quality and marketing of their wool to obtain the best price possible, because the higher the price the individual grower gets in the free market, the greater his payment.

Support for pulled wool is provided under the act to maintain normal marketing practices; that is, to prevent unusual shearing prior to marketing just to get the payment on shorn wool. This is being handled by making payments on sales of unshorn lambs.

The National Wool Act also provides for the support of mohair by payments similar to those on shorn wool. The act provides that mohair prices are to be supported within 15 percent of the comparable percentage of parity at which shorn wool is supported. During the first 13 years of the operation of the Wool Act, there were 9 years when payments were not required on mohair because market prices for mohair in those years were above the support level.

FACTORS AFFECTING SHEEP PRODUCTION

Shorn wool production in the United States increased during the first 6 years of the wool program—from around 235 million pounds in 1955 to 265 million pounds in 1960. Since 1960 wool production has been on the decline—down to 188 million pounds in 1967.

Factors contributing to the decline in stock sheep numbers and wool production since 1960 include:

1. A sharp drop in lamb prices in 1961 and 1962 and a slow price recovery since that time.
2. Inability to obtain adequate and dependable labor.
3. Severe losses from predatory animals.
4. Drouth in some areas.
5. Continued reductions in grazing allotments on Federal grazing lands.
6. Shifts to other livestock and alternative farm enterprises.

Payments under the wool program have provided incentive on the wool portion of the sheep enterprise, but have not compensated for all of the adverse factors determining the trend of stock sheep numbers and, hence, wool production. We must recognize, however, that many growers are in sheep and wool production today who would have liquidated their flocks if it had not been for the wool payment program. Therefore, the Wool Act is encouraging wool production since the level of production would be considerably lower without the assistance the program provides.

The industry is endeavoring to solve or alleviate its problems in these ways:

1. We are working for stepped-up research on sheep production to increase the number of lambs produced per 100 ewes as a means of increasing the net income to the sheep enterprise;

2. We are cooperating with USDA in considering a marketing system aimed at reflecting greater returns to the producer who raises lambs with carcasses yielding the highest percentage of preferred retail cuts, thereby encouraging quality production.

3. We have a marketing committee considering possible ways through which we might increase our marketing effectiveness and efficiency to increase returns from the sale of both lambs and wool;

4. Where feasible, more areas are being fenced to reduce the need for herding labor;

5. We are continuing to work with the Bureau of Sport Fisheries and Wildlife both for better predatory animal control under existing programs and for research to develop better control methods;

6. We are working with Government agencies for brush removal, reseeding, and other programs to increase the carrying capacity of grazing lands, in an effort to raise more sheep per acre.

We earnestly hope that these efforts to improve the industry, augmented by the important National Wool Act program, will serve to stem the liquidation tide.

PRICE OUTLOOK

Returns from the sale of lambs represent two-thirds to three-fourths of the sheep producer's total income. Therefore, when lamb prices are low, the economy of the industry is adversely affected. One of the major reasons for a 7-percent reduction in stock sheep numbers in 1967 was the fact that lamb prices this past year were low and, in fact, at about the same levels as they were 20 years ago, in 1947. The parity index shows that costs of production, interest, taxes, and wage rates for all agricultural production increased 42.5 percent in that same 20-year period. In the case of the sheep industry, the cost increase would be even greater because labor costs have skyrocketed and labor, in our industry, represents a greater portion of total costs.

We are happy that lamb prices are presently better than they were a year ago. In fact, the April 15 farm price of lambs this year at $25.40 per 100 pounds is $4.40 above the same date a year ago.

In addition to better lamb prices this year, we are encouraged by some strengthening of the wool market at present and a better outlook in the months ahead. While in 1966 the average farm price of wool was the second highest in the history of the National Wool Act (52.1 cents), substantially reducing the cost of the wool program for the 1966 marketing year, a worldwide cyclical decline in wool prices started during the last half of 1966, continuing through 1967, and for the 1967 marketing year the farm price declined to an average of 39.8 cents. Hence, 1967 is a year when higher than average payments are required to bring the average farm price up to the incentive level, while 1966 compensated for this in lower than average payments.

We would also like to point out that, in addition to increased payments required for shorn wool in the 1967 marketing year, due to the decline in the farm price of wool, substantial payments were also required on mohair. While no support payments were required on mohair during 9 of the first 13 years of the operation of the National Wool Act, and while payments in 2 of the 4 remaining years were small, a rather drastic drop in mohair prices in 1967 resulted in mohair payments totaling $11.4 million. Therefore, the increased cost of the program for the 1967 marketing year is accounted for both by lower wool prices and lower mohair prices.

There are good indications that the bottom of the cycle has already been reached on both wool and mohair prices. While wool prices were declining at this time last year, resulting in the low average farm price of 39.8 cents for 1967, the USDA reports that December of 1967 was probably the low point. There is presently considerable activity in the domestic wool market and some prices at the ranch and farm are a little higher than at this time last year, especially on the finer grades. Prices in some areas are running 2 to 5 cents higher than a year ago. Some market observers expect a further strengthening in the months immediately ahead.

Farm price of mohair dropped to an average of 40.9 cents per pound in 1967, lowest since the inception of the Wool Act. While there is presently little activity in the mohair market, the USDA reports that farm price of mohair from January 15 to April 15 this year increased from 42 to 45 cents.

COST OF PRODUCTION FORMULA

During the first 11 years of the operation of the Wool Act, the level of incentive payments under the act was continued at 62 cents per pound. As we have pointed out, this level did encourage increased wool production up to 1960. However, low lamb prices in 1961 started a production decline.

When the Wool Act was extended in 1965 this committee recognized that a higher incentive level was desirable in view of rising cost conditions. Therefore, a formula was added to the act through which the incentive level is adjusted on the basis of changes in the USDA party, index. This is the index of prices paid by farmers, including commodities and services, interest, taxes, and farm wage rates.

Under this formula the incentive level was increased to 65 cents for the 1966 marketing year compared to the 62 cents tha had been maintained for each year since the inception of the program 11 years earlier. With the continued upward trend in the index, the incentive level for the 1967 marketing year was 66 cents and for the 1968 marketing year it is 67 cents.

The formula does pıovide a reasonable reflection of costs on the wool side of the sheep enterprise. Sheepraising and wool production are important to certain areas of our country. The present level of production is in the national interest and desirable. As set forth in the act, it certainly is "a measure of national security and in promotion of the general economic welfare" to continue this wool program to encourage the maintenance of what production we presently have and, hopefully, to increase production if at all possible.

The added cost of the program resulting from the increases in the incentive level under the formula are modest. At the present level of wool production about $2¼ million a year in payments is required for each 1-cent increase in the incentive level.

Assuming wool prices in the free market continue their present return toward reasonable levels, the increase in the incentive level provided by the formula should result in wool payments no higher than the $45.6 million average during the first 11 years, when the incentive price was held at 62 cents.

The amount of payments required in any 1 year depends mainly upon the difference between the incentive level and the national average price of wool received by producers. For example, even though the incentive price level was raised from 62 cents in 1965 to 65 cents in 1966, wool payments for the 1966 marketing year actually dropped $7.8 million from the previous year because the average farm price of wool improved.

FUNDING OF PROGRAM

We would like to point out that even though the funding of the program—the equivalent of 70 percent of duties collected on imports of wool and wool manufactures—is adequate to cover a considerably larger drop in wool prices than occurred in 1967, the woolgrowers naturally do not want low farm prices for wool. They want to see good market prices which, in turn, hold the costs of the wool program within reason. We should also point out that in 6 of the first 13 years of the Wool Act program, the farm price of wool was above the average for the 13 years and, hence, wool payments for those 6 years—including 1966 averaged $17.8 million less per year than the $45 million average for the first 13 years.

SELF-HELP PROMOTION PROGRAM

The National Wool Act has given the sheep industry the opportunity to promote its own products through a self-help program. The Wool Act helps the U.S. sheep producer to compete with similar foreign products which have lower production costs and enables him to finance his own promotion organization for the development of new and larger markets for his two entirely different products—lamb and wool.

In September 1955, sheep industry leaders formed their own promotion organization, the American Sheep Producers Council, with headquarters in Denver, Colo. This organization is entirely supported and governed by sheepmen and almost every sheep producer in the United States contributes to the program through deductions from incentive payments he receives under section 708 of the National Wool Act.

The purpose of the American Sheep Producers Council programs is to expand the demand for lamb and wool through a self-help program of promotion, advertising, market analysis, and education on behalf on the sheepmen of the United States.

The year following each extension of the National Wool Act, the Secretary of Agriculture calls a national referendum in order that sheep producers can determine for themselves whether they want to continue with their promotion programs through their own organization, the American Sheep Producers Council. The sheep producers have voiced their approval of this self-help program in four referendums. The last referendum, in 1966, received 79.9-percent approval of the total producers who voted.

Funds for the sheepmen's promotion and advertising programs are derived by deductions from the wool incentive payments at the rate of 1½ cents per pound of shorn wool and 7½ cents for each 100 pounds of unshorn lambs.

It is to the credit of the sheep producer that he realizes the wisdom of promoting his products just as other industries in America are doing and is willing to spend his own time and money to improve the economic condition of his industry.

Mohair growers have also organized a self-help promotion and

advertising program under section 708 of the Wool Act, designed to increase demand for mohair products. The mohair promotion program commenced in 1967.

EARLY EXTENSION ADVANTAGEOUS

Mr. Chairman, in conclusion, we would like to again emphasize the importance of the National Wool Act in maintaining a sheep industry in the United States. In fact, the Wool Act is vital to the economic health of our domestic sheep industry. Extension of the act this year would be advantageous to the sheep industry. Sheep production is a long-term enterprise. It takes 2 years from the time a ewe lamb is born until she reproduces. Clearly our production is different from a yearly planted crop. Furthermore, in planning production for 2 years ahead, or even for a longer span, loaning agencies have to know what the economic outlook is going to be for the industry and whether or not the Wool Act will be in operation. Announcement in 1968 of an extension of the program beyond 1969 would therefore be most helpful. Also, under the parity index formula in the Wool Act, the incentive level can now be determined a year in advance. Extension of the act in 1968 would enable growers to determine the 1970 incentive level very early next year.

In closing we would like to state that the Department of Agriculture has been most helpful and cooperative in the administration of the National Wool Act program. We would also like to express our deep appreciation to this committee for the consideration you have given us both at the inception of the Wool Act in 1954 and at hearings since that time on its extension.

(The attachments to Mr. Marsh's statement follow:)

TABLE A

NUMBER OF STOCK SHEEP, SHORN WOOL PRODUCTION, WOOL PRICES AND PAYMENTS UNDER THE NATIONAL WOOL ACT OF 1954, BY MARKETING YEARS, 1955 TO DATE

Marketing year	Stock sheep population Jan. 1 (1,000 head)	Shorn wool production (1,000 pounds)	Incentive price for shorn wool (cents per pound)	Average price received by producers (cents per pound)	Payments required		
					Average (cents per pound)	Rate (percent)	Amount [1] (1,000 dollars)
1955 (April–March)	27,137	234,058	62	42.8	19.2	44.9	57,614
1956 (April–Mardh)	27,012	238,569	62	44.3	17.7	40.0	51,915
1957 (April–March)	26,538	235,366	62	53.7	8.3	15.5	16,104
1958 (April–March)	27,176	[2] 243,713	62	36.4	25.6	70.3	85,143
1959 (April–March)	28,108	[2] 259,939	62	43.3	18.7	43.2	53,865
1960 (April–March)	28,849	[2] 265,277	62	42.0	20.0	47.6	59,490
1961 (April–March)	28,320	259,161	62	42.9	19.1	44.5	56,895
1962 (April–March)	26,719	246,636	62	47.7	14.3	30.0	39,195
1963 (April–December)	25,122	232,446	62	48.5	13.5	27.8	27,179
1964 (Calendar year)	23,455	212,333	62	53.2	8.8	16.5	20,329
1965 (calendar year	21,843	201,463	62	47.1	14.9	31.6	34,174
1966 (calendar year)	21,456	195,053	65	52.1	12.9	24.8	26,300
1967 (calendar year)	20,658	188,155	66	39.8	26.2	65.8	[3] 56,800
1968 (calendar year)	19,184		67				

[1] Includes payments on unshorn lambs in support of pulled wool.
[2] Excludes Alaska.
[3] Projected. Payments for 1967 marketing year are made commencing Apr. 1, 1968.

TABLE B

NUMBER OF GOATS CLIPPED, MOHAIR PRODUCTION, MOHAIR PRICES AND PAYMENTS ON MOHAIR UNDER THE NATIONAL WOOL ACT OF 1954, BY MARKETING YEARS, 1955 TO DATE

Marketing year	Number of goats clipped (1,000 head)	Mohair production (1,000 pounds)	Support price for mohair (cents per pound)	Average price received by producers (cents per pound)	Payments required		
					Average (cents per pound)	Rate (percent)	Amount (1,000 dollars)
1955 (April-March)	2,983	16,923	70	82.2			
1956 (April-March)	3,164	18,233	70	84.4			
1957 (April-March)	3,246	19,072	70	88.6			
1958 (April-March)	3,417	20,825	70	72.3			
1959 (April-March)	3,755	24,151	70	96.4			
1960 (April-March)	3,888	24,467	70	89.7			
1961 (April-March)	4,021	26,411	73	85.6			
1962 (April-March)	4,236	27,215	74	71.4	2.6	3.6	797
1963 (April-December)	4,363	29,007	76	88.1			
1964 (Calendar year)	4,568	29,736	72	94.3			
1965 (Calendar year)	4,803	32,420	72	65.5	6.5	9.9	1,900
1966 (Calendar year)	4,659	29,576	75.8	53.7	22.1	41.2	6,500
1967 (Calendar year)	4,104	26,275	76.4	40.9	35.5	86.8	[1] 11,400

[1] Projected. Payments for 1967 marketing year are made commencing Apr. 1, 1968.

TABLE C.—DOMESTIC PRODUCTION, IMPORTS, AND TOTAL UTILIZATION OF APPAREL WOOL 1954 TO DATE

[In millions to pounds]

Calendar year	U.S. wool production: Shorn wool, grease basis	Pulled wool, actual weight	Total	Shorn wool, clean content	Pulled wool clean content	Total, clean content	Imports for consumption: Dutiable raw wool	Foreign trade balance of apparel wool [1]	Total	Total utilization
1954	236	44	279	104	33	136	103.9	46.8	150.7	286.7
1955	241	42	283	106	31	137	112.8	64.0	176.8	313.8
1956	242	41	283	107	30	137	103.8	72.0	175.8	312.8
1957	239	34	273	105	25	130	78.2	67.0	145.2	275.2
1958	244	30	274	107	23	130	67.1	70.5	137.6	267.6
1959	260	35	294	114	26	140	100.5	96.9	197.4	337.4
1960	265	34	299	119	25	145	74.3	98.9	173.2	318.2
1961	259	35	294	117	26	143	90.3	95.2	185.5	328.5
1962	247	30	277	111	22	133	125.8	112.3	238.1	371.1
1963	232	29	261	105	22	126	109.2	125.4	234.6	360.6
1964	212	25	237	101	18	120	98.4	107.1	205.5	325.5
1965	201	23	225	96	17	113	162.6	119.6	282.2	395.2
1966	195	24	219	93	18	111	162.5	115.4	277.9	388.9
1967	188	23	211	90	17	107	109.1	103.5	212.6	319.6

[1] Raw wool content of apparel wool manufacturers imported, including noils and wastes, less exports of such manufactures.

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TABLE D.—PRODUCTION, COMMERCIAL STOCKS AND EXPORTS OF MOHAIR IN THE UNITED STATES, 1955 TO DATE

[Million pounds grease basis]

Calendar year	Domestic production	Commercial stocks [1]	Exports [2]	Calendar year	Domestic production	Commercial stocks [1]	Exports [2]
1955	16.9	8.3	7.38	1962	27.2	7.7	15.29
1956	18.2	8.6	14.46	1963	29.0	8.6	17.32
1957	19.1	6.3	12.19	1964	29.7	5.3	3.24
1958	20.8	7.1	16.11	1965	32.4	9.3	9.4
1959	24.2	6.1	22.64	1966	29.6	10.8	12.1
1960	24.5	2.7	16.48	1967	26.3	17.1	12.3
1961	26.4	5.4	16.49				

[1] Apr. 1, 1954–57; Jan. 1 thereafter.
[2] Includes other specialty hair 1955–64; thereafter, mohair only.

TABLE E.—WOOL AND MOHAIR PAYMENTS AND 70 PERCENT OF DUTY COLLECTIONS

[In thousands of dollars]

Period or marketing year	Payments				70 percent of duty collections [1]	
	Wool	Mohair	Total			
			Annual	Cumulative	Annual	Cumulative
Jan. 1, 1953, to Mar. 31, 1955					103,644	103,644
April to March:						
1955	57,614		57,614	57,614	51,500	155,144
1956	51,915		51,915	109,529	51,626	206,770
1957	16,104		16,104	125,633	47,133	253,903
1958	85,143		85,143	210,776	56,769	310,672
1959	53,865		53,865	264,641	68,072	378,744
1960	59,490		59,490	324,131	72,049	450,793
1961	56,865		56,865	380,996	74,419	525,212
1962	39,195	797	39,992	420,988	90,746	615,958
April to December 1963	27,179		27,179	448,167	69,338	685,296
Calendar year:						
1964	20,329		20,329	468,496	79,327	764,623
1965	33,971	1,916	35,887	504,383	121,476	886,099
1966	26,310	6,454	32,764	537,147	110,850	996,949
1967 (preliminary)	56,776	11,420	68,196	605,327	85,000	[2] 1,081,949

[1] 70 percent of all duties collected on imports of wool and wool manufactures as provided under sec. 704 of the National Wool Act of 1954, as amended. From the 1958 marketing year through the 1962 marketing year, totals have been derived by allocating ½ of the reported January–June total to each of the marketing years involved. The figure for the 1962 marketing year contains an adjustment to bring the subsequent marketing years on a calendar year basis equal to the duty collections in the same calendar year. The figure for the 1963 marketing year is 75 percent of the 1963 calendar year total.
[2] Projected.

TABLE F.—AMOUNT OF PAYMENTS, TOTAL EXPENDITURES, AND REIMBURSEMENTS TO CCC UNDER THE NATIONAL WOOL ACT BY YEARS

[In millions of dollars]

Fiscal year (July–June)	Total wool and mohair payments		Adminis-trative expenses	Interest on account receivable	Total expenditures	70 percent of duty collections		Reimburse-ment in relation to year's expenditures	Amount unreimbursed at end of fiscal year
	Marketing year	Amount				Total preceding calendar year	Reimburse-ment to CCC [1]		
1954–55			0.2		0.2	[2] 25.4	0.2		
1955–56			2.0		2.0	[2] 30.1	2.0		
1956–57	1955–56 (April–March)	57.6	2.1	1.6	61.3	[2] 29.7	29.7	−31.6	31.6
1957–58	1956–57 (April–March)	51.9	2.3	2.9	57.2	[2] 24.5	24.5	−32.7	64.3
1958–59	1957–58 (April–March)	16.1	2.7	1.2	20.0	50.1	50.1	+30.1	34.2
1959–60	1958–59 (April–March)	85.1	2.8	4.7	92.7	67.2	67.2	−25.5	59.7
1960–61	1959–60 (April–March)	53.9	3.0	4.0	60.9	75.3	75.3	+14.4	45.3
1961–62	1960–61 (April–March)	59.5	2.9	3.0	65.4	69.2	69.2	+3.8	41.5
1962–63	1961–62 (April–March)	56.9	[3] 3.3	3.0	63.2	90.2	90.2	+27.0	14.5
1963–64	1962–63 (April–March)	40.0							
	1963 (April–December)	27.2	4.0	2.0	73.0	92.4	87.5	+14.5	
1964–65	1964 (January–December)	20.3	2.2	.2	22.6	79.3	22.6		
1965–66	1965 (January–December)	35.9	1.8	.3	38.0	121.5	38.0		
1966–67	1966 (January–December)	32.8	1.8	.4	35.0	110.8	35.0		
1967–68 (preliminary)	1967 (January–December)	68.2	2.2	1.0	71.4	85.0	71.4		

[1] Under sec. 705 of National Wool Act, reimbursement is limited to 70 percent of duties on wool and wool manufactures for the preceding calendar year.

[2] Prior to amendment of the National Wool Act in 1958, the reimbursement was limited to 70 percent of only the specific portion of the duties. The unreimbursed amounts are carried by CCC as an account receivable.

[3] Includes approximately $1,000,000 prior year adjustments.

Mr. GATHINGS. Thank you.

I wonder if you would give us some figures as to how many sheep-growers there are in the country, approximately?

Mr. MARSH. There are at this time approximately 250,000.

Mr. GATHINGS. Over the 10 or 11 States that you mentioned?

Mr. MARSH. No, that is in all of the United States.

Mr. GATHINGS. All over the United States?

Mr. MARSH. Wool is produced in all 50 States, and that would be the total number of growers, including those with small farm flocks as well as those having range flocks. I would estimate 250,000 at this time.

Mr. GATHINGS. What is the ordinary size of a man's operation in the main sheep-producing areas, or in the mohair areas?

Mr. MARSH. I would estimate the average would be around 2,000 head in the larger sheep-producing States. Some growers would have larger flocks and some growers would have smaller flocks. I think the average would be around 2,000 head.

Of course, in the farm flock States, I believe around 50 percent or more have less than 25 head of sheep in their flocks. However, these farmers would have other agricultural production in addition to their sheep.

Mr. GATHINGS. Thank you.

Are there any questions?

Mr. Jones?

Mr. JONES of Missouri. I do not know anything about sheep.

How long do you keep sheep for producing wool?

Mr. MARSH. Well, I think that the average life of a breeding ewe is around 6 to 7 years.

Mr. JONES of Missouri. And when they get 6 years old, of course, that is not lamb but it is mutton then and it might be pretty tough.

Mr. MARSH. Well, it might be at 6 years of age, yes.

Breeding ewes usually do go to slaughter after they have led their useful life. Their teeth wear down so that they cannot feed properly out on the range after they get old; so, they, eventually, go to slaughter. Of course, some would die on the range prior to the normal 6 to 7 years of usefulness. Therefore, the number going to slaughter after a useful life would be reduced.

Mr. JONES of Missouri. What percentage of the crop of lambs is sold as lamb and what percentage would be kept for the production of wool?

Mr. MARSH. The ewes, or the foundation of the flock, are the ones that are shorn each year for wool production. Their offspring, the lambs, are sold for slaughter each year, with the exception of a portion of the ewe lambs, which are kept in the flock as replacements for older ewes which die or are removed from the flock.

Mr. JONES of Missouri. What I am trying to get at is the relationship between the cost of the meat and the value of the production of that meat as contrasted with the value of the production of wool.

Mr. MARSH. The income from the sale of lambs runs between two-thirds to three-fourths of the total income of the sheep enterprise. And wool would be about one-fourth to one-third.

Mr. JONES of Missouri. Thank you. I have had a curiosity about that. I am not familiar with it. I just wanted to get a little idea about that.

Mr. MARSH. I might add that the sale of old ewes for slaughter is a very small percentage of the total lamb and ewe slaughter. Slaughter of ewes, the older animals, is less than 10 percent of the total slaughter. Close to 90 percent would be lambs under 1 year of age.

Mr. JONES of Missouri. Thank you very much. That is all, Mr. Chairman.

Mr. GATHINGS. Mr. Teague.

Mr. TEAGUE of California. This is off the record.

(Discussion was had outside the record.)

Mr. GATHINGS. Mr. Zwach.

Mr. ZWACH. I am not as familiar with the wool program as I am with other facets of this farm program, but I gather that they set a certain figure, a Government price, like 62 cents or 65 cents, and then the Government pays the difference between the market price and that price. Is that the way that the wool program operates?

Mr. MARSH. The incentive level is automatically set by this parity formula that is in the act, and then after the marketing year is over the percentage difference is calculated between this incentive level and the farm price of wool, or whatever the wool sold for on the open market, and that same percentage rate is applied to all of the net sales of the producers and in that way the producer is encouraged to put up a better clip of wool and to try to get a better price, because by applying a percentage to the net price, the better the net sales price, the larger his payment.

Mr. ZWACH. What is that set price now?

Mr. MARSH. This year, the 1968 marketing year, it is 67 cents.

Mr. ZWACH. 67 cents?

Mr. MARSH. Yes.

Mr. ZWACH. That is variable, depending upon the grade of the wool? It is not 67 cents for all grades, is it?

There are inferior and superior grades of wool, are there not?

How is this accounted for, so that the man is encouraged to produce a superior quality?

Mr. MARSH. Well, by receiving a better price in the marketplace, consequently getting a better incentive price.

Mr. ZWACH. They do not pay the difference?

Mr. MARSH. No.

Mr. ZWACH. They pay an incentive price, based on the quality of the wool?

Mr. MARSH. Yes. Right.

Mr. ZWACH. Thank you.

That is all, Mr. Chairman.

Mr. GATHINGS. What percent of the domestic consumption of wool is produced by our own growers?

Mr. MARSH. Between one-third and one-half, I would say, at this time.

Mr. GATHINGS. And the imports come in from how many areas?

Mr. MARSH. We import principally from Australia and South Africa and South America. We import some from New Zealand. However, that is largely a coarser wool that goes into carpets.

Mr. GATHINGS. Thank you so much, Mr. Marsh.

We appreciate your statement.

If there are no further questions, we will call our next witness, Mr. Howard Waters, representing the Chamber of Commerce of the United States.

We will be pleased to hear from you now, Mr. Waters.

STATEMENT OF HOWARD WATERS, WATERS FARMS, DANVILLE, IOWA; REPRESENTING THE CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA; ACCOMPANIED BY W. RAY FLEMMING, PRESIDENT, W. RAY FLEMMING FRUIT CO., COLUMBIA, S.C., AND E. CLINTON STOKES, NATIONAL CHAMBER STAFF, IN CHARGE OF CHAMBER'S AGRICULTURE PROGRAM

Mr. WATERS. Thank you, Mr. Chairman and members of the committee.

I would like to introduce myself and introduce my chief colleague here. I am Howard Waters. I am a farmer operating in the State of Iowa. We have a general farm operation where we grow corn, soybeans, and some other crops, and we feed lambs and raise hogs and we feed cattle. I have some other interests, of course, naturally as one expands his own field of operations, as indicated here. I am a member of the United States Chamber of Commerce and a member of its agriculture committee, and this is my reason for being here this morning.

I have with me Mr. W. Ray Flemming, who is president of the W. Ray Flemming Fruit Co. of Columbia, S.C. His company is a sales agency for fruit and vegetable agencies in the Southeastern State. Mr. Flemming is also a producer-farmer and is well acquainted with farm problems and agriculture, generally.

Also to my right is Mr. E. Clinton Stokes, who is a secretary of the Agriculture Committee of the United States Chamber of Commerce, a member of the staff.

We appreciate the opportunity of being able to be here this morning and to visit with you concerning the feed grains program.

I do have in my hand a copy of the entire statement, and I believe that the members of your committee have copies of it.

Mr. GATHINGS. Yes, we have.

Mr. WATERS. With your consent, I will not read the entire statement but will read excerpts and will ask that the entire presentation be made a part of this record.

Mr. GATHINGS. Without objection, it will go into the record in its entirety.

Mr. WATERS. I would also like to compliment the committee for taking its time in doing valuable research that you do in trying to seek out the problems and to assist agriculture. When I talk about agriculture and the feed grains program, I know it is very complex, and to try to cover it in a short time is almost impossible, but we will hit on

the highlights of it. And while we have tables and charts in our presentation, if you have questions, as we all know you will have, please feel free to interrupt at any time, and if we do not have the answers we will tell you that we do not have them, but if we do have the answers we will try to give them to you.

Also, I just want to say one other thing in opening: I feel very honored to follow my good friend, Mr. Marsh, who has just made his presentation. As noted in my statement, I happen to be the vice president of the National Lamb Feeders Association, and so my association with Mr. Marsh is not just coincidental in being here today. So, I am interested in a number of phases of agriculture personally.

With those remarks, gentlemen, I will proceed and read portions of my statement. I certainly appreciate your indulgence.

Mr. Chairman and members of the committee, I am Howard Waters. I operate a farm near Danville, Iowa. My principal products are feeder lambs, hogs, and cattle. We produce our own feed for the livestock. I am an officer in several national and State sheep and lamb associations, a director of the local bank, and am vice chairman of the Burlington Hospital Board. I am here today on behalf of the Chamber of Commerce of the United States, which I serve as a member of the Agriculture Committee. With me is W. Ray Flemming, president, W. Ray Flemming Fruit Co., of Columbia, S.C. His company is a sales agency for fruit and vegetable growers in the Southeastern States. Mr. Flemming grew up on a small farm and still operates a fruit and poultry farm. In addition, he operates a farm and feed supply business. Also with us is E. Clinton Stokes, who is on the national chamber staff where he is in charge of the chamber's agriculture program.

We appreciate the opportunity to present the views of the national chamber. We speak for the general business community, which represents every phase of agribusiness activities, including farm businessmen, their suppliers of purchased goods and services, and all types of businesses involved in processing, distributing, and marketing the products of agriculture.

Your committee is to be commended for its efforts to conduct a searching review of existing farm programs to determine their strength and weaknesses well in advance of the expiration of the Food and Agriculture Act of 1965. Certainly there is a great need for an in-depth analysis of existing programs before providing congressional authorization and guidelines for the future.

Our presentation is intended to (1) analyze major commodity programs—feed grains, wheat, cotton, wool—and the cropland adjustment program in terms of their cost to the public and their effectiveness in achieving the intended objectives; (2) review the status of farm income and the impact of adjustments in agriculture to improve farm income; (3) review recent developments and prospects for increasing producer bargaining power; and (4) suggest basic guidelines for future Federal legislation.

Actually, the Food and Agriculture Act of 1965 does not represent the beginning of the present approach to commodity programs. Rather it provided, with modifications, for extension of the feed grain program, which was initiated in 1961, the wheat program which began in 1962,

and the Wool Act which began in 1955. It provided a relatively new program for cotton and a cropland adjustment program. Thus, these commodity programs should be reviewed from their inception prior to considering extension of the act of 1965.

In 1961, the present administration established as its objectives the enactment of legislation to change the commodity programs so as to—

Reduce Government stocks;
Reduce the cost of Government programs;
Improve income to producers.

Since that time, legislation has been developed year by year to reduce the price-support loan level more nearly to the level of market prices and to supplement farm income by various forms of direct payments.

Following is a brief report of our analysis of each of these programs. More detailed information is available upon request from the committee.

THE FEED GRAIN PROGRAM

The acreage diversion program for feed grains was initiated in 1961 and marks the beginning of the current approach to federally directed supply management programs. It authorized direct payments to producers for acreage diverted to soil conserving uses or noncrop production. Price support payments were added to the program in 1963 as an additional incentive to reduce feed grain production. At the same time, the price support loan rate was lowered to encourage farmers to pay off their loans rather than letting the Government take ownership of the commodities under the inventory operations of the Commodity Credit Corporation (hereafter referred to as CCC). Little change was made in the program from 1963 to 1967 except for variations in the incentives for acreage diversion through adjustments in the level of the loan rate and price-support payments.

Cost of the program

From 1961 to 1967, a total of 201 million acres of feed grains was diverted to noncrop uses, or an average of 29 million acres per year. Cost of the feed grain program and related disposal activities, is shown in table 1 of the appendix. The total cost of acreage diversion payments to date is nearly $5 billion, or an average of about $25 per acre diverted, and at a yearly average cost of over $700 million. Price-support payments to the participants cost another $2.2 billion, or more than $300 million per year. In other words, the Federal Government has paid out more than a billion dollars per year for taking 29 million acres out of feed grain production. In addition to these direct costs for diverted acreage, the CCC has suffered losses of over $2 billion on inventory operations and another billion dollars on Public Law 480 (food for peace) disposals of feed grains during the 7-year period. Thus the feed grain program and related activities cost the Federal Government more than $10 billion from 1961 through 1967. Figure 1 shows graphically the expanding role of Government payments and decline in CCC inventory losses throughout the period.

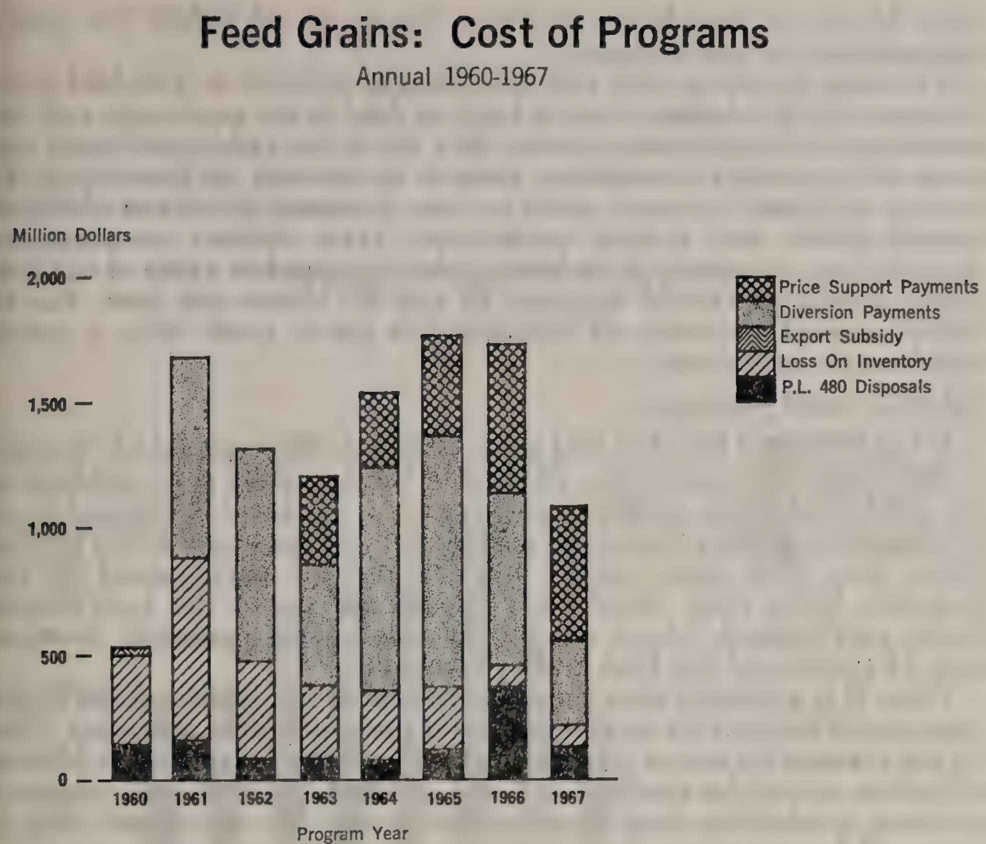

Figure 1

Program results

What has been accomplished in terms of the impact of the feed grain program on levels of production, carryover stocks and consumption of feed grains? Table 2 in the appendix shows the yield per acre increased 42 percent, enough to increase the average annual production of feed grains by 11 million tons during 1961–67, compared to the annual average during the previous 5 years. Government stocks dropped rather sharply—from 75 million tons in 1961 to 18 million tons in 1967. During the same period of time, consumption, both domestic and export, increased by an annual average of 17 million tons.

If the rate of consumption of feed grains had been no higher during this period than the average for the previous 5 years, carryover stocks would have continued to increase throughout the 7-year period, despite all the money spent on the so-called supply management program. Thus, despite the expenditure of more than $10 billion to reduce the production and carryover stocks of feed grains, it is apparent that the continually expanding demand, both domestic and export, was the principal cause of the disappearance of surplus stocks. The high cost of the program had little to do with the increased demand. Furthermore, the increase in consumption was not due to lower market prices. Despite the lower level of the price-support loan rate, prices of all four feed grains averaged slightly higher during the

1961–67 period than in the previous 5-year period before the supply management program began.

The only successes that can be scored in relation to the feed grain program are the higher income level to feed grain producers and the reduction in Government stocks. But the stock reductions were due more to increased consumption than to limitations on production. In respect to higher incomes, gross income increased by virtue of higher market prices and greater production, even without counting the Government payments. Considering that the market value of the feed grains produced ranged between $6 and $7 billion per year, the $1 billion annual payment to farmers was much more than a minor supplement to income.

Effect on small producers

It has been said that the feed grain program offers special advantages to the small farm operators. Table 3 in the appendix is an analysis of the 1964 feed grain program and contains pertinent information on participation in the program by size of farm. Of the more than 3 million farms with feed grain bases, only 39 percent participated in the program. Even more significant, only 29 percent of the 1- to 25-acre farms participated.[1] As a result, the small farm operators received only 14 percent of the feed grain payments.[2]

Thus, it is apparent that the feed grain program benefited the larger commercial farmers far more than it did the small farm operators. This 7-year acreage diversion program, which cost the Government billions of dollars, cannot be credited as being an effective or efficient means of reducing production and Government stocks. To the extent that it increased farm income, the benefits favored the larger operators.

THE WHEAT PROGRAM

The attempt at Government supply management for wheat began in 1962 with the so-called voluntary wheat program. Acreage diversion payments were made to all wheat producers who reduced their acreage below their allotment base. Price-support payments were added in 1963. After producers rejected by referendum the compulsory supply management program proposed by the administration in 1963, Congress extended the voluntary wheat program. It continued to provide payments for acreage diversion, established a relatively low loan rate, and provided price-support payments through a certificate plan [3] which was financed by sale of certificates to the grain trade. Nevertheless, the price-support payments did represent direct payments from the Government to the producers. The detailed provisions for operation of the wheat program, including the adjustments made under the Food and Agriculture Act of 1965, are well known to the members of this committee.

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[1] In contrast, 48 percent of the 26–100 acre farms and 66 percent of the 100 acre and larger farms participated in the program.

[2] The 26–100 acre farms received 40 percent, and the farms of 100 acres and over received 46 percent of the payments.

[3] The Certificate Plan provided for domestic users to buy certificates (75 cents per bushel) from the Government for wheat used for domestic consumption. In turn, the Government issued certificates to the participating producers. These certificates could be redeemed in cash or in kind for the domestic share of their production. In practice, the certificates were practically all sold back so that the participating producer received, in effect, a cash payment for their part of the price-support supplement. The Food and Agriculture Act of 1965 required that participating wheat producers receive not less than 100 percent of parity (approximately $2.55 per bushel) for the domestic share of their production and that the certificates issued be equal to the difference between this level and the price-support loan rate.

Cost of program

In terms of cost of the wheat program (table 4 in the appendix) participating farmers received about $2.9 billion in direct payments—price support payments and acreage diversion payments through 1967.[1]

In addition to the direct payments to farmers, the Government lost $8.1 billion through inventory operations, export subsidies, and Public Law 480 disposals.[2]

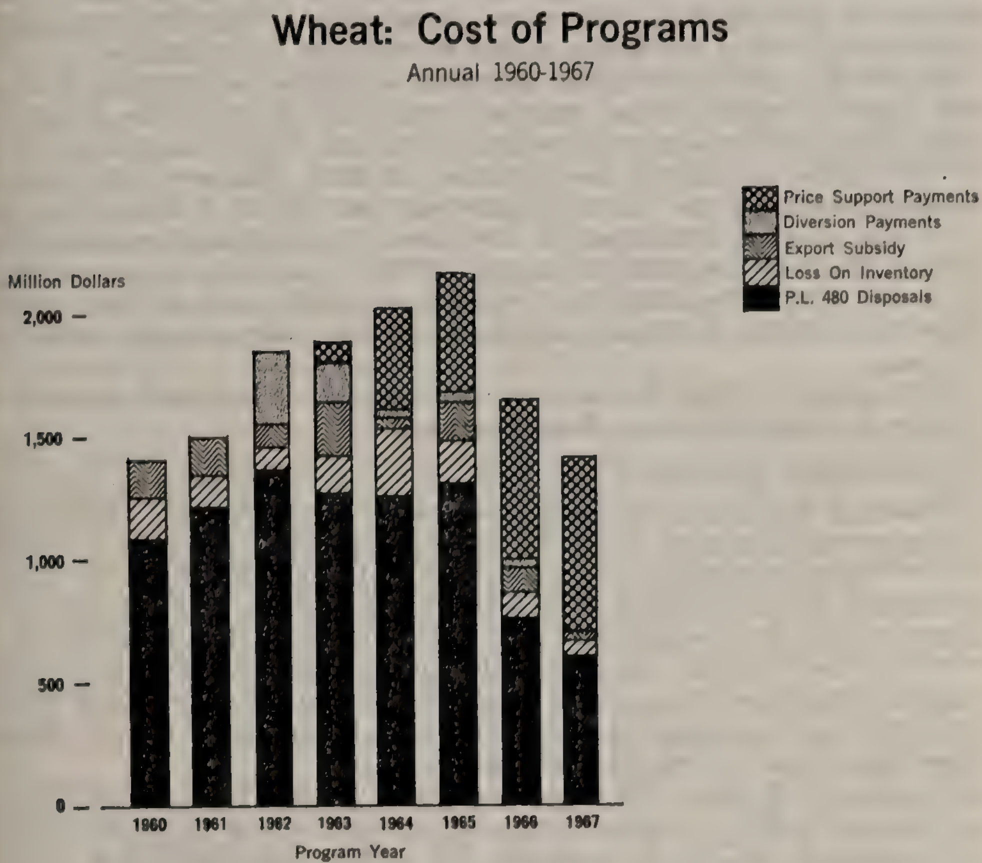

Figure 2

Program results

What was the response by farmers to the wheat program during this 6-year period? For the 5 years (1962–66) during which there was an acreage diversion program, a total of 43.3 million acres was diverted, or an average of 8.7 million per year. However, payments were made on only 27.3 million acres.[3] As in the case of feed grains, the acreage harvested during this period declined only slightly—an annual average of 2.7 million acres below the previous 5 years. But here again, the

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[1] A total of $545 million for diversion payments from 1962 through 1966 and $2.3 billion for price support payments through the sale of wheat certificates from 1963 through 1967.

[2] These amounts were $879 million on wheat inventory operations, $678 million on export subsidy payments, and $6,536 million on Public Law 480 shipments during the 1962–67 period. Most of the inventory losses, as well as Public Law 480 shipments, were for foreign assistance. Thus, the total cost of the wheat program from 1962 through 1967 was $11 billion, of which one-fourth was paid to farmers and three-fourths on various disposal operations. Figure 2 on the next page illustrates the high cost of Public Law 480 disposals and the increasing cost of price support payments.

[3] Farmers were required to divert a minimum percentage of their acreage allotment without payment in order to be eligible for participation in the wheat program. The required rate of diversion was determined each year by the Secretary of Agriculture.

higher yields per acre resulted in no decline in total production. (Table 5 in the appendix.)

Thus, it would appear that the $545 million paid out to reduce wheat production was not very effective. However, it should be remembered that the administration did not offer an acreage diversion program in 1967. In fact, it encouraged more wheat production to meet an expected increase in foreign aid requirements and to replenish Government stocks.[2] The experience demonstrated the natural inclination of producers to be more responsive to market expansion opportunities than to reduce output in response to incentives.

So, for the nearly $11 billion expended on the wheat program during the 1962–67 period, what was accomplished? During the program years, carryover stocks were reduced from 1.3 billion bushels in 1962 to 425 million bushels at the beginning of 1967. The level is expected to increase during the current marketing year. Most of this reduction in stocks may be attributed to increased consumption, primarily for export. Had consumption during the 1957–61 period averaged as high as in the 1962–67 period, carryover stocks at the end of 1961 would have been depleted without implementing the costly acreage diversion program.

It is apparent that the current wheat program has been more of a foreign aid subsidy than a farm program.

Effect on small producers

There is not much detailed information available on benefits of the program by size of farms. However, it is known that the average-size wheat allotment on the participating farms was about 67 acres, compared to 12 acres on nonparticipating farms. Thus, it was the larger wheat farm operators who participated in the program and received the bulk of the payments for acreage diversion and price support supplements. In other words, 34 percent of all wheat farmers received the Government payments and 66 percent, mostly small wheat producers, received nothing.

In respect to the 1964 crop, the participating farms received an average of $1,982 for wheat from the market, and $757 in payments for a total of $2,739. In contrast, the small nonparticipating wheat farm received only $523 on the crop, all from the market. Direct payments from the Government represented 28 percent of the gross receipts on the participating farms.

Based on 1964 operating costs (labor, power and machine services, seed and fertilizer) it cost about 65 cents to produce a bushel of wheat. On this basis, the production costs for the participating farm operator was $941; and his net return totaled $1,041 excluding Government payments and $1,798 with the payments. By comparison, the small nonparticipant's cost was $248 and his net return amounted to $275.

As in the case of the feed grain program, the voluntary wheat program served to benefit primarily the larger producer who could and did make a fairly reasonable return without the Government assistance. The program was of little or no benefit to the small pro-

[2] Production increased by more than 2 million bushels in 1967—a record high of 1.5 billion bushels. Price support payments also rose to a record high of $725 million.

ducer who was in greater need of the assistance. Wheat farmers need expanding commercial markets more than they need subsidy payments in lieu of production.

THE COTTON PROGRAM

From the end of the Korean war until the present, various attempts have been made to control production and support prices to cotton farmers. Until 1966, the program provided acreage allotments and relatively high price supports through loans, with the CCC taking over a substantial portion of the crop each year. When Government stocks became too burdensome, large quantities were dumped onto the export market at subsidized prices at a heavy cost to the Government. The program worked to the disadvantage of the domestic cotton textile industry and encouraged rapid developments of man-made fibers, both from imported and domestic sources.

Likewise, in the export market, sporadic attempts have been made to expand exports through subsidy payments, etc.; yet the U.S. industry is gradually losing its traditional share of the world market to foreign-grown cotton and substitute fibers.

For producers, this program has resulted in a fixation of the acreage allotment into the capital value of the farm. Small farm operators with limited allotments were not in a position to take advantage of improving technology to lower their costs of production. Neither could they afford to give up their allotments because of their added value to the farm. Thus, the acreage of cotton became fixed by regions without regard to relative efficiency and production costs.

Despite the limitation on cotton acreage, production continued to expand as yields trended upward—491 pounds per acre in 1961–65 compared to 434 pounds the previous 5 years.

In 1964 a new scheme was introduced which provided for direct Government payments to textile mills, representing the difference between the domestic and world cotton prices. The payments were intended to enable domestic users to pay the relatively high support price for domestic raw cotton and still be able to market the finished textiles competitively against imports from foreign textile mills. The foreign mills had been able to buy U.S. raw cotton at competitive world prices because of our export subsidy and undersell domestic mills in the American market. As a result, the Government paid out roughly $882 million to domestic mills during the 1964–65 seasons. But the prices of domestic finished cotton textiles did not decline as expected and the domestic use of cotton failed to show much expansion.

Present program

With total consumption falling consistently behind production, Government stocks continued to increase. They rose from 1.5 million to 12.3 million bales during the 1961–65 period. This failure to resolve the problems of the cotton industry resulted in the cotton program provisions in the Food and Agriculture Act of 1965. The new program established a lower CCC loan rate (less than 21 cents a pound) to insure competitive export prices. It also provided for a complicated system of payments to producers for acreage diversion and price support supplements and included additional authority for CCC to

dispose of its excess of stocks of cotton. The new program was so profitable to producers that participation was almost 100 percent in 1966 and 1967. Acreage was reduced sharply from 13.6 million in 1965 and 8.1 million in 1967. Poor growing seasons in both years and a further limitation with respect to skip-row plantings reduced yields per acre from 527 pounds in 1965 to 480 pounds in 1966 and 452 pounds in 1967. (Appendix table 6.)

Production dropped drastically. Accordingly, CCC was able to reduce its stocks from 12.3 million bales at the beginning of the 1966 season to an estimated 1.8 million bales at the beginning of the 1968 season. Because of the market price situation, the trade increased its stocks sharply, but consumption, both domestic and exports, showed little change from the previous year.

Cost of present program

In terms of Government costs, the program authorized in the 1965 act was by far the most expensive. (See fig. 3 and table 7 in the appendix.) The overall cost of the cotton program was about $640 million in 1965. It rose to $1.4 billion in 1966, and about the same level for 1967. Direct payments to cotton farmers for price support supplements and acreage diversion totaled $1.7 billion for the last 2 years, compared to less than a billion dollars the previous 2 years. This is as a result of changes made under the act of 1965 which terminated direct payments to mills and provided acreage diversion and price support payments to producers.

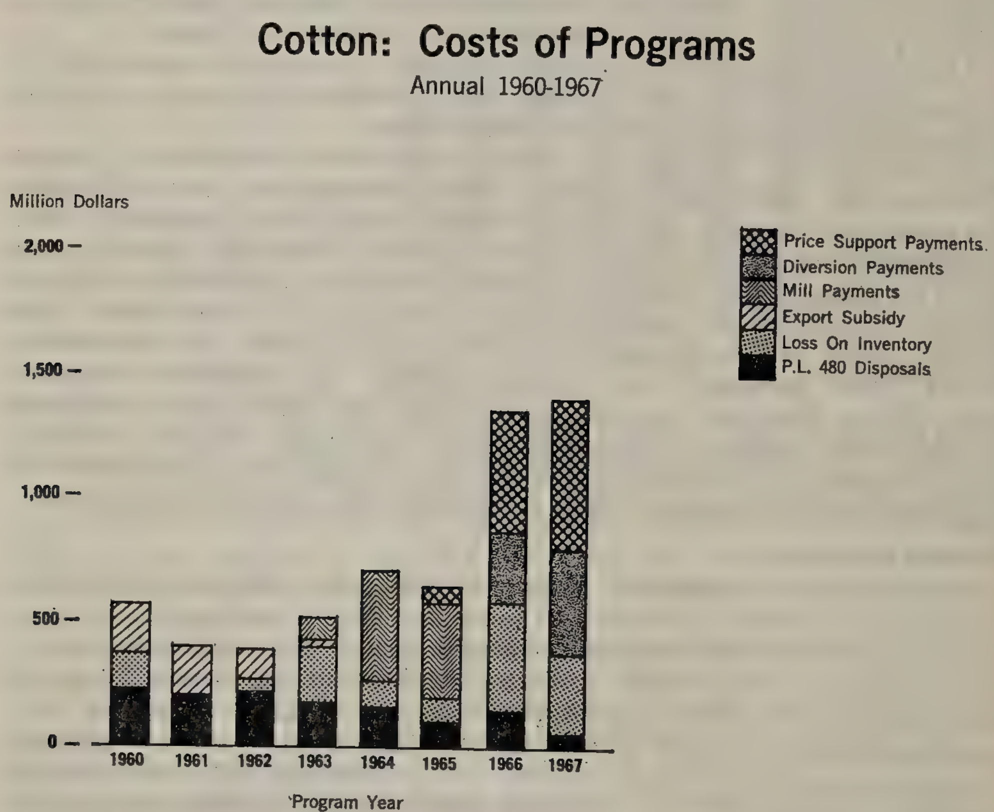

Figure 3

Thus, the cost of reducing Government stocks by 10½ million bales amounts to $162 per bale, or 32 cents a pound. In addition to the direct payments, losses on inventory operations and Public Law 480 shipments bring the total cost to the Government for 1966 and 1967 to $2.7 billion.

Program results

The Government program, in combination with poor growing conditions, has succeeded in reducing stocks, but has done little to improve consumption. In respect to farm income, producers received less under the new program. They received nearly $4.4 billion from the sale of cotton in 1964 and 1965, compared to only $2 billion in the last 2 years. Even with Government payments, returns to producers were lower in 1966–67. This is due largely to the reduced volume of sales.

Information was not readily available in respect to payments by size of cotton farms. Although the program provided additional benefits to the small producers, the bulk of the cotton was produced by the large farmers who, therefore, were in a position to reap most of the benefits.

PROGRAMS TO TAKE CROPLAND OUT OF PRODUCTION

We have by now experienced quite a variety of programs to divert farmland to soil conservation or noncrop uses in an effort to reduce production of surplus crops and raise farm prices. Table 8 in the appendix shows the number of acres retired or diverted under each type of program by years. The soil bank program, which was introduced in 1956, authorized both an acreage reserve and a conservation reserve program. Farmers were paid varying amounts per acre of retired cropland. In 3 years the acreage reserve program diverted nearly 51 million acres from the production of price-supported crops. It cost the Government nearly $1.6 billion, or an average of about $31 per acre. The conservation reserve program, which took cropland out of production for periods up to 10 years, retired slightly over 200 million acres between 1956 and 1967 at a cost of $2.5 billion, or an average cost of about $12 per acre per year.

In 1963, a small experimental cropland conversion program was introduced which, through 1967, diverted only 1.6 million acres out of production at a cost of $8.5 million.

The cropland adjustment program (CAP)

The Food and Agriculture Act of 1965 authorized the CAP. It provides 5- to 10-year contracts to divert cropland to vegetative cover, water storage facilities or other noncrop uses. Participants are required to retire all of at least one of the surplus or designated crops. Similar to previous programs, farmers received the adjustment payments per acre plus cost-share assistance to help establish the new conservation use. Large payments are provided for diverting crop acres to public recreational use. Assistance is also provided to public agencies in buying cropland for permanent conversion to public uses, such as recreation. This is known as the Greenspan program.

During 1966 and 1967, nearly 18 million acres of farmland have been diverted, only 8.3 million of which was used for crop production. (See

table 9 in the appendix.) Farmers agreed to divert a little less than a million acres for public access. Less than 17,000 acres has been purchased for Greenspan.

The CAP has cost $131 million for the first 2 years. It is expected to cost between $70 million and $80 million per year until 1971 and $55 million per year for the duration of the contracts. Total cost for the 11 years is estimated at roughly $700 million, or an overall average cost of about $40 per acre.

Impact on production levels

The accumulated cost of the various cropland diversion and retirement programs to date is roughly $10 billion; yet crop production continues to increase. The index of production for feed grains, food grains (primarily wheat), and cotton, the principal crops from which acreage has been diverted from production, has been rising at a faster rate than the index for most other crops. It is apparent that programs designed to pay farmers for diverting large acreages of cropland from production have proved to be a costly and futile exercise. Farmers invariably retire their least productive farmland and use the payments to increase the yield on the remaining acres, which increases their per-unit cost of production. The only possible justification for this approach is on the basis that the program be specifically designed to provide temporary transitional assistance to farmers as they make a concerted effort to adjust their commodity operations to competitive market conditions, or to assist them in making the transition to more remunerative occupations. As such, the diversion payments should be considered as an income supplement to facilitate the adjustment rather than expecting the program to serve as a tool for adjusting total production.

THE WOOL ACT

The wool incentive program was originally authorized by the National Wool Act of 1954 for a 3-year period. The program has been continued through subsequent extensions through 1969. The purpose of the Wool Act was to increase domestic production of wool to 300 million pounds.[1]

The incentive or support was originally set at 62 cents per pound to reflect 90 percent of parity. It remained at that level through 1965. That year the act was amended to allow adjustments in response to changes in the parity index. Accordingly, the incentive level was raised to 65 cents per pound in 1966 and 66 cents in 1967. The law further provides that if the support price is reduced below 90 percent of parity,

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[1] Senate Committee Rept. 1047, 83d Cong., 2d sess.—"to provide for the development of a sound and profitable domestic wool industry under our national policy of expanding world trade, to encourage increased domestic production of wool for our national security, and for other purposes." The act states in part that it is the "policy of Congress, . . ., to encourage the anual domestic production of approximately 300 million pounds of shorn wool, grease basis, at prices fair to both producers and consumers in a manner which will have the least adverse effects upon foreign trade."

the production target will be raised from 300 million pounds to 360 million pounds.

The actual annual average price received by producers throughout the 13 years of the program has ranged between 36.4 and 53.7 cents per pound, with Government payments making up the difference between the average price received and the support price. Government incentive payments to producers from 1955 through 1966 exceeded half a billion dollars, or an average of $45 million per year. (Table 10 in the appendix.)

Results of the program

What have been the results of this program with respect to achieving its objectives? Despite the high incentive payments, domestic wool production continued downward. Output has dropped from 236 million pounds, grease basis, in 1954 to 189 million pounds in 1967, or only 63 percent of the 300-million-pound target. Production in 1968 is expected to show a further decline.

The number of stock sheep on farms and ranches declined from 27 million head in 1954 to 19 million as of January 1, 1968. In the meantime, net imports of raw wool have increased intermittently and the wool content of imported textiles has increased substantially. Apparel wool consumption in the United States increased from 286 million pounds, clean bases, in 1954 to nearly 400 million pounds in 1965, then dropped to about 320 million pounds in 1967. During the first 12 years of the incentive program for wool, per capita consumption of domestic wool has declined 36 percent, while that of imported apparel wools has increased 26 percent.

Obviously, the Wool Act has not accomplished its objective and cannot be expected to in the future. It is time for reappraisal of the objectives of the wool program. The various factors which have contributed to the decline must be considered before more realistic national objectives can be established.

CHANGES IN AGRICULTURAL PRODUCTIVITY, FARM SIZE, AND INCOME

Before new Federal legislation can be wisely developed to cope with the problems of modern agriculture, we must more fully understand the operations of the business of farming as it is today. Consideration must be given to adjustments that have been and are continuing to take place in terms of productivity, size of farm operation, and changes in production costs and net returns.

Changes in productivity

Despite the decline in the acreage used for crop production, due to the various diversion and land-retirement programs, crop output has continued to increase. Compared with 1950 levels, 1967 crop output was up 33 percent and yields up 45 percent. The increased productivity is, of course, due to improved seed varieties, more and better fertilizers, herbicides and pesticides, and better management practices. In addi-

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tion, farm enlargement has made possible application of new technology.

Similar advancements have been experienced in the livestock and poultry industries, particularly broilers. Total agricultural output for American farms rose 37 percent from 1950 to 1967. On the other hand, it may be surprising to note that total inputs (all of the factors used in producing crops and livestock products) have risen very little since 1950—only 6 percent. Thus, the output per unit of input, or productivity in agriculture has increased 29 percent since 1950. This mean, in effect, that despite the higher prices for items purchased by the producer, these costly purchases have enabled him to increase his output by an amount greater than the cost of his inputs.

Another measure of efficiency in the business of farming is output per man-hour of labor. This index was 174 percent higher in 1967 than in 1950. In other words, farmers used only one-half as many man-hours to produce 37 percent larger quantity in 1967 than just 17 years earlier. In terms of commodities, it now takes only 9 man-hours of work to produce 100 bushels of corn or grain sorghums compared with 20 man-hours in 1955–59. Similar increases in productivity have been experienced with wheat, cotton, and other commodities.

Adjustments in number and size of commercial farms

It should not be surprising that incentive payments to encourage production adjustments in the government supply management programs favor the larger producers when it is understood that farms with gross sales of more than $10,000 account for seven-eights of the total farm output. But they represent only one-third of all U.S. farms. The other 2 million farms which sell less than $10,000 worth of products per year, received less than one-half of the total Government payments.

The farms with gross sales in excess of $10,000 represent the expanding sector of U.S. agriculture (fig. 4). During the last decade these larger farms has been increasing in number at a rapid rate—from less than 600,000 in 1954 to over 1 million in 1966. The number of farms in the $20,000 and over category have increased even more sharply—from 325,000 in 1959 to 527,000 in 1966. The number of farms with sales between $10,000 and $20,000 has remained fairly constant since 1959. They may be regarded as the way station for farming expansion—that is about as many farm operators move into this class from smaller sized groups each year as the number that expands into the $20,000 and over class. Accordingly, the number of small farms is declining rapidly.

Figure 5 shows how rapidly the larger farms, $20,000 and over, are becoming the dominant factor in farm marketings. Their cash receipts from the sale of products has jumped from less than $11 billion in 1954 to more than $27 billion in 1966, and more than likely exceeded $30 billion in 1967.

Number of Farms

by Size Based on Value of Sales Per Farm

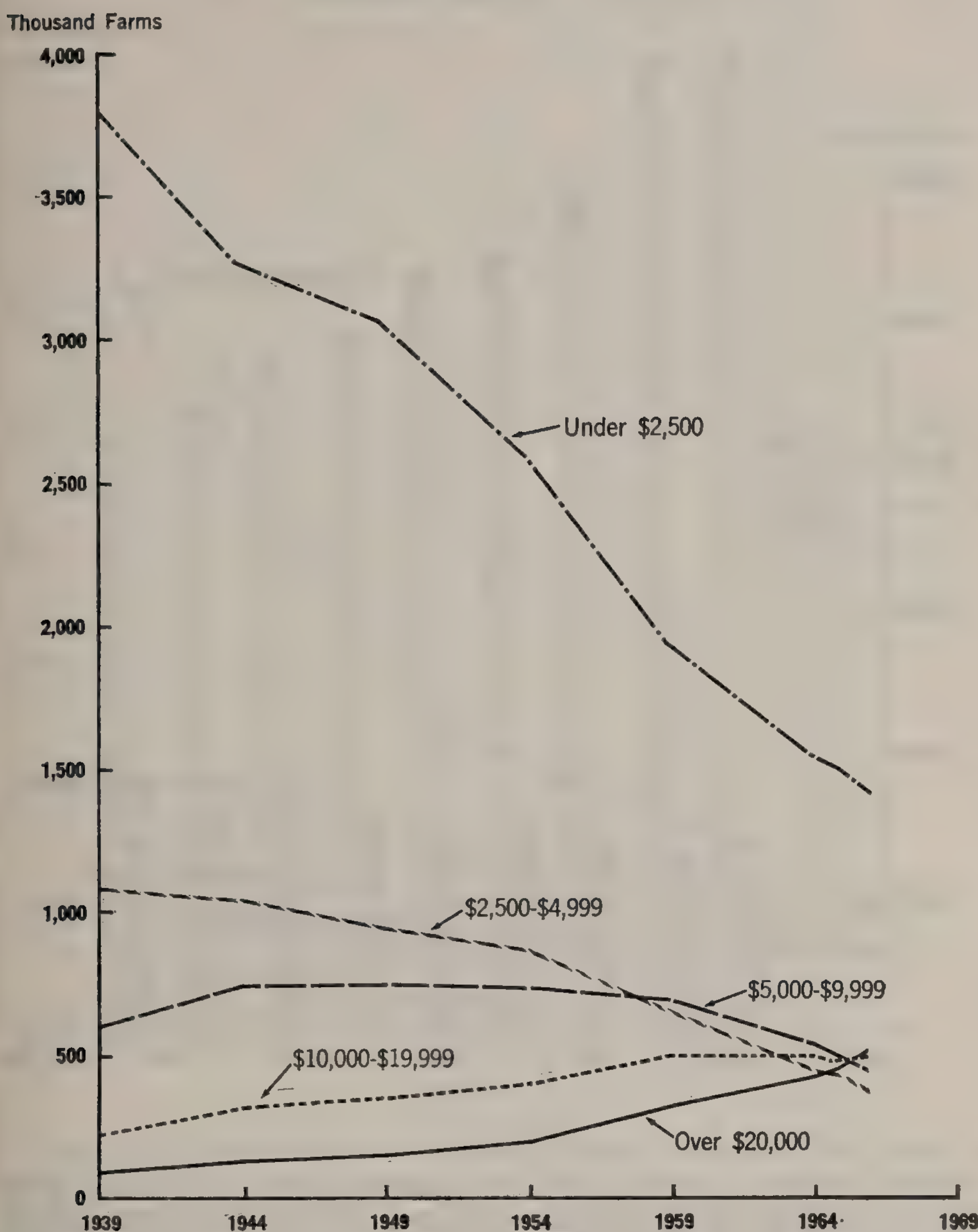

Figure 4

Total Cash Receipts From Farm Marketings

by Size of Farm Based on Value of
Annual Sales Per Farm
(Valued At 1959 Prices Received By Farmers)

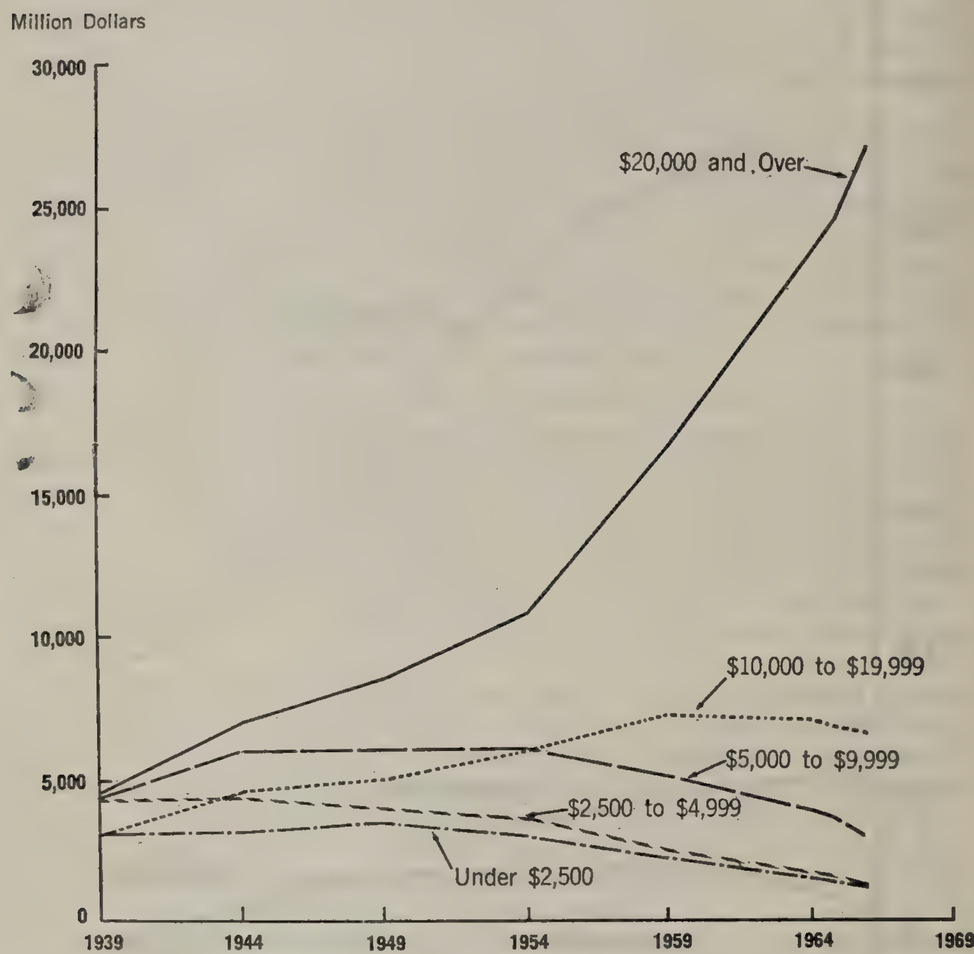

Figure 5

Figure 6 shows more vividly the diametric directions being taken between the expanding and contracting sectors of American agriculture. Farm operators in the expanding sector, where sales exceed $10,000 and who account for about nine-tenths of the total farm output, rely on returns from farm marketings for their income. Although they receive more than half of the total Government payments, these payments represent a small fraction of their total income.

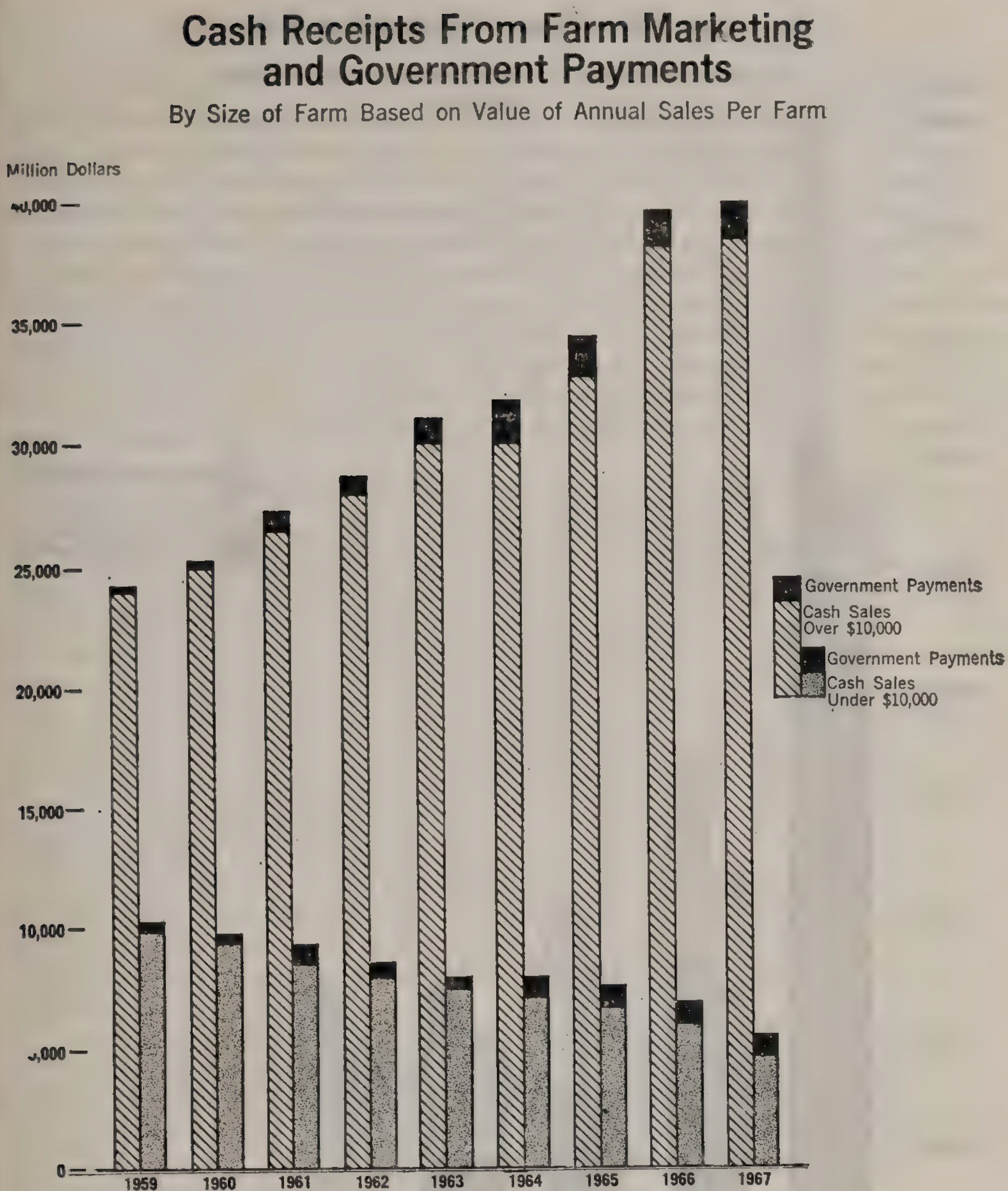

Figure 6

Figure 7 shows the relative importance of the three different sources of farm income to farm operators according to their operations. The smaller the size of farm operations, the greater is its dependence on off-farm income for survival. The farms with sales under $2,500 sell very few farm products and thus receive an even smaller proportion of Government payments.

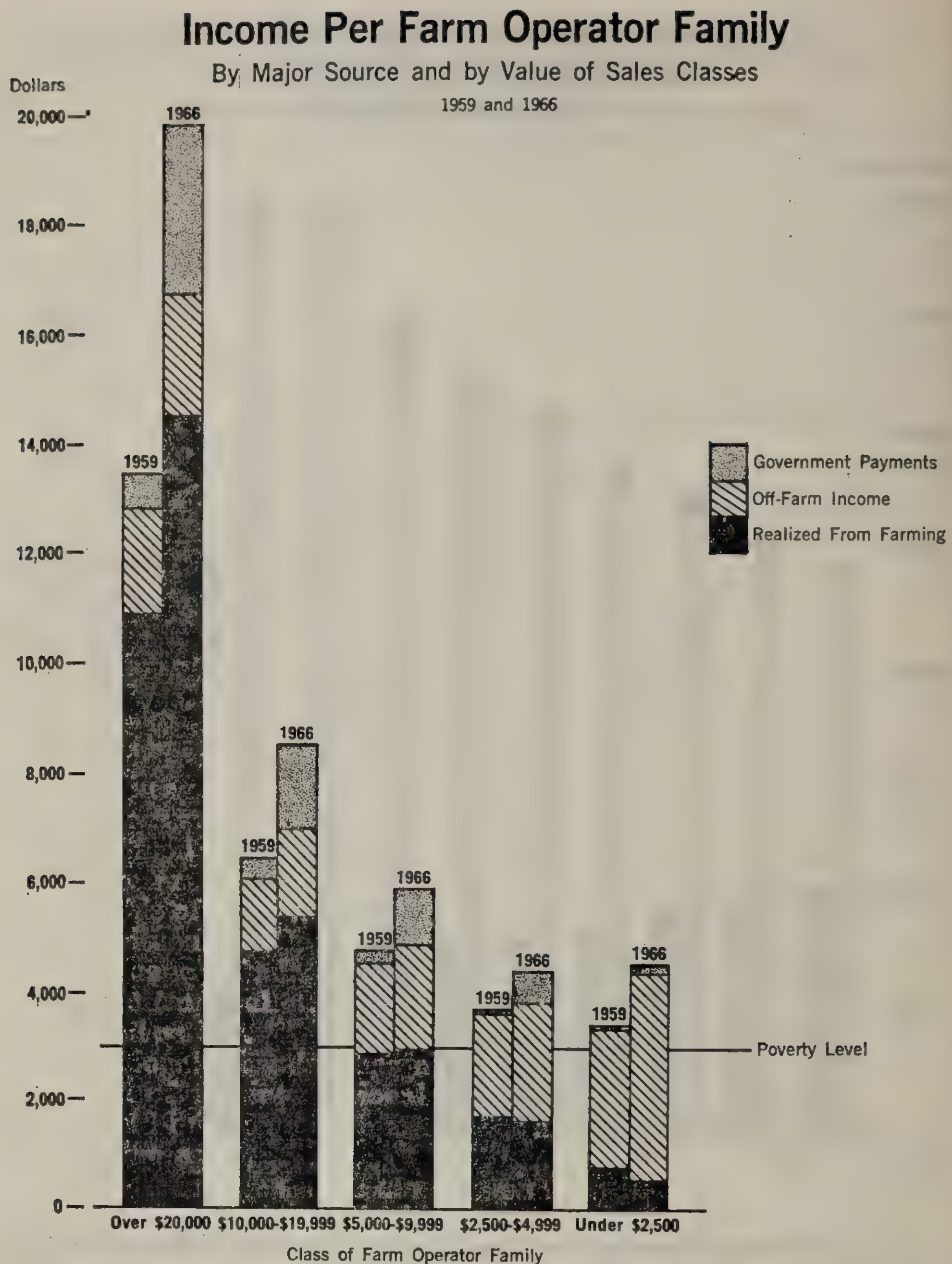

Figure 7

It seems inevitable that the larger farms will continue to grow in number. In 1966 the $20,000 and over class accounted for 68 percent of total production expenses, and 56 percent of realized net income from farming. Likewise, the contracting segments may eventually go out of existence, except for the part-time farmers whose farm income is more of a supplement to their off-farm income.

FARM BARGAINING POWER

The never-ending squeeze between prices paid and prices received keep farm businessmen in a perpetual struggle to adjust their operations so as to realize a profit—a problem not unique to the business of farming and ranching. We have already noted some of the major adjustments farmers are constantly making to increase net returns.

For many years producers have had authority from Congress and assistance from the U.S. Department of Agriculture to produce and market their products collectively through voluntary cooperative marketing associations.[1] Federal and State marketing orders have provided additional authority for specified commodities and conditions. Generally they provide governmentally enforced procedures for correlating the supply characteristics of the commodity with market demand.

Agriculture Secretary Freeman's famous Press Club speech in May 1967 triggered greater interest for new legislation to increase the power of producers to control the terms of marketing their products. This renewed interest reflects dissatisfaction with the relentless squeeze on prices and the failure of existing Federal programs.

Answers to many questions are needed before embarking on new approaches to compulsory marketing legislation. For example:

1. What has been the effect of existing marketing order programs? Have they increased prices to producers? To what extent have higher prices caused a shift in consumer spending away from given products?

Have they increased supplies by stimulating expanded production and the entry of new producers?

Have marketing order programs affected incentives to improve efficiency of farm plant operations through structural adjustments and improvement of product quality, and so forth?

2. Do most farmers understand what collective bargaining really means?

Do they understand that it means contracting with associations for a 2- or 3-year period with penalties for violating their agreements?

Do they know it means sharing their market opportunities with other farmers who have different objectives (price vs. volume, short vs. long range), different management abilities, product preferences, and per-unit cost factors?

Do farmers understand that collective bargaining means changing the antitrust laws to give farmers exemptions similar to those enjoyed by labor unions, developing some way to control supply if prices increase, increasing incentives for substitute products and larger imports?

3. What would have happened if farmers had enjoyed a Wagner-type act for agriculture since the thirties?

Would they have adopted the tools of modern science and technology to take advantage of the economies of scale?

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[1] The Capper-Volstead Act assures farmers the right to join together in cooperative associations to engage in collective marketing without being in violation of the antitrust laws in their dealing with third persons in the same manner as other business concerns.

Would the broiler industry have expanded sevenfold since World War II, provided a new source of income in depressed rural areas, and contributed to agriculture's favorable balance of trade, all of which has been accomplished without price supports and Federal controls over production?

How many more farmers would there be today—all trying to share equally in a relatively inelastic market for their products?

4. Which commodities are causing the most trouble to producers in terms of farm prices and income? Are they the commodities which are relatively free of price supports and Government intervention, such as fruits and vegetables, livestock and poultry products, or are they so-called basic commodities and dairy products which are included in the supply management programs and which are not regarded as the primary target for collective bargaining proposals.

5. Can farm businessmen gain more in the long run by establishing a National Agriculture Relations Board? Such an agency would have centralized producer-controlled committees bargaining collectively with similar committees representing farm suppliers and customers. Or can farm businessmen gain more by working cooperatively with their agribusiness counterparts in developing a coordinated industry-wide system approach to production and marketing opportunities for maximum efficiency, returns, and stability?

Most proposals for strengthening producer bargaining power have as a primary objective higher prices to producers. Since American agriculture can produce far more than can be effectively marketed at acceptable prices, achieving higher prices means a combination of one or more of the following potentially detrimental effects:

Rigid supply controls.

Special exemptions from antitrust laws to permit monopolistic control over supply and prices.

Loss of individual producer's freedom to decide for himself what to produce, whom to deal with, and on what terms.

Loss of processor-handler's freedom to pick his suppliers based on quality of product and performance.

Establishment of special governmental agencies to insure compliance with authorized production and marketing practices.

Deterioration of our most efficient competitive marketing system.

There are opportunities for more acceptable approaches to collective bargaining—where producer associations and their customer-handlers benefit mutually. Some producer associations are moving more in this direction. Bargaining terms which lead to greater efficiency in trading and lower costs of production, processing, and handling could result in savings to both sides. The free exchange of information on consumer demand, market supplies, and production capabilities can contribute to greater stability in markets, prices, and production.

Mutual interest should be the underlying objective of any actions considered for collective bargaining. Whenever the bargaining process can provide additional services which are beneficial to both sides, then

these additional services or product specifications could be included in the terms for agreement.

The National Chamber believes that the freedom to organize and seek sound solutions to the problems of production and marketing through democratic processes is the right of all American farmers. By the same token, it is the right of every other segment of American industry. The freedom to compete is basic in our economy and is essential to the continuing improvement of living standards for the American people.

We are opposed to the recommendation of the National Commission of Food Marketing for legislation authorizing an Agriculture Marketing Board with power to administer group marketing activities, including the regulation of production or marketing, and the negotiation of prices and other terms of trade. We recognize the right of producers to join together voluntarily in associations to market their products under existing statutory exemptions from the antitrust laws. We are opposed to any further exemptions under these laws. Legislative or administrative authority should not be provided which would prohibit producers and their customers from dealing with one another individually or on a direct basis, or require the processor or handler to negotiate with a producer bargaining group.

We support voluntary, free, and open negotiations involving terms of trade between producers and their customers. but the prices resulting through such negotiations must reflect free and competitive market incentives to assure maximum efficiency in production and marketing activities, as well as adequate supplies of food and fiber.

The recent enactment of S. 109 (the Agricultural Fair Practices Act of 1967) should contribute much toward insuring the freedom of producers to join bargaining associations without fear of illegal pressure from handlers and other persons. It also insures the freedom of handlers, as well as individual producers, to deal with whom they please.

There is room for collective bargaining by and for farmers provided it is within the framework of economic consequences which farmers and the whole society are willing to tolerate. Bargaining techniques by which some advocates would hope to bludgeon their way into new realms of prosperity by copying the pattern of organized labor are not likely to draw much farmer support. The modern-day producer is essentially and increasingly a business manager and capitalist, not a laborer who signs over the management of his services and income to some central bargaining agency.

WHAT HAVE WE LEARNED FROM PAST SUPPLY MANAGEMENT PROGRAMS?

We have spent billions of dollars in recent years to discourage production and to raise farm prices; yet production continues to increase and prices settle accordingly. We have spent more billions of dollars to store the surpluses and later to dispose of them at tremendous losses. Now, despite what we should have learned, Congress is considering legislation to rebuild Government stocks of certain commodities under the banner of "strategic reserves" or "food bank"—to shore up farm

prices and to assure consumers that they will have plenty to eat and wear. And yet we know that the legislation cannot accomplish the first objective and is not needed for the second objective.

If anything is to be gained from the experience of our present and past farm programs, it is that we should know by now:

That price supports cannot be maintained above market levels without encouraging excess production;

That it is unnecessary and costly to maintain Government stocks for purposes of price stabilization and assistance programs;

That disposing of these accumulated stocks is impossible without infringing on the future market opportunities of the producers;

That stocks acquired by the Government to support farm prices produce the opposites effect on prices when they are sold back into the market;

That to the extent farmers can anticipate the current income benefits of any program, such benefits—whether they are price supports, supplemental payments, or acreage allotments—tend very strongly to become capitalized into the price of land and even the right to share in a quota of production;

That a large share of the income benefits from Government payments goes to the larger, more efficient farmers who need the least assistance;

That programs which attempt to ignore or circumvent the interplay of economic forces of supply, demand and technology tend to (1) postpone the full impact of adjustment, (2) increase its severity, or (3) create basic shifts in the demand structure that further compound the supply adjustment problem. The growth in the use of butter substitutes, synthetic textile fibers, and now the rapid development of filled milk and nondairy beverages are good examples.

A thorough reappraisal of the entire supply adjustment program for agriculture is appropriate, while our carryover stocks are at or near the minimum, before extending the Food and Agriculture Act of 1965. Public policy decisions in the near future will determine the ability of, and our confidence in, the American competitive enterprise marketing system to meet the adjustments in production and shifts in demand for U.S. agricultural products.

The members of this committee are to be commended for conducting this indepth review of past programs before attempting to chart a legislative course for the future.

SUGGESTED GUIDELINES FOR THE FUTURE

We have not yet developed under our democratic system a centralized, programed approach for adjusting the output of agricultural products to changing supply-demand conditions that is more effective, beneficial, and acceptable to the commercial producers, the taxpayers, and the national economy than can be achieved through primary reliance on competitive markets. Accordingly, we believe that agricultural production levels should be determined by the operation of mar-

ket forces working through the price system of a competitive economic society. The choice in the use of land, labor, and capital should be left to the farmers themselves.

For some time the National Chamber has advocated a positive approach to agricultural adjustment. More specifically, we have proposed the gradual, scheduled, and orderly withdrawal of direct Government intervention in the production, marketing, and pricing of agricultural products. This applies to price support loans and payments, acreage allotments, marketing quotas, and land and other resources diversion programs. These are tools which, if properly used along with transitional adjustment payments, could implement a gradual transition to free-market conditions.

I hasten to add that we do support a national program to aid in protecting farmers against an undue share of the burden of temporary and severe price declines. However, Government programs to cushion farm income against the effect of severe price declines should be designed to come into play only during emergency conditions without having the effect of stimulating excess production and further depression of market prices.

The National Chamber therefore agrees with the recommendation of the National Advisory Commission on Food and Fiber that "the United States adapt its policies to accomplish a market-oriented agriculture"; and that this should be done as quickly as possible without imposing undue hardship on the agricultural sector. More specifically, we would support the minority members' recommendation that "the current types of programs interfere too greatly with efficient allocation of resources" and that "the present commodity programs should be modified to encourage the major adjustments needed for a market-oriented agriculture, and then be gradually phased out."

Although there is need for "gradual transition" from the present supply-management programs to market-oriented programs so as to allow producers an opportunity to adjust their commodity and management operations to primary reliance on markets, there is equal danger that the transitional programs become ends in themselves. The transition periods, as well as the type of adjustment program, should be scheduled according to the predetermined needs of each commodity to prevent further misallocation of resources and market distortions.

It seems to us that the adoption of a transitional program would require termination of the Food and Agriculture Act of 1965 and such other laws relative to acreage allotments, marketing quotas, price supports and CCC operations that would impede a positive transitional approach to agricultural adjustment.

A number of bills have been introduced during the 90th Congress which would terminate the Government's supply-management control over wheat and feed grains. A similar bill was recently introduced by Senator Ribicoff—S. 3158. It would:

Repeal feed grain bases and acreage diversion and price support payments;

Repeal the authority for wheat allotments, marketing quotas, certificates, acreage diversion, and price support payments;

Terminate price supports for wheat, feed grains, and soybeans;

Authorize CCC to insure recourse loans up to 18 months by commercial lending institutions on wheat and feed grains;

Limit the insurance rate to 90 percent of the seasonal average price;

Limit the insurance coverage to 75 percent of the total amount of the loan;

Prohibit the sale of CCC stocks of wheat and feed grains below 125 percent of the 1967 loan rate, 85 percent of parity, or the current market price, whichever is higher.

Such a program would end the acquisition and disposal of these commodities by the Federal Government, would leave the money-lending to private institutions, and would make producers responsible for selling their own products. If Congress gives serious consideration to this type of legislation, it might also consider financing the insurance fund through the annual appropriation process rather than out of CCC funds. This would enable Congress to maintain control over the program and could perhaps terminate the authority for CCC operations after existing stocks of the Corporation are exhausted.

In a special report last year on "The Commodity Credit Corporation—Its Costs, Confusion, and Cures," the National Chamber recommended improvements in the funding procedure for CCC and urged consideration of repealing the Corporation Charter Act.

The National Chamber has transmitted to congressional committees in recent weeks recommendations on several legislative issue in agriculture which would contribute to the deescalation of the Federal intervention in agriculture. We have expressed opposition to the so-called "strategic reserve" legislation and support for extension of the Public Law 480—food for peace program, with modification. Our views on these programs are consistent with the belief that private industry is fully capable of maintaining adequate supplies of storable farm commodities without the Government storage program. We recognize that the maintenance of adequate supplies of these commodities would require at least annual estimates by both industry and Government of all potential outlets.

The National Chamber has also testified in opposition to Senate ratification of the international grains arrangement. We think this treaty would limit export opportunities and work against the interest of the producers.

CONCLUSION

The business community has a vital concern for programs which affect the economic growth, stability, and security of our American free enterprise systems. The business of farming, as a vital part of the Nation's largest industry—agriculture—must have an opportunity to prosper in proportion to the general economy. We consider it an obligation, therefore, to reflect the views of businessmen, including farmers, in developing basic guidelines for a sound approach to the problems of agriculture.

Attached is a copy of the National Chamber's policy statement on agriculture. If we can be of any service to the members of the committee in carrying out its colossal task, please let us know.

TABLE 1.—FEED GRAINS: COST OF PROGRAMS, 1960–67

[In millions of dollars]

Program year	Payments		Losses on inventory operations	Export subsidy	Public Law 480, titles I, II, and IV	Grand total
	Price support	Acreage diversion				
1960			[1] 360	[1] 20	[1] 146	526
1961		782	730	7	158	1,677
1962		843	384		89	1,316
1963	382	462	271		96	1,211
1964	282	886	271		81	1,520
1965	431	946	256		126	1,759
1966	584	708	101		335	1,728
1967 [2]	536	326	80		140	1,082
1961–67	2,215	4,953	2,093	7	1,025	10,293

[1] Fiscal years—beginning year shown.
[2] Preliminary estimates.

Source: June 30 reports of the Commodity Credit Corporation.

TABLE 2.—FEED GRAINS:[1] ACREAGE HARVESTED, YIELD PER ACRE, PRODUCTION, STOCKS, AND UTILIZATION—1956–60 AVERAGE, ANNUALLY 1960 AND 1961–67

Crop years	Acreage harvested For grain (million acres)	Yield per acre (tons)	Production (million tons)	Beginning stocks (million tons)		Utilization (million tons)		
				Government	Other	Domestic	Exports	Total
1956–60 average	127.1	1.10	140.2	49.8	8.8	121.0	10.8	131.8
1960	127.5	1.22	155.5	65.7	8.9	132.4	12.7	145.1
1961	105.3	1.33	139.8	74.7	10.3	136.4	16.2	152.6
1962	101.2	1.39	141.7	62.5	9.7	132.6	16.9	149.5
1963	105.1	1.46	153.8	55.8	8.6	131.1	17.8	148.9
1964	97.1	1.38	134.2	56.6	12.7	128.7	20.0	148.7
1965	96.0	1.64	157.4	43.7	11.1	141.5	28.6	170.1
1966	97.8	1.61	157.6	24.4	17.7	139.0	23.6	162.6
1967 [2]	100.7	1.74	175.1	18.3	18.8	146.0	24.2	170.2
1961–67 average	100.5	1.51	151.4	48.0	12.7	136.5	21.0	157.5
1968 [2]				22.0	20.0			

[1] Includes corn, grain sorghums, oats and barley—relatively small imports are excluded from all data.
[2] Preliminary estimates.

Source: Recent issues of the Feed Grain Situation—USDA.

TABLE 3.—STATISTICS ON THE 1964 FEED GRAIN PROGRAM

Size of farm base (acres per farm)	All farms with feed grain base (thousand farms)	Participating farms				Payments		
		Number (thousand farms)	Percent of— Class total	All farms	Total participating	Total (million)	Percent of total	Average per farm
1 to 25	1,794	520	29.0	16.3	41.8	$161.0	13.7	$310
26 to 100	1,088	519	47.6	16.3	41.7	473.2	40.4	912
101 and over	307	204	66.5	6.4	16.5	537.1	45.9	2,630
Total	3,189	1,243	39.0	39.0	100.0	1,171.3	100.0	942

Source: Special report issued July 1965 by USDA—"1964 Feed Grain Program—Frequency Distribution."

TABLE 4.—THE WHEAT PROGRAM: COST OF PROGRAMS, 1960–67

[In millions of dollars]

Program year	Payments: Price supports	Payments: Acreage diversion	Loss on inventory operations [1]	Export subsidy [1]	Public Law 480, titles I, II, and IV [1]	Grand total
1960			177	149	1,083	1,409
1961			138	147	1,219	1,504
1962		285	91	100	1,372	1,848
1963	79	163	143	222	1,276	1,883
1964	410	32	277	45	1,258	2,022
1965	471	38	172	172	1,306	2,157
1966	652	27	136	107	724	1,646
1967 [2]	725		60	35	600	1,420
1962–67, total	2,337	545	879	679	6,536	10,976

[1] Fiscal years beginning year shown.
[2] Preliminary estimates.

Source: June 30 reports of the Commodity Credit Corporation.

TABLE 5.—WHEAT:[1] ACREAGE HARVESTED, YIELD PER ACRE, PRODUCTION, STOCKS, AND UTILIZATION—1957–61 AVERAGES; ANNUALLY, 1961–67

Crop years	Acreage harvested (million acres)	Yield per acre (bushels)	Production (million bushels)	Stocks (million bushels): Government	Stocks: Other	Utilization (million bushels): Domestic	Exports: Government	Exports: Other	Total
1957–61 average	50.4	24.2	1,224	1,118	44	593	375	172	1,141
1961	51.6	23.9	1,232	1,368	43	602	491	228	1,321
1962	43.7	25.0	1,092	1,192	130	575	486	158	1,219
1963	45.5	25.2	1,147	1,189	6	584	503	353	1,440
1964	49.8	25.8	1,283	882	20	643	567	158	1,368
1965	49.6	26.5	1,316	682	135	731	569	298	1,598
1966	49.9	26.3	1,312	340	195	680	371	371	1,422
1967 [2]	59.0	25.8	1,524	204	221	654	470	280	1,404
1968 [2]				345	220				
1962–67 average	49.6	25.8	1,279	748	117	644	494	270	1,408

[1] Relatively small imports are excluded from all data.
[2] Preliminary estimates.

Source: Recent issues of the Wheat Situation, USDA.

TABLE 6.—COTTON: HARVESTED ACREAGE, YIELD PER ACRE, PRODUCTION, STOCKS, AND UTILIZATION ANNUALLY 1966–67

Year	Harvested acreage (thousand acres)	Yield per acre (pounds)	Production (thousand bales)	Stocks: Government (thousand bales)	Stocks: Other (thousand bales)	Utilization [1]: Domestic (thousand bales)	Exports (thousand bales)	Total (thousand bales)
1960	15,309	446	14,272	5,041	2,518	8,279	6,632	14,911
1961	15,634	438	14,318	1,519	5,709	8,954	4,913	13,867
1962	15,569	457	14,867	4,726	3,105	8,419	3,351	11,770
1963	14,212	517	15,334	8,155	3,061	8,609	5,662	14,271
1964	14,055	517	15,182	10,393	1,985	9,171	4,060	13,231
1965	13,615	527	14,973	11,616	2,675	9,497	2,942	12,439
1966	9,554	480	9,575	12,304	4,558	9,485	4,669	14,154
1967 [2]	8,090	452	7,618	5,950	6,483	9,100	4,250	13,350
1968				1,750	5,000			

[1] Production, stocks and utilization do not balance largely because of differences in size of bale, exactness of crop season and the inclusion of relatively small imports in utilization.
[2] Preliminary estimates.

Source: Recent issues of the Cotton Situation, USDA.

TABLE 7.—COTTON: COST OF PROGRAMS, 1960–67

[In millions of dollars]

Program year	Type of payment: Price supports	Type of payment: Acreage diversion	Type of payment: Cotton textile mills	Loss on inventory operations	Export subsidy	Public law 480 Titles I, II, and IV	Grand total
1960	----	----	----	147	192	225	564
1961	----	----	----	12	174	205	391
1962	----	----	----	51	121	216	388
1963	----	----	88	212	44	172	516
1964	----	----	425	112	----	157	694
1965	69	----	369	98	----	103	639
1960–65	69	----	882	632	531	1,078	3,192
1966	489	285	----	429	----	147	1,350
1967 [1]	608	322	----	370	----	58	1,358
1966–67	1,097	607	----	799	----	205	2,708

[1] Preliminary estimates.

Source: June 30 reports of the Commodity Credit Corporation.

TABLE 8.—CROPLAND DIVERSION: ACREAGE DIVERTED UNDER SPECIFIED PROGRAMS ANNUALLY, 1956–67

[In millions of acres]

	Soil bank: Acreage reserve	Soil bank: Conservation reserve	Cropland conversion	Cropland adjustment	Feed grain program	Wheat program	Cotton program	Grand total
1956	12.2	1.4	----	----	----	----	----	13.6
1957	21.4	6.4	----	----	----	----	----	27.8
1958	17.2	9.9	----	----	----	----	----	27.1
1959	----	22.5	----	----	----	----	----	22.5
1960	----	28.7	----	----	----	----	----	28.7
1961	----	28.5	----	----	25.2	----	----	53.7
1962	----	25.8	----	----	28.5	10.7	----	65.0
1963	----	24.3	0.1	----	24.5	7.2	----	56.1
1964	----	17.4	.1	----	32.4	5.1	0.5	55.5
1965	----	14.0	.4	----	34.8	7.2	1.0	57.4
1966	----	13.3	.4	2.0	34.7	8.3	4.6	63.3
1967	----	11.0	.6	4.1	20.2	----	4.9	40.8
1968	----	9.4	(1)	(1)	(1)	(1)	(1)	(1)
1969	----	3.5	(1)	(1)	(1)	(1)	(1)	(1)
1970	----	.1	(1)	(1)	(1)	(1)	(1)	(1)

[1] Not available.

Source: Agricultural statistics, 1967, USDA.

TABLE 9.—CROPLAND ADJUSTMENT PROGRAM—SUMMARY OF AGREEMENTS, AND ACREAGES INCLUDED—1966 AND 1967 COMBINED

	Regular	Public access	Greenspan	Total
Agreements	66,832	10,877	139.0	77,848
Farmland (1,000 acres)	17,943	----	16.7	17,960
Cropland (1,000 acres)	8,338	----	9.4	8,347
Designated crops (1,000 acres)	4,032	950	7.7	4,990
Payments obligated ($1,000):				
1966	47,422	930	44.0	48,396
1967	80,118	2,051	772.0	82,941

Source: 1966 and 1967 cropland adjustment program—Statistical summary—USDA, issued January 1968.

TABLE 10.—APPAREL WOOL:[1] NUMBER OF STOCK SHEEP, WOOL PRODUCTION, IMPORTS OF WOOL AND WOOL CONTENT OF IMPORTED PRODUCTS, UTILIZATION AND PAYMENTS ANNUALLY, 1954–67

	Stock sheep on hand Jan. 1 (million heads)	Shorn and pulled wool production (million pounds)	Net Imports (million pounds)			Utilization (million pounds)	Payments to producers (million dollars)
			Raw wool	Wool content of imported Products	Total		
1954	27.1	136.4	102.9	46.8	149.7	286.1	
1955	27.1	137.4	112.7	64.0	176.7	314.1	57.6
1956	26.9	136.9	103.6	72.0	175.6	312.5	51.9
1957	26.3	130.4	76.0	67.0	143.0	273.4	16.1
1958	27.2	130.0	62.0	70.5	132.5	262.5	85.1
1959	28.1	140.2	100.5	96.9	197.4	337.6	53.9
1960	28.8	144.6	74.2	98.9	173.1	317.7	59.5
1961	28.3	142.5	90.0	95.2	185.2	327.7	56.9
1962	26.7	133.4	125.7	112.3	238.0	371.4	39.2
1963	25.1	126.2	109.0	125.4	234.4	360.6	27.2
1964	23.4	119.6	98.3	107.1	205.4	325.0	20.3
1965	21.8	113.1	162.0	119.6	281.6	394.7	34.2
1966	21.5	110.2	162.5	115.4	277.9	388.1	26.0
1967 [2]	20.7	107.0	109.1	103.4	212.5	319.5	[3]
1968 [2]	19.2						

[1] All wool figures are on a clean wool basis.
[2] Preliminary.
[3] Not available.

Source: Recent issues of the Wool Situation, USDA.

CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA, WASHINGTON—POLICY STATEMENT FOR AGRICULTURE

Farming is a business. Agriculture is an industry. The business of farming, coupled with all the farm supply services and all the processing and marketing services, comprise the industry known as agriculture.

A prosperous agriculture in a prosperous economy must be a national objective. The Federal Government has attempted to reach this objective by means of a series of programs—price support, acreage allotment, marketing quota, soil bank, acreage diversion, surplus disposal, processing certificate, supply management and many others.

Yet parts of agriculture have not prospered in proportion to the general economy. Agricultural production, both at home and abroad, has been progressively distorted and disrupted for a considerable number of commodities. The efficiency and effectiveness of highly develped marketing systems has been progressively impaired. There has been discriminatory treatment as between farmers, as between commodities, as between geographical areas, and as between agricultural service industry groups.

It is paradox that a nation so favored by soil and climate and so alert to develop and take advantage of improved agricultural techniques has been unable to make agriculture a more attractive and rewarding occupation and a stronger bulwark to a dynamic economy.

It is clear that governmental programs are not the answer; and that the time has come to drastically reduce the role of the Federal Government in agriculture; and for the whole agricultural economy—farmers, marketing agencies, processors and consumers—to demand a more positive and realistic approach to agricultural problems.

We believe that national farm policy should embrace, as fundamental, the following concepts:

(1) That the interplay of the economic forces of supply, demand and technology can neither be ignored nor circumvented.

(2) That the operation of economic forces, working through the marketing systems of a free economic society, should determine levels of production for agriculture just as they do for other segments of the economy.

(3) That choice in the use of land, labor and capital should be left to farmers themselves, just as other businessmen are free to choose how they will utilize their resources.

(4) That agricultural service industries are essential to the welfare of the whole agricultural complex. These industries provide credit, transportation,

storage, handling, processing and distribution facilities, markets, market information, facilities for protection against market risks and many other services vital to farmers, processors and the consuming public.

(5) That it is essential to recognize that competition on equal terms is a most important cornerstone of a free economy.

(6) That adequate supplies of farm commodities is in the national interest. These supplies can be maintained within the framework of a completely free American agriculture which allows the farmer to produce for a market regulated by supply and demand. The maintenance of adequate supplies will require annual estimates by both industry and government, of all needs—domestic and export; commercial, concessional and donated—well in advance of the planting season.

(7) That research is essential to the creation and maintenance of a strong, progressive agricultural economy; that basic research is as important as applied research; and that governmental and private agencies should work together; coordinating their respective research activities insofar as possible.

(8) That intelligent augmentation and conservation of land and water resources are basic to the stability and growth of the nation's agricultural economy and should be vigorously promoted as a national policy.

(9) That no agency or organization of the government or private industry be given administrative or legislative power to regulate production or marketing activities, or negotiate prices and other terms of trade through group marketing activities.

(10) That government programs to augment producer incomes should be limited to a system of standby assistance for emergency conditions without affecting uneconomic production.

Federal programs which are contrary to these concepts should be terminated. However, there should be established for each program predetermined periods of transition with assistance to producers which would enable them to make orderly and gradual adjustments.

(Approved at the 55th Annual Meeting, May 3, 1967 and revised by the Board of Directors, February 22, 1968)

Mr. WATERS. That concludes the formal statement. I just want to make one other ad lib statement here, gentlemen. I think how we approach this depends entirely upon what are our objectives. Are we wanting to help agriculture or are we attempting to keep a low price, high quality of food diet for the American consumer? And I think what our objective is makes all the difference in how we approach the problem.

Mr. GATHINGS. Thank you, Mr. Waters.

Mr. WATERS. I apologize for taking so long a time. We thought it was important to do it.

I thank you.

Mr. GATHINGS. Are there any questions of Mr. Waters, or Mr. Flemming, or Mr. Stokes?

Does Mr. Flemming have a short statement that he wants to make? Or Mr. Stokes? Or do you depend upon the statement submitted by Mr. Waters?

Mr. FLEMMING. We just say "Amen."

Mr. GATHINGS. Are there any questions?

Mr. Teague?

Mr. TEAGUE of California. I would like to commend Mr. Waters for what I think is an excellent statement. I think that, basically, what you have said is very good. I probably am a minority on the committee in support of your views, but I think you have presented your case extremely well.

Mr. WATERS. Thank you.

Mr. GATHINGS. Are there any questions, Mr. Jones?

Mr. Jones of Missouri. My main comment would be that the U.S. Chamber of Commerce has not changed its posture over the years. I have been on this committee 18 years. You are recommending all of these programs that would contribute to the demise of all of the programs helpful to the farmer, and I think that you are perhaps continuing that today. And I think that if we had followed the U.S. Chamber of Commerce's recommendations, as I have tried to follow you in the reading of your statement here this morning, I think that we would have gone through this bankruptcy and another depression much earlier. It seems to me that the big business community does not appreciate the problems of these small farmers.

In your own statement here, you tell about the decreasing number of farmers. It seems that you would like to get them all out of the way quickly and let business take over, and they would begin developing some of the substitutes that you agree to, that we could live on—instead of the farming community.

I was just thinking, as I read in the paper this week about the price of milk here in the District of Columbia, that it was going to be increased 3 cents a quart to the consumer, and that was based upon a 28 cent-per-hundredweight increase to the producers. In other words, when the producer was getting a little more—I think it was 63 cents per quart, then that was going to be translated to the consumer as a 3-cent increase per quart, which means that the processor, transportation, retailer, and all of your business people, people who are interested in belonging to your organization, are the ones that will profit by this.

I said the other day when the Secretary of Agriculture was here that I thought that our Secretary of Agriculture had done a very fine job in trying to call attention to the fact that the producers are getting these prices and that the consumer is getting the best value in food products and fiber they have ever had, but if we listen to people like you and others I know of—well, the opposition of big business—I do not want them to get big at the expense of the farmers, chocking off the people who are actually doing the producing. It is easy to sit here and say that, but these people who have made the most money out of the producer are the people in Wall Street and Chicago and in these other markets, playing the commodity markets, and they were making more money out of playing on the market and had more influence in putting those prices up and down at the various times.

If it had not been for the Government coming along many years ago and establishing a system whereby the farmer could put his product into a loan, it would have been disastrous. When I was just a young person down home, the farmer had to sell at whatever price they paid. We had three or four cotton buyers on the square in our community, they having gotten together earlier in the day had decided how they were going to buy and how much they were going to pay for the cotton, and this was going to be around 2.5 or 3 cents a pound for the seed cotton. And that was the way that it was going.

Then, when it got out of the farmers' hands, it was a different proposition. When it was harvested in September or October or November, along in there, the price was always low, because the farmer could not hold it. But come February, the price went up. I have seen it go up $1 a bushel on soybeans and the farmer probably got 30 cents for making

that soybean crop, and then he saw the speculators and people like you from big business, and the big business complex, get the profit from that product of the farm.

I think that this organization here, Mr. Chairman, in my opinion, is such. I have watched them over 18 years that I have been on this committee. I have never seen them come before us here with anything that would benefit the farmer, and that is just about the consideration that I am going to give to this statement this morning, because, to me, you are not going to try to improve the agricultural situation at all. Certainly, you are not doing anything to benefit the American farmer by the recommendations you have made here.

Mr. BELCHER. Will you yield?

Mr. JONES of Missouri. Yes.

Mr. BELCHER. I was wondering if you, like Rockefeller, were going to change your mind?

Mr. JONES of Missouri. I am not going to run for reelection.

Mr. BELCHER. Why are you making a campaign speech?

Mr. JONES of Missouri. I am not making any speech. I feel a lot freer to speak here this morning, knowing that I did not have anything to gain by it. I am not running anymore, and the only reason that I am not running is because I am becoming a little exercised by such statements as these.

The CHAIRMAN (presiding). Are there any further questions?

Mr. Kleppe?

Mr. KLEPPE. Mr. Waters, having previously been in a business that was a member of the United States Chamber of Commerce and having served on one of their national committees, I am somewhat familiar with the organization; however, I represent probably one of the most agricultural districts in the whole of the United States. I can only say that in my opinion the views expressed in your statement are not shared by the majority of the people in my district. I made many notes as I went through here, but I would like to ask, if I may, one specific question regarding your statement made by you on page 26 where you talk about the strategic reserve program. You mention that the program is to shore up the farm prices and to assure the consumers that they will have plenty to eat and wear. And then you go on to say "Yet, we know that the legislation cannot accomplish the first objective," which is to shore up prices.

Is that to say you believe if we were to pass a strategic reserve program of some sort that it would have no effect whatsoever on farm prices?

Mr. WATERS. I think it would have a lot of effect on farm prices. I am speaking as a farmer. I have lived with this. I appreciate the remarks of the gentleman from Missouri. I have been a farmer for 32 years. I have lived under these things. I find it most difficult to live under them, because I cannot compete with the Federal Government. I can compete with my neighbors; I can compete with people in other lands. I can compete with about every other segment of industry, but it is impossible to compete with the Government. You want to chastise me for this. And I say further——

Mr. KLEPPE. That is not my question.

Mr. WATERS. I want to get around to this point.

Mr. KLEPPE. I am just asking for your viewpoint, insofar as this is concerned.

Mr. WATERS. I think it all depends upon what we want to do. I understand that the strategic reserve bill—if I understand it correctly—provides for the Secretary of Agriculture to move in and buy agricultural commodities when they are in a depressant condition.

Am I correct on this?

Mr. KLEPPE. Not necessarily; that is just partially correct, on the basis of the bills submitted.

Mr. WATERS. This was a part of it.

Mr. KLEPPE. A part of it.

Mr. WATERS. In effect, this would seem to bolster farm prices.

Mr. KLEPPE. Did you agree that it would bolster farm prices?

Mr. WATERS. At that particular time. But I also live in the community. I have made this statement before—and I will make it again—that I can count from an upstairs window in the house where I live 185 governmentally owned steel bins that will house more than 3,000 bushels of grain each, and normally these are filled with Government grain.

I have also observed over the years that whenever prices show much of an increase, somehow this grain finds itself eroding off into the market and has a depressing effect upon the market.

Mr. KLEPPE. Here comes my second question.

Mr. WATERS. This is my answer then.

Mr. KLEPPE. This comes to the second part of my question, and that is, that under the provisions of this strategic reserve that we have been talking about, the release price into the market cannot be less than 100 percent of parity. That is almost 60 cents a bushel over today's cash market price for wheat out in my area. I have not found any farmers to disagree with this. We are talking about getting a lock on this, so that it cannot be put into the market to depress prices.

Mr. WATERS. In the original bill, that was not in there, that lock.

Mr. KLEPPE. That is correct. We did not pass that.

Mr. WATERS. If you do this, this can have an effect. But I have noticed over the years, gentlemen—and I am no expert; I am just a farmer, and I repeat this: I work at it and try to make a living at it, but I remember that in World War II, when I was very active in the agricultural adjustment program, working at it, we had a ceiling price on corn in Iowa of $1.10 per bushel. These are things that can happen. These are the things that scare me. Because we needed corn and because the farmers kept their corn on the farms because there was an act passed that if anybody sold corn—and the corn price was pegged at $1.10—that if anybody sold their corn for more than $1.10 a bushel, they were subjected to $10,000 fine or 10 years imprisonment, but because the Federal Government determined that it needed corn, farmers could not sell the corn at that price, and they said, "We will give you 56 cents a bushel more for it," which was in direct violation with what they had set up themselves when they pegged the price at $1.10 a bushel. And I said that I would not be a party to this sort of thing and I quit.

This scares me when we are talking about locking the door, because I know that it can be opened, real easily. I know the pressures that would come about to unlock it if prices did show considerable strength.

Mr. KLEPPE. There is no question in my mind that you feel very strongly about your position, and I commend you for this.

Mr. WATERS. Thank you.

Mr. KLEPPE. There is no doubt about this. I feel quite strongly about my position, too, because of the area that I represent.

Mr. WATERS. Yes, sir; I am sure that you do.

Mr. KLEPPE. I must reassert that 58 percent of the farmers who are in my district have less than $10,000 a year gross income.

Mr. WATERS. Yes.

Mr. KLEPPE. I do not know what would happen to these farmers if we did not have some support or some help for them. I do feel this, that we would enter another phase of a welfare program where we would force these people off the farm and force them into the county seats or the larger centers and ultimately, possibly, into welfare. So, I tie in with this the fact that we do have something in the national interest here, to help them live on the farm, and we can have all of the views that we want about providing the proper food and proper diet for our people. This, of course, is a move toward the great big operation, to the great big production that they can produce it, but this does not consider the number of people that we do have living on farms today and raising their families on the farms. This, to me, is a very important thing. Even I can agree with much of what you say about the serious aspects of how this program has not worked well, I wonder what would have happened if we had not had it. This then becomes a positive approach, as I look at it.

I am not really asking a specific question here. I am just indicating that you feel strongly about your position and I commend you for it, but I also feel strongly about the position that I take, which is representative of the area that I am representing.

Mr. WATERS. I think that we can all agree that we become a little emotional about these things, because we become enthused. We are dealing with food and people.

Mr. KLEPPE. That is the reason why I recite this national interest situation that is involved.

Mr. WATERS. The people and food are in it, and it becomes an emotional thing.

I wonder, Mr. Congressman—and I am just now talking—visiting about it—I think it is so important, when I should be home planting corn today, but I am here because I think it is important. We do not know what would have happened if we had not had the program.

Mr. KLEPPE. That is right.

Mr. WATERS. And the little payment that they get has been helpful. Heaven knows, I do not think that there is any better place in which to raise a family than on the farm. I was reared on a farm. I was off the farm for 6 years, but I went back to it. I am a farmer by choice. I think it is the best way in the world, but I am wondering what we do to people when we give them a little bit of money or a little bit of something? Do we do them a favor or are we doing them an injustice by keeping them in a status quo?

It begins to evolve a thing which is difficult to determine.

I would like to say one word to the gentleman up here who brought in another subject that I think I am thoroughly familiar with.

I do not know much about a lot of things, but I do know something about farming.

We had a herd of pure Holstein cows that my wife and I milked for 25 years. Once in a while they would come in with this increased cost that you are talking about. It never got quite back to the producer. We get a little of it. The Federal marketing orders were said to solve these problems, but because we might have been—and I am not saying that we were—a little more efficient, I was penalized under the Federal milk marketing order while my neighbor got the benefit from it.

Mr. KLEPPE. What you are saying, I think, generally, is that it is so easy to become consumer-oriented at the expense of the producer.

Mr. WATERS. Right.

Mr. KLEPPE. There are members on this committee who are very well aware of that. We do deal very directly with producers. From what I have seen of the action of this committee, certainly we think about the consumer, but we are also concerned about the producer. This is very important to us.

I appreciate your comments and this opportunity to visit with you.

I thank you, Mr. Chairman, for the time.

Mr. WATERS. I certainly appreciate visiting with you.

The CHAIRMAN. Mr. Goodling.

Mr. GOODLING. Following the comments of Mr. Jones, I would like to ask you a question, Mr. Waters. We have talked a great deal about the little or the family-type farmer. My heart bleeds for him. I am for the small-type farmer, but in this committee, in the past 2 weeks—and on the floor of the House yesterday—we heard over and over again of farmers who are getting as much as $1 million in subsidies. We heard that. The Secretary of Agriculture does not like that word, "subsidy," but whatever you call it, it is a payment by the Government to a farmer, and in my opinion the man who receives $1 million in subsidy is not exactly the small family-type farmer, yet we talk over and over again that he is the man that we want to protect here.

I would like just to ask you one question: What, in your opinion, would happen if over a reasonable number of years we would get the Government out of farming, get it back to its original idea which was the dissemination of research information and to return to what worked pretty well until 1932 or 1935. I refer to the old law of supply and demand? What would happen if we were to do that over a period of years?

Mr. WATERS. Well, we could only suppose what would happen. Frankly, I would like to see it tried. I think that we would see more people move out of agriculture—naturally, we would. I think that we would see some shifts in production in agriculture. Farmers react very quickly to price. I think that we would probably go through a period where there would be a great deal of cry that we are forcing farmers off of the land, because they are not getting any assistance, but in the long run I think it would be a healthy, a much more stable situation for the people who remained in agriculture.

I am not asking for this for the big farmer. I am not a big farmer. We do farm about 800 acres of land in Iowa. That is not a big operation. I do not include the Government programs in my operation, the type of programs we are talking about here today. We do have the

conservation program. I think it is well justified. I think we ought to carry them on.

I have sort of beat around the bush and have not given you an exact answer. I would like to try it and see if it works.

Mr. FLEMMING. I believe that I know Mr. Goodling. I believe he is from York, Pa., that he is a fruitgrower or that he has been in the fruit business. I think that fruits and vegetables and livestock producers have been surviving in a very respectable way under the free enterprise system with little Government intervention. I think this would happen to all segments of agriculture.

I was interested in hearing what Congressman Kleppe had to say about the small farmers in his area. I came up in an area where we had a lot of small farmers. Before 1940, 100 percent of the farmers owning the farmland were farming 100 percent of the land; today, in that community, only about 25 percent of the farmowners, and a lot of the renters and the sharecroppers, are doing it. And what have you? They are farming the land. The others are more or less moving off the land, as far as getting jobs and supplementing their income is concerned, and are renting the land. So, it has narrowed down so that even we say that we are helping the small farmers in that community. There is only about 25 percent of them doing the farming, however.

Mr. GOODLING. That is all.

Thank you.

The CHAIRMAN. Mr. Zwach.

Mr. ZWACH. Mr. Chairman and Mr. Waters, I am a farmer also, and have been all of my life, and have been in cattle feeding, too, but I represent one of the most agricultural districts in livestock, grain, and the like, and I know my chamber of commerce people pretty well, too. I met with them not long ago, from the various communities. These are mostly small farm-service communities; they are very, very much concerned.

I am wondering what voice they had in drawing up this program?

Did my congressional district people have anything to say about drawing up this program?

I would like to know that so I may know to what extent you are representing them, because it does not quite gibe with what I have gotten from them.

Mr. WATERS. I will ask Mr. Stokes to answer that.

Mr. ZWACH. If you will. I would like my people up there to know. I met with my people during the Easter recess, and we talked about these things, and I talked to many other business people, many of them chamber of commerce people.

Mr. STOKES. This statement, of course, is and has to be based upon our policy position. Our policy statement is attached. The policy has been developed through our federated process which does give them a voice in it. Most of the policy statement was developed a year ago at the annual meeting time. All of the delegates who came in, including your area also, representing about 4,000 delegates, were in attendance.

Mr. ZWACH. You have an annual convention?

Mr. STOKES. Yes, sir. And this year's convention just finished yesterday.

Mr. Zwach. You do have an agricultural segment?

This is my concern.

Mr. Stokes. Yes, sir. You see, we have a number of advisory committees in the chamber. We have an Agriculture Advisory Committee. These two gentlemen are members of this committee.

Our policy provisions are originated—they do not have to be—but invariably they are originated in the committee, and then they go through the process of the policy committee to the board of directors, and then if it makes a substantive change or addition, it goes to the business community for referendum.

Prior to this particular procedure, in the attendance at the annual meeting, there are usually 1,000 to 2,000 delegates attending.

Mr. Zwach. You feel that you have a good grassroots position on this?

Mr. Stokes. Yes, sir.

Mr. Zwach. This is basically what you feel. I am going to read this over the week. It is pretty hard to digest everything as rapidly as you went through it.

Just in sort of a casual way, you feel that the Federal programs should, basically, go out?

Mr. Waters. I have lived with them ever since their inception.

Mr. Zwach. They ought to go out?

Mr. Waters. I would like to try it once without that—I would like to try it.

Mr. Zwach. I was farming when we did not have them.

Mr. Waters. Yes sir, I remember very vividly; I remember that very strongly.

Mr. Zwach. In the last 20 years the producer has gotten $1.30 of the increase of $243 for food costs paid by the average family of four. The farmer got $1.30. I assume that some income help is possible through the bargaining route in getting supply and demand closer together. How would you do it if you throw out all farm programs?

Are you for strong farmer-cooperatives bargaining at the producer level to try to get prices?

Where are you going to get the producer strength?

Mr. Waters. As past president of the milk cooperatives for 12 years, I believe this is a basis for the marketing of agricultural products. I believe it has to come to this.

Mr. Zwach. It has to come to the producers?

Mr. Waters. Right.

Mr. Zwach. On the farms, and through their bargaining strength?

Mr. Waters. Possibly, through local cooperatives that would work in conjunction with a general farm organization. I think is the route that we have to go.

Mr. Zwach. And you think that cooperators are going to take up that slack and get strength for the producers?

Mr. Waters. Well, I am not hedging, but I just hope that it would. We have not really tried too much. Like the man said, "Sure, things could get worse, and he sure hoped they did."

Gentlemen, I know these problems inside and out, and I am not trying to be impressive at all about them, but I have lived with this. I know the price of a tractor. In 1947, I can show you, on my books,

where I sold corn for $2.75 a bushel in the field. I had some people say that it was not possible. We had corn in our area this year that sold for as low as 80 cents a bushel, and with the cost of tractors as it is and the increase in taxes and the increase in labor costs, this is difficult. The price of corn seems to be established by the loan rate rather than by the market price. Nobody is more concerned about the small farmer. I live with them. I live by them. And they counsel with me; and I counsel with them, and heaven knows, if I knew the answer to this thing, I would like to give it to you. It is a serious problem. I commend you for the work that you are doing on it, but I would like to try something different than we have been trying.

Mr. ZWACH. That is to say, what you have done here is that you have condemned what we have got—we have to look forward to something more than that. We are not going to get a price with just opening a vacuum of no-farm program or anything. What I am really looking for is what is the alternative?

Mr. WATERS. May I make a short statement on that, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. WATERS. We have a statement here on farm bargaining power, and I think that the farmers—and I am one of them—I think that there are a lot of things that they will have to learn to live with that they do not want to live with now, and that is that we all like to beat our chests and say that we are rugged individualists and that we will fight our own battles and we will go down the road and to heck with the rest. This is our attitude. We have to learn to bargain together collectively. I think this is what we have to do, through the dairy people, the wheat people, and the corn people. These people have to, as a group, decide that they are going to work together and meet some hardships for a while.

Mr. ZWACH. Really, what you are saying is that this perhaps is a part of the answer.

Mr. WATERS. We can do that; we can offer that. I certainly appreciate this.

Mr. ZWACH. I appreciate that statement. I hope that the Chamber of Commerce will look real carefully at this entire matter.

Mr. WATERS. We have our views on that in here.

Mr. ZWACH. That statement that you just made?

Mr. WATERS. Thank you.

The CHAIRMAN. Thank you, Mr. Zwach.

Mr. Purcell?

Mr. PURCELL. Mr. Waters, I do have to say that I admire the research staff of the Chamber of Commerce that concocted all of this that you have read. I do not admire the attitude of the Chamber of Commerce in not having found anything good to say about the efforts of a pretty conscientious program that has been working for a long time. I am glad they have a farmer in the forefront and that they have brought you up here to read it to us, because that does give some degree of validity of what we are talking about.

I do not want to argue with you about who is big and who is little. You say that you run 800 acres in Iowa?

Mr. WATERS. Yes.

Mr. PURCELL. Is it your land or somebody else's land?

Mr. Waters. Part of it belongs to my wife and myself, and the Federal land bank, and the rest of it is under lease.

Mr. Purcell. How much do you own aside from the Federal land bank?

Mr. Waters. Somewhere around between 400 and 500 acres.

Mr. Purcell. And what is that land worth?

Mr. Waters. Productionwise, it is not worth as much as it is saleswise—$600 an acre.

Mr. Purcell. I cannot do the arithmetic on that quickly, so I will not take up the time for that.

You are a pretty good sized operator, even in Iowa, are you not?

Mr. Waters. There are a lot of farmers right around me who have much larger operations than I.

Mr. Purcell. But you do not come in here and truly represent the small family-type farmer. When we talk about small farmers, I do not think that we think of 800 acres in Iowa.

Mr. Waters. Thank you.

Mr. Purcell. I just want to get on the record by saying that I am very much disappointed that you do not find anything good in what we have tried to do, and if you had any ideas I would be a lot more interested in hearing of them than I am in redigesting the Department of Agriculture figures that we all have. We are all sorry to learn that they have not been any better, and I would be more interested in ideas than in your sitting there throwing rocks. If you have any ideas on the constructive side, tell us about them.

Mr. Waters. May I make one statement with reference to the small farmer?

You indicate comments critical of me. This is all right. My wife does that, too.

We started farming with 120 acres of land, which was rented; we had two cows and 14 pigs and four horses. And I owed the bank $500.

I do not know how much smaller you can get than that.

That was a small farm operation.

What makes a farmer get bigger?

It is an incentive to do something for himself.

Am I not correct?

Mr. Purcell. I heard you just say that you wanted to go back to those four horses and whatever else you call it.

Mr. Waters. No, I did not say that. I was under Government programs then. We had them then. I did not like them then.

Mr. Purcell. What is the time that you want to go back to that you talked about a while ago?

Mr. Waters. I suppose when I get a little older and I am in my rocking chair—this is when I would like to go back.

Mr. Purcell. You said that you would like to try it.

Mr. Waters. Sir, what I am saying is that I think by and large agriculture would like to work on an open market, on a free market, without Government buying and selling in the trade. This is a thing that discourages me, when they buy and sell in the trade. And they have ever since we have had the Commodity Credit Corporation in existence. They have bought and sold in the trade. This has had a depressing effect on the market when they sell Government stocks back

into the market. This discourages me greatly when the Government does this to me.

Mr. PURCELL. You want them to buy and not to sell?

Mr. WATERS. Well, I do not know. I am not—No, I am not for them buying and not selling. I am not for them doing either one. I think it ought to adjust itself; I think that the farmers will adjust the price. They will adjust their commodities to the prices. I think they will have to, if they have an opportunity.

Mr. PURCELL. Well, so far as I am concerned, I am just getting to the point that I will just give you a chance, so far as I am concerned.

And you think that 800 acres makes you big enough to say this?

Mr. WATERS. I do not think I am big.

Mr. PURCELL. You must think you can play on the market; you want to try it.

Mr. WATERS. I would like to try it; yes, I would like to try it.

Mr. PURCELL. You keep hanging around here, and I will see that you do.

Mr. WATERS. It is like playing in a ball game and have my Government be the referee and not one of the players. This is what I would like.

[Laughter.]

Mr. WATERS. That is where we are now, when they move in and out of the market and determine that, they become a part of the players, and I think they ought to be the referee.

Mr. PURCELL. Do you know the difference between football and baseball?

Mr. WATERS. I do not know what your definition is. I would be interested in it.

Mr. PURCELL. I am not going to tell you.

[Laughter.]

Mr. PURCELL. As to the matter of a ball game, to me it seems that there has been a lack of understanding that has prevailed on this reserve concept. When the law provided that anybody who got in would have sense enough, I am sure, to know that the rules of the law provided that the Government was to take this grain in under loan and the law further provided that there was no intention to get rid of it anyway that you can, because the taxpayers did not like to keep paying the rent on 1 billion bushels of wheat, and the like, and now then we have changed it. Is it the same ball game? We are trying to say to the farmers that under a reserve concept the grain will be taken in and it would help to prevent depressing the prices, and it can only go out at a specified price. There has never been a law like that—there has never been a ball game like that yet played, and there would be no way, as I understand it, that the Government could "dump the grain," as you call it. And to me this is enough of a different ball game that it ought to get some consideration under the present circumstances.

Mr. WATERS. May I ask you a question, sir?

The same people who made this law could change it, could they not?

Mr. PURCELL. They sure can.

Mr. WATERS. This happened in 1940, as I related awhile ago.

Mr. PURCELL. Do you think that we should have the wartime acts in effect again now?

Mr. WATERS. No, no; I do not want my Government to do one thing on one hand and another thing on the other hand. This is what I think about it—whether it is wartime or whether it is peacetime.

Mr. PURCELL. All right. I will let you take that whole span of mules.

Thank you, Mr. Chairman, that is all.

The CHAIRMAN. Thank you very much, Judge Purcell.

The Chair wanted to ask a lot of questions, too, but we have a witness still to be heard who has come from some distance.

You may proceed with the interrogation, but I hope that you will try to limit it.

Are there any other members who wish to be heard?

Mr. WATERS. I can stay quite a while, even though I should be planting corn.

The CHAIRMAN. You can, but we have a gentleman here who has come a long ways from Missouri to be heard.

Mr. WATERS. I have some Texas lambs at home that need to be fed.

The CHAIRMAN. I hope that you get them real fat, but not too fat. I think that is one of the things that you have been doing to those lambs from Texas. They are getting too fat.

Mr. WATERS. That is a nonprofit part of my operation. I get the experience. These people in Texas got the money.

The CHAIRMAN. We are very much obliged to you, Mr. Waters. We thank you for your presentation.

Mr. WATERS. I appreciate the opportunity to be heard.

The CHAIRMAN. I understand that your organization wants to get your picture. The gentleman is here to do it. If there is no objection, the committee will stand in recess for a moment to accommodate this gentleman to take a picture.

(Short recess.)

The CHAIRMAN. The committee will come to order.

We will now hear from the next witness, Mr. R. K. Swindle.

Mr. Jones wants to introduce the next witness.

We will be glad to have you do so.

Mr. JONES. of Missouri. The next witness is Mr. R. K. Swindle. He is a farmer in my home county. He was recently elected president of the Missouri Cotton Producers Association. He is accompanied by Mr. Conner, the executive vice president of this association which has been in existence for approximately 20 years. I know that Mr. Swindle speaks from experience. He has a prepared short statement which he can read and conclude before the convening of the House.

The CHAIRMAN. We will be glad to hear from you now, Mr. Swindle.

STATEMENT OF R. K. SWINDLE, PRESIDENT, MISSOURI COTTON PRODUCERS ASSOCIATION; ACCOMPANIED BY JAMES N. CONNER, EXECUTIVE VICE PRESIDENT

Mr. SWINDLE. Thank you, Chairman Poage and members of the House Committee on Agriculture.

Might I assure you that from where I am seated things look a little different from what they do from down on the farm.

My name is R. K. Swindle. I am a cotton farmer of Senath, Mo., in South Dunklin County. I live on and operate a farm of 600 acres

of which there is a 200-acre allotment. I am president of the Missouri Cotton Producers Association which represents cotton producers and allied industry in southeast Missouri.

My appearance here is in behalf of the Missouri Cotton Producers Association, which has headquarters in Portageville, Mo. The Missouri Cotton Producers Association was chartered May 11, 1949, shortly after our friend and Congressman Paul C. Jones came to Congress.

Here with me in behalf of the Missouri Cotton Producers Association is Executive Vice President James N. Conner, Kennett, Mo.

The Missouri Cotton Producers Association represents cotton producers, ginners, banks, warehouses, cooperatives, cotton merchants, implement and fertilizer dealers, and cottonseed crushers.

The Missouri Cotton Producers Association is a nonprofit organization, marketing no commodities. Its financial support is derived from producer and membership dues.

It is indeed a great privilege for me to have this opportunity to submit to you our recommendation and support for the continuation of the Agricultural Act of 1965 which expires at the end of 1969. The cotton producers as well as agribusinesses would be in dire circumstances without it, not only in Missouri but throughout the Cotton Belt, due to adverse weather conditions for the last 2 years.

In view of the fact that 1968 is an election year, a reorganization of the Congress will take place in 1969. This will delay action on any new legislation, including a farm program to replace the Food and Agricultural Act of 1965. The Department of Agriculture should be in a position to announce provisions of the commodity programs no later than July 1969. President Johnson in his message to the Congress on February 27, recommended that hearings begin at the earliest possible date. He pointed out that farmers, like all businessmen, should be in a position to make plans well in advance. The only way this can be assured is through the enactment of legislation in 1968.

Looking to the future for cotton and cotton producers and considering current circumstances and conditions, we feel that a long-term program offers the best and most practical approach toward meeting today's needs and tomorrow's possibilities.

It is imperative, however, that any program or modifications of present legislation would permit more flexibility in export pricing policies and in the operation of the domestic allotment provision. It is also imperative that rules, regulations, and procedures be oriented toward the following objectives:

1. To maintain cotton producer income on an individual basis by recognizing varying conditions between farms and producers and to permit the individual producers to choose acreage and price support levels to suit his personal situation.
2. To enable cotton to meet the price competition of man-made fibers in the domestic market.
3. To enable U.S. cotton to meet the price competition of foreign growths in world markets.
4. To hold Government expenditures within reasonable bounds.
5. To utilize normal channels of trade.

We continue to stand opposed to any legislative or administrative action that would place mandatory eligibility limits on any producer's participation in Government price support or payment program. In our opinion, any limitation of eligibility would demoralize markets, neutralize the effectiveness of production controls, and destroy the concept of orderly marketing for all producers, regardless of the size of their individual operations.

We assert that no industrial corporation has had tariff benefits limited because of the size of the business, nor has any tax writeoff, or any other subsidy been limited to industry, labor, or business because of size.

This association fears that if a precedent of limiting price support eligibility is once established, it will be progressively lowered so that farmers producing the bulk of the cotton crop and other farm commodities will be subjected to gross discrimination and eventually be eliminated from price support programs.

We vigorously urge that loan and payment programs continue to provide equal eligibility for all farm commodities produced in cooperation with production control programs.

We strongly recommend no change in the formula used for calculating the national marketing quota and are against any move toward reducing or abandoning the minimum national cotton acreage allotment of 16 million acres, plus the provision for small farms.

We recommend the establishment of a national security reserve of foods, feeds and fibers to bolster the defensive strength of the United States and the free world, to meet natural disasters, to provide a cushion against unwarranted increases in consumer price levels, and to shift a portion of the cost of maintaining such reserves from agriculture to the general public, where it rightfully belongs.

In the case of cotton, we suggest that it would be prudent to have a national security reserve equal to at least 1 year's offtake. Cotton can be stored for long periods with limited deterioration, and quality rotational operations could be fitted into existing domestic and export sales programs with a minimum of difficulties.

The maintenance and release of the reserve could be tied to both national security needs and market demands to permit orderly management. The general operational approach would have to be conducted within limiting guides, which would assure that the market would be fully insulated from the reserve stocks.

As a first step toward the establishment of a national security reserve, we recommend that an exhaustive study be made of the potential significance of and the need for such a reserve, which would include determinations of justifiable levels of stocks, management guides, cost-benefits ratio, and allocation of costs relative to benefits accruing to the general welfare, defense, and agriculture.

We strongly recommend a better and more equitable method for determining projected yields. Due to adverse weather conditions the last 2 years, Missouri's projected yield for 1968 was lowered by 34 pounds. We recommend a new formula for calculating projected yields when you have 2 years of adverse weather affecting cotton production, and we recommend that the lowest year of production be deleted from the formula being used.

We recommend a continuation of an adequate flexibility to allow the adjustment of production to keep in line with total market needs as presently being administered by the Secretary of Agriculture for 1968.

We are indebted to the Secretary of Agriculture, Orville Freeman, for initiating a public relations program designed to correct some of the misconceptions that have been circulated against farmers and agriculture during the past several years.

In conclusion, the cotton producers in Missouri have shown that they do want to grow cotton.

I would like to call your attention to the following:

In 1966, the cotton producers of Missouri voted in the research and promotion referendum with the highest percentage in any major cotton-producing State with an 88.6 percent favoring research and promotion, and this year, second to California, Missouri farmers have the lowest diversion with a 10 percent diversion.

Gentlemen, I would like to thank you for granting me the opportunity to present the recommendations made by the Missouri Cotton Producers Association in the interest of the Missouri cotton industry for the continuation of the Agricultural Act of 1965.

The CHAIRMAN. We thank you very much, Mr. Swindle.

Are there any questions?

If not, we are very much obliged to you.

You finished exactly on time.

The committee will stand in recess until 10 tomorrow morning.

(Whereupon, at 12 meridian, a recess was taken until 10 a.m., Friday, May 3, 1968.)

EXTEND THE FOOD AND AGRICULTURE ACT OF 1965

FRIDAY, MAY 3, 1968

House of Representatives,
Committee on Agriculture,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 1301, Longworth House Office Building, Hon. W. R. Poage (chairman) presiding.

Present: Representatives Poage, O'Neal, de la Garza, Belcher, Teague of California, Hansen, Goodling, Mathias, Mayne, Zwach, and Kleppe.

Also present: Christine S. Gallagher, clerk; William C. Black, general counsel; Hyde H. Murray, assistant counsel, and L. T. Easley, staff consultant.

The Chairman. The committee will please come to order.

We are met this morning to conclude the hearings on the possible extension and/or changes of the existing Food and Agriculture Act of 1965. This morning has been reserved for members of Congress who care to testify. We have asked the clerk to notify all of the Members of Congress that we know of who have an interest in this legislation, including those who may have introduced bills to repeal, as well as those who have introduced bills to modify, it. I think that all Members of Congress have had notice and have had an opportunity to present their views.

I understand that Mr. White of Texas is here.

We will be glad to hear from you now.

STATEMENT OF HON. RICHARD C. WHITE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. White. Thank you very much, Mr. Chairman and members of the committee. I particularly appreciate you giving me this opportunity to present my views in a tremendously busy week.

The Chairman. We are always glad to have you here. I know of your interest in agriculture in your district.

Mr. White. Thank you, Mr. Chairman.

I represent a district which is of great importance to the cotton industry, not only because cotton is the major agricultural crop of my district, but because cotton from my area, both the upland and the extra-long-staple variety, is of high quality, used in some of the nation's finest cotton fabrics. It is therefore an important factor in maintaining markets against the challenge of other fibers and of cotton imports.

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All of the cotton producers of my area, as represented by the El Paso Valley Cotton Association and the Trans Pecos Cotton Association, are united in purpose in regard to the extension of the cotton title of the Food and Agriculture Act of 1965. It is not always easy to get farmers in unity behind one particular bill.

Mr. TEAGUE of California. If I may, off the record?

The CHAIRMAN. Yes.

(Discussion was had outside the record.)

The CHAIRMAN. Back on the record.

Mr. WHITE. They appear to be very unanimous in this respect.

They feel that this act has achieved, in large measure, its three principal purposes:

1. To reduce cotton surpluses. The amount of cotton in Government warehouses has been reduced from 16 million bales to about 6 million bales, a much more workable amount. As the committee knows, it is important that extra-long-staple cotton be placed on the same basis as upland cotton so that the ELS variety will move rapidly into the channels of trade, rather than into Government warehouses. I am coauthor of H.R. 15098 which is intended to accomplish this purpose, and I testified before this committee on that bill last week.

2. To maintain farmer income. Despite increased costs of everything the cotton farmer buys, his prospects for maintaining a reasonable income from his investment and effort are much brighter than they were before the passage of the 1965 act. The producers' costs are still rising, and specific proposals of changes in the present legislation, to meet this challenge, are being made by producer organizations in their testimony.

3. To strengthen markets. In many respects, the heart of the 1965 legislation was the use of incentive payments to move cotton stocks on both the domestic and foreign markets. Cotton producers of my area feel that cotton markets have been more securely grounded in the channels of commerce as a result of the 1965 law, and that the same general principles, with some suggested modifications should prevail for the future.

I should now like to summarize some of the purposes which I hope will be achieved by the legislation this committee reports to the Congress.

First, it is important that legislation be passed this year. Consigning it to a new Congress for handling might well delay the program until a very few months before the farmer begins the planting of his crop. His financing, his decisions as to the use of his land, and many other factors affecting his business, depend vitally upon his knowing in advance what the cotton program will be. I would, therefore, hope that this committee will approve an extension of the present law, with modifications, for at least 4 years.

It is highly important to the cotton producers of my district as it is to the Nation, that every possible effort be put forth to strengthen and extent our foreign markets. Our domestic market for cotton cannot be expected to exceed 9½ or 10 million bales annually for the next few years. A total production of some 15 million bales is essential to the economy of the industry. Increased cotton exports must make up the difference, unless we accept the alternative of moving more and more

cotton into Government warehouses. An equally important factor is that increased exports of cotton and many other commodities are necessary to improve our balance-of-payments position.

It is important for this Nation to realize that the production of cotton is a highly complex business, and highly expensive one. This is especially true in the production of the higher quality cottons, under irrigated farming, with frequent shortages of water. The big producer has big expenses, with the amount of expenses and the amount of income from all sources related to the volume of production. When the economy of the cottongrower's business is tied to a system of loans and payments, with the Federal Government involved, it is neither just nor wise to penalize him by putting a limitation on the funds he may receive. Such limitation would serve to destroy both efficiency and incentives. It would seriously affect the availability of credit, which is so vital a part of the producer's operations. These facts, I know, are well known and understood by members of this committee. I am sure they will keep them in mind.

The cotton farmers of this Nation are involved in a highly complex business, involving the grades of their cotton, production costs, price supports, incentive payments, acreage allotments and projected yields, among other factors. It is important that they be able to plan their operations with all these factors known, insofar as it is possible to know them. I would, therefore, favor legislation designed to curb sudden changes that would affect the farmer's plans and his income. As an example, every cotton producing county in my district suffered a decrease in its projected yield for this year. Together with some of my colleagues, I protested this action as unfair to the farmers of my district. We were finally told there was simply no more projected yield for distribution; and, therefore, no adjustments could be made.

I note that the Secretary of Agriculture's recommendations on changes in the present law contain a recommendation that the projected yield for any State or county could not be reduced more than 5 percent in 1 year. I feel that the approval of this proposal would add important stability to the cottongrower's planning.

I am confident that the members of this committee are in accord with the major principles of maintaining farmer income, keeping Government stocks at a workable level, and building and maintaining markets, both domestic and foreign. I know you will consider carefully the proposals put forth by my constituents.

The CHAIRMAN. Thank you very much, Mr. White. I appreciate your views on this mater, and I am glad to see that you and your constituents want to extend this law at this time.

Are there any questions of Mr. White?

If you have convinced the members, why, it is to your credit.

We are glad to have had you with us, Mr. White. Come back and visit with us.

Mr. WHITE. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Paul Findley has advised that he would be here this morning and wanted to be heard.

Mrs. GALLAGHER (clerk). I did not get to him until about a quarter of 10 this morning.

Mr. BELCHER. Did he say that he was coming?

Mrs. GALLAGHER (clerk). Yes.

The CHAIRMAN. We will take a short recess, awaiting his arrival.

(Recess.)

The CHAIRMAN. The committee will be in order.

Our colleague, Mr. Paul Findley, is with us again this morning, and we will be glad to hear from you now.

STATEMENT OF HON. PAUL FINDLEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. FINDLEY. Thank you very much, Mr. Chairman and members of the committee. I really appreciate very much this opportunity. This is one of the few times that I do not have a copy of my remarks available for the reporter. I am sure that the members of this committee have heard from their farmers in regard to the farm program as I have. I cannot say that the volume of mail in my experience this past year has been nearly at the same level as existed in 1961, 1962, and 1963, but I have had a good many expressions of discontent from farmers—discontent with prices, discontent with farm programs, and based on that, and that alone, I feel that the committee would be justified in not being hasty about an extension of the existing program.

Recognizing the discontent, I would think that it would be in order to explore ways to improve the existing program, not to replace them with programs which do have greater problems.

One of the problems that I have noted developing in the feed grain program is what we used to call phantom acres, the inflation of basic acreage which was induced in great measure by the program itself.

The 1959–60 average for grain, sorghum, and corn comes to exactly 100 million acres. That includes the silage and forage acres at the 1959–60 average, and the basis presently for this same grain, sorghum, and corn is 115 million acres. So that, in effect, we have, as a part of our feed grain base now 15 million more acres than we had when the whole thing started back in 1961. This, I think, is rather easily explained.

The program has had the purpose of taking land out of production—not whole farms, but portions of farms—and because of this process it inevitably has taken out the least productive land, but it has also encouraged farmers to cultivate land which they previously have not cultivated. I am not suggesting that this 15 million acres were stolen or that there was any underhanded operation in this, but the fact is that it does not have the teeth that the tobacco program has, for example, the mandatory acreage control which makes possible to have a very tight arrangement, a reasonably tight one, at least. We have had this expansion in the base acreage which has tended to increase the cost of the program and to diminish the effectiveness.

I can give another explanation for the discontent among Illinois farmers.

The figures just released on realized net farm income for 1967 show a substantial drop over the year before, down 23 percent. The realized net farm income figures supplied by the USDA include the

payments. It is not the market income alone. It is the market income plus payments.

There is also an almost identical percentage drop in respect to individual farms. The per farm net income in Illinois in 1966, for example, was $7,452, and in 1967, it was down to $5,892. That is a drop of 21 percent. This has to be adjusted downward a bit more, because the dollars involved are about 4 percent less than those of 1966 in purchasing power.

On the standpoint of farmers nationally, income has hardly been attractive. The parity ratio just announced was 73 percent for the Nation and considerably less than that in Illinois, I am sorry to say, but a ratio of 73 compared with 82 percent the year before when the program began. This, I think, can understandably be a reason for the widespread farmer discontent.

From the standpoint of the taxpayers, it has been, indeed, a rather dismal story. Government payments last year were $3.3 billion on the various forms of the farm program, and this amounted to one-fifth of the net realized farm income for the entire Nation. One-fifth of the net income for farmers coming from Treasury payments. I think that I reflect the feeling of Illinois farmers, actually, when I say that they are concerned about that trend.

The year before the figure was $2.7 billion, and the year before that, if my memory is correct, it was about $2 billion, and the year before that about $1 billion. So, it has been progressively on the upswing.

What are the possibilities?

If we continue with the present programs I would hope that the committee would examine some improvements. One improvement I feel is deserving of consideration is to provide that a portion of the payments under these programs be used by a member of the farm family to further his education to secure off-of-farm employment with skilled training. This would help to get the program toward the objective of easing the transition which is a part of our technological revolution in American agriculture, instead of resisting it.

The farm programs, by and large up to now, have tended to resist change, instead of to ease the transition. And by encouraging members of the farm family to get skilled training which will increase their off-farm income as a condition of eligibility for payments, I think this would be at least worthy of exploration.

As you know, the bill I have introduced, H.R. 8001, would replace the wheat and feed grains programs completely. I am glad to say that my distinguished colleague from California, Mr. Teague, and several other members of this committee have also introduced this bill. It would have the effect of getting the Government out of the grain business and would mean that the stockpiles of grain presently held would not have an adverse impact upon market channels; at least, any adverse impact would be greatly diminished. Farmers would look to established financial institutions for credit a part of the time. They would be guaranteed credit under this bill, so they would not be forced to dump their harvet upon the market at the glut period. They could market it at a time of their own choosing.

This bill would not, I might add, replace all farm programs; it

would deal only with wheat and feed grains. It would leave intact the cropland adjustment program.

As I noted at the outset, land retirement in itself has some bad features that tend to inflate the base acreage.

It is not, in some ways, an efficient way of spending tax dollars to get an effective farm program, but it is, in my view, far more desirable than the commodity program approach, and if the cropland adjustment program were restructured to emphasize the whole farm retirements, so that the entire productive unit would be taken out of production for the period of time under contract, I believe it would have a far better effect upon total production in fact, and consequently they would get more for their money, the consumers.

So, Mr. Chairman, my general suggestions are those. I do hope that the committee will not see fit to extend the farm program this year. There is no immediate necessity to do so. I think there is wide discontent with what we have. I think there are some unexplored possibilities that deserve the committee's attention.

The CHAIRMAN. Thank you very much, Mr. Findley. We are glad to have your views on this. I must confess that they are somewhat different from my own, but there are always differences of opinion. We would not have any need of legislation if we did not have differences of opinion.

Was there a shortage of corn last year?

There was a surplus of corn, was there not?

Mr. FINDLEY. I think that is correct. It was close to the balance of some years.

The CHAIRMAN. We grew more corn than we needed last year, did we not?

Mr. FINDLEY. Definitely, supplies were adequate.

The CHAIRMAN. Yes; I think that is probably correct.

The supply was adequate. Had we had no program to reduce the amount of the corn grown, and we had grown substantially more, how would we have used it; what would we have done with it?

Mr. FINDLEY. Well, it would have been a very dismal picture, one that I would dislike to contemplate, and I have never advocated any such position. I would not like to see us simply cut aloose from all programs at once. I do not suggest that now. And, frankly, if what you have outlined had existed, we would have had prices even lower than what we did.

The CHAIRMAN. That is the way it occurs to me. Had we not reduced the production of corn last year, we would have had a larger surplus of corn and it would have resulted in lower prices for corn.

After all, I think the farmer would be benefited by having programs that would help to stabilize such production.

Mr. FINDLEY. Yes. And it is an improvement in programs that I am recommending rather than the abolition of them.

The CHAIRMAN. Well, now, I do not understand the corn program too well. I did understand your suggestion, and I know that what the Farm Bureau has been urging for many years is the total abolition of programs. I think this effort has some effect now, these programs, in stabilizing prices.

Mr. FINDLEY. I think it does that now.

The CHAIRMAN. Your suggested program on acreage reduction would probably more nearly get the right land out of production rather than getting the wrong land out, and to some extent it might reduce the drain on the Treasury. But now, if you use that program as a means of adjusting production also, your retirement program would actually decrease farm income, and I dislike to take away one of the very helpful aspects of the program.

Mr. FINDLEY. I think that is true.

The CHAIRMAN. But without the farm program adjusting the use of our lands, I think that you and I would agree that there would probably be more corn going to the market than the market would take at a reasonable price and that the farmers would suffer with overproduction unless we could sell that production at a reasonable price.

Mr. FINDLEY. I would hope that at some time in the future we could see the day when even cropland adjustment programs would not be required. I think that day will come, but it is not here today.

The CHAIRMAN. We all hope that it will come, and a great many of our people—and I certainly do not mean to include Congressman Findley in this, but I think that a great many of our people think that all it takes is to have an increase in population and we will find that we are immediately in balance, because the increased population will use what is today's surplus. I just do not believe in that theory at all, because we have had increases in population for a great many years, but there has been an ever-increasing rise in production, and we have had what we call surpluses on hand, because we do increase production faster than the population increases.

Mr. FINDLEY. Yes, sir. If you will permit it, I think you will agree with me that the price-support feature of the feed-grains program tends to induce higher production on limited acres.

The CHAIRMAN. I think that is so.

Mr. FINDLEY. It does provide a distinct premium on bushels, and it gives the farmer the opportunity to pour on fertilizer, thus to get more bushels per acre; whereas, if we shifted instead to the cropland adjustment as the means of cushioning the transition. We would not have that inducement for heavy production on limited acres.

The CHAIRMAN. I am wondering if you would go along with the philosophy that we should control the units, the pounds, the bushels, the bales, rather than controlling the acres to control the amount of any agricultural commodity coming on the market?

If our purpose is primarily to balance supply and demand, is not the most effective way of doing that to control the number of units?

Mr. FINDLEY. I think that is very definitely true. We are coming very close to it in tobacco, but even there the introduction of new chemicals has thwarted the best laid plans.

The CHAIRMAN. But it does eliminate many of these practices that we find so disturbing in acreage control.

Mr. FINDLEY. Mr. Chairman, I am sure that you will agree when I say that I look to the disciplines of the marketplace ultimately as the best place for production to be controlled. I see the role of the Government as a secondary one. And that is why I like the cropland adjustment approach rather than the commodity approach of bushels or acreage approach.

The CHAIRMAN. We now get back to the argument that some of us heard some years back that the real effect of low prices increases production, and we have had a lot of disagreement about that. My personal view is that low prices will, in the long run, reduce production. And continuing prices below the cost of production will ultimately cause a shift out of the production of that commodity into some other commodity. But the immediate effect, if you do not have production controls of some kind, it seems to me will always be to increase the production, because as the price goes down, I do not know of anything that the farmer can do to maintain his living standards except to try to grow more units, to sell more units. If he gets a dollar a bushel, and the price goes to 50 cents a bushel, he has to sell two bushels where he sold one bushel before to maintain his standard of living. Without controls you cannot prevent him from doing that, and I believe that each individual farmer makes every effort he can to do it; that is, in the absence of any production controls.

Do you not think that the farmers are going to try to make up in volume what they see themselves losing in price?

Mr. FINDLEY. I think that every farmer makes a conscious effort every year to get the maximum production, regardless of what the price is. There is a point of diminishing return, beyond which he cannot wisely go.

I might point out, in the case of Illinois farmers, especially those in my district, they do have a choice as to land use, not only grazing as opposed to grains, but they can choose to grow soybeans or corn, for example.

Now, they do not grow soybeans quite often simply because of the price; they make more money on corn. If corn should drop to the point where it became closer to the price of soybeans, there would be a lot more soybeans grown.

So, I do not think it would necessarily mean that farmers would go out of business if the price of corn came down and would shift to other land uses.

The CHAIRMAN. But do you not overlook the fact that this is not necessarily true in many other sections? It may be important in your area where you have such a favorable opportunity to shift crops. In my area, cotton is the major crop, and it is generally grown where there is not much opportunity to shift. My friend Jones, who is not here, can shift his cotton production into soybeans, corn, and other production, but you cannot do that in my part of the country. And you cannot do it out on the high plains; you cannot do it in some areas in California except over a considerable period of time, by shifting to fruit trees or grapes. That takes some time to do. You do not have another alternative that would bring you the same income per acre, approximately. You cannot make those shifts without large capital investments.

But cotton, in most areas in my part of the State, is grown where other cash crops will not grow very successfully. For example, there is no alternative crop in the wheat country of western Kansas that can be grown, except corn; but it is not competitive with you. They can grow some milo maise in parts of Texas, and they can grow some wheat, and they do grow wheat in some areas; and in western Kansas, western Oklahoma, eastern Colorado, the Panhandle of Texas, there

are no alternatives that we can grow; so, I do not think that the opportunity to shift is too extensive except in a few favored areas.

Mr. FINDLEY. During the depression, a lot of diverted acreage, that had been planted to cotton, was planted to corn in some areas, and to soybeans; whereas, not too many years ago very little of either was planted.

The CHAIRMAN. That is very true along the edge of the Cotton Belt. As I said, if Mr. Jones were here, he would say that he could do that.

Mr. Gathings' area has moved very largely and tremendously towards soybeans, but we do not get enough soybeans in our area to harvest. We do not plant soybeans, therefore. Great areas of the Cotton Belt simply cannot shift. I realize there are some areas that can shift. We just do not plant soybeans, because we do not get anything out of them.

I think that you will recall when you were on this committee that there were years when the Secretary of Agriculture would come into this committee room and was asked what crops we could grow on the black lands of Texas that would give us a return anywhere near comparable to that of cotton, and there has not been an answer to that question yet.

There is not any possibility in this sort of shift. There are a great many farms in the United States, on which this may be a possiblity.

Mr. FINDLEY. I think that it is very true that in the one-crop areas the transition which would be implicit in H.R. 8001 would lead to considerable acreage not being tilled which is presently being tilled. That would be one of the healthy adjustments. The individual farmer would be affected, I don't deny that. I think an adjustment is required in some form, and, naturally, in one-crop areas, it would tend to mean that they would take the brunt of it.

The CHAIRMAN. I think that is correct.

That brings us to the crux of the whole thing, whether we are going to apply any of our social philosophy to the farmer, or whether we are going to live in an economy in which everybody who lives in town has some kind of governmental umbrella over him and if he is on the farm he has to take the rain, the hail, and the like—I think that is really what it comes to.

I think I might join with you in saying "Yes, I would rather live in an economy where nobody, nobody, had these advantages out of the public treasury and that we all were simply working on our own," but we do not live in that kind of an economy.

The umbrella is not even seen on the farm, because the farmer has to pay wages fixed by law—not fixed by the value of his product—he has to pay wages fixed by law. Everything that he buys is covered with that umbrella, whether it be through minimum wages or through protective tariffs or through other protections that the Government gives, and I do not see how he can sell his product in the market without any aid whatever. I really think that is the crux of the whole thing.

There are people who feel very sincerely that we ought to never have given anybody those advantages. I will fight for the farmer in that respect; I want the farmer to get what he sees other folks getting.

93-873—68——28

Mr. Findley. I do not favor closing up the umbrella entirely. I favor stopping the commodity approach in the farm program and, in effect, to gear whatever is done toward easing and, in fact, hastening the inevitable transaction and helping the individuals involved to meet the problems that arise from that inevitable transition. I do think that the commodity program generally has tended to retard the change and to prolong the agony of a good many farmers involved.

The Chairman. That may well be. Perhaps we have not gone at this thing with enough vigor. Perhaps we are prolonging the agony when we ought to have something like a straight poundage, or bushelage program instead of acreage control. The only reason that we are using acreage control instead of bushelage control is because we do not want to go quite so far. We do not want to be quite so effective, because it hurts at the moment. That is the only reason anybody has for using the other approach. You may be quite right, that we ought to do this thing more vigorously and get it over with, but when you say that you would let the market price be the sole determining factor, the only thing I am saying there is that the market price cannot be that determining factor without very harsh authority on the individual producer. I would agree with Mr. Shuman that in a completely uniform society, the marketplace will be an effective control in changing that which is wrong. It will be more economic, but we do not live in an economy in which the marketplace can work on the other fellow. You are not going to repeal the minimum wage law; you are not going to repeal many labor bills; you are not going to repeal the aid that we give at present to many industries. And all that has an impact on the farmer. His costs are tied in with that, as well as his price.

I accept in part the Farm Bureau's formula as to the importance of the cost of things farmers buy. I recognize that profit is volume times price less the cost of production, and that cost is just as important as the other factions. You are living in an economy in which the Government is fixing that cost. You are saying: "By Government, you have got to make your expenditures in a controlled economy, because we believe in laissez-faire." Why should what you call "the disciplines of the marketplace" operate on a farmer when it cannot operate on the man who sells the tractor. I just cannot see that. You have a rather well-known citizen in Illinois who is reported to have said, "a land cannot exist half slave and half free." I do not think you can have productivity with the farmer selling in an unprotected market and buying in a completely protected market. I want to get my farmers in with the other fellows under the umbrella.

Mr. Findley. Mr. Chairman, even if commodity programs were ended and assuming that even the cropland adjustment program was not continued—and I certainly recommend that it do continue and be effective, even though there would be some pretty substantial cushion provided by the Government against the harsh effect of a completely unrelated market—there are the commodity exchange authorities, the regulations which are imposed upon the trading centers for the handling of grain and the marketing of livestock and all of that, and those handtools, I think, are to the advantage of the average farmer, but the fundamental question is how we are going to help the farmer. Are we going to help him as a person or are we going to try to help him through managing the commodities that he produces?

I think that the latter has proven to be a rather unsatisfactory approach.

We have had the feed grain programs, I guess, for several years now. We have had the wheat program for 3 years. So, we have had some trial experience with them. And in the case of Illinois farmers, not only is his parity way down, but the net realized farm income including payments is way down. I would say simply on those bare facts that the committee would be justified in not going along in a sanction of programs that obviously have not met the problems.

The CHAIRMAN. It seems to me that you have to compare the American farmer with other farmers to get an idea of whether the price is down or whether it is in accord with the world conditions. Canada does not have the same programs we have. They do have programs, but they do not reach as far as our programs do. Do you know the price of wheat in Canada?

Mr. FINDLEY. Honestly, I do not know about that.

The CHAIRMAN. I do not know the figures either.

Mr. FINDLEY. They probably would be very close.

The CHAIRMAN. I think it is true that the Canadian prices have moved substantially in the same curves that our own moved. I think that is true the world over; that we have had a world decline in the particular prices for these particular commodities that we are discussing, feed grains, wheat, and cotton. I know that it is true in cotton; I know that the world cotton price has moved on downward, just as low as our has. And I think that it is true on these grains. If that be true, then have these programs caused the loss—or are the losses caused by world conditions?

Mr. FINDLEY. I recall very vividly, Mr. Chairman, when Secretary Freeman was first presenting this wheat certificate program to this committee and arguing for it that he anticipated that the market price for wheat would be somewhere around $1.25 to $1.30, or thereabouts, and that the farmer would get 75 cents in the certificate which would bring it up to $2 for wheat.

The CHAIRMAN. And the farmer was only getting $1.45.

Mr. FINDLEY. You may be correct. It was exactly at $2. That was widely advertised. And he would get $1.25 in the market and 75 cents from Uncle Sam. Wheat, at the time the program was talked about, was $1.87 or something like that. So, the program seemed to be working out in the way that Secretary Freeman wanted it to, but it has resulted in a greater incentive to have the Government pay, and less income from the marketplace. I do not think that is what the farmer desires.

The CHAIRMAN. No. But it is about 75 cents more that the farmer in the United States gets than he would get if he lived across the border. I think the American farmer gets that advantage. Certainly, he gets more than the farmer in Canada or in Australia, considerably more, for his wheat; and, to that extent, it seems to me that the program has been to his advantage.

I do not want to take too long on this, but I do really think that discussions of this kind are helpful, perhaps more than most of our formal statements.

Mr. FINDLEY. You cannot imagine how pleased I am to think that you realize that I could add anything to your sessions.

The CHAIRMAN. I appreciate your coming, Paul, and I appreciate the opportunity to discuss this with you, even though we have not agreed.

Mr. FINDLEY. I thank you.

The CHAIRMAN. Does someone else want to discuss this with Mr. Findley?

I do not want to monopolize the time.

Mr. TEAGUE of California. I would like to say this: I want to compliment Mr. Findley on this presentation.

Mr. FINDLEY. Thank you.

The CHAIRMAN. Mr. O'Neal?

Mr. O'NEAL. Mr. Chairman, I would like to say that I am appreciative of Mr. Findley's contribution. I think it has been most helpful. I point out that I came to this committee in 1965 without any background knowledge at all in the field of agriculture, and such discussions have been very helpful. We have had many of them in executive sessions, and I want to say that the thinking of two great thinkers in this field has been very helpful to me.

I noticed that you said that your mail had not been as great in recent years as it was back in 1961, 1962, and 1963.

Mr. FINDLEY. Correct.

Mr. O'NEAL. That was before I came here. I came here in 1965. I was just wondering, back in this period of 1961 and 1962 and 1963, was your mail from contented farmers or discontented farmers?

Mr. FINDLEY. Well, they were, as far as concerned farmers, virtually all of the mail was in opposition to legislation then before the Agriculture Committee.

The first year we had before us a rather strange proposal which would have reversed the role of the Congress and the President and would have caused the Congress to have little more than a veto authority over what the President might come forward with in a farm program, and, in my view, even the veto had very little meaning to it.

The second year, we had the proposal on mandatory acreage controls in feed grains.

And then the third year was the wheat program, I believe—the wheat certificate program.

Those three produced a tremendous amount of mail, almost all being critical of what was proposed.

Mr. O'NEAL. Of what was proposed?

Mr. FINDLEY. Yes.

Mr. O'NEAL. When you talked of discontented farmers, I just wonder if you had ever known of contented farmers? [Laughter.]

Mr. FINDLEY. Well, they always have something that concerns them. There is no question about that. But it is gratifying to me to find that even with all of the problems in farming, a lot of people still choose to stay on the farm.

Mr. O'NEAL. Changing the subject a little, I was especially interested in your suggestion that some requirements be put on the extending of Government checks. You suggested that the farmer be required to educate some member of the family in some nonfarm activity.

Mr. FINDLEY. That is generally my thought. I have not spelled it out.

Mr. O'NEAL. Do you have it written out in language that would fit your ideas?

Mr. FINDLEY. No, sir; I do not.

Mr. O'NEAL. While you were explaining it, I could not help but think of an old bachelor friend of mine I have known for about 45 years back home. His mother and father are dead; he has one sister. He lives down in Florida. I wondered how he could comply with this, when his sister's children are already in college. Did you take him into consideration?

Mr. FINDLEY. I realize one can get ridiculous about such things. Even in that case, it could well be that he could take some kind of training that would enable him to have a part-time job in the city on weekends.

Mr. O'NEAL. Thank you.

The CHAIRMAN. Are there any other questions?

Mr. Mayne?

Mr. MAYNE. Mr. Findley, I want to compliment you on your statement. Certainly, the dialog between you and the chairman has been of great interest to me.

I would appreciate it if you would spell out for us in a little more detail just how this concept of phantom acres works, as you understand it? You mentioned this. I would be grateful for an explanation as to how you feel these phantom acres would come about.

Mr. FINDLEY. Well, it would come about because the retirement of acres, especially as it is now in percentage points rather than whole farms and it has given quite an emphasis to the tilling of acreage that was not previously in the feed-grain base, and when we total up the figures for the base feed-grains, grain sorghums, silage and forage, this year compared to 1959–60, we find that it totals 15 million acres more than back there. These are the phantom acres. They did not come out of nowhere; they are additional acreage, which is a part of the base feed grains. My contention is that the program itself, while it has undoubtedly reduced the total production of feed grains, has also at the same had a tendency to bring into the productive plan feed-grains acreage that would otherwise not be there. So, it has had a considerable amount of what could probably be called slippage. I think that is the usual way of expressing it, as "slippage in acreage."

Mr. MAYNE. How does that tie in with what we have heard here that it is the unproductive marginal land that is being put into the program, that farmers in some instances are keeping their best land for production and putting the unproductive parts of their land into the program?

Mr. FINDLEY. As businessmen today they would probably be foolish not to do that when they have the opportunity to do so, and I would hope that by now we have gotten all of the hill sides and the like, such as that, out that could possibly be brought into the program. But the very nature of the program, involving, as it does, a percentage of the cropland on a given farm will inevitably cause less productive land to be placed under the program and more productive land to be planted. That is one reason that the total has been so terribly costly. And I think you will agree with me that it has involved a lot of money. I recall one year it was over $1,500 billion and the value of the crop was about $4 billion. So, this would hardly be termed a low-cost program.

Mr. MAYNE. It seems to me that on the face of it there is a little contradiction in what you have said. I wish you would explain this to me. You said that the program took the most productive land that we had, but earlier you said that the program has had the effect of bringing land into cultivation that should not be cultivated.

Mr. FINDLEY. This is exactly right. I do not think it is contradictory on a single given farm. The land less productive was going into retirement, but if that single farm was part of the original base acreage of 1959–60, since then, because of the operation of the price support payments—and price support payments are an advantage, it has given him a reason to add to his productive feed grain base in total, including the retired land, plus additional land that he may be able to acquire and to bring under the program. And that has been repeated numerous times across the country.

I came across this in respect to Minnesota. That was the first State for which the figures were available on the pricing change of the base acreage on grains.

Mr. MAYNE. That is all. Thank you, Mr. Findley.

That is all, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Mayne.

Are there other questions?

Mr. Goodling?

Mr. GOODLING. One question. I did not get your figures on what farm income was that came from Government payments.

Mr. FINDLEY. It is about 20 percent. The direct payment, I believe, is $3.3 billion this year, and that is, I believe, one-fifth—it may be a little more than one-fifth—of the total realized net income of the American agriculture.

Mr. GOODLING. Thank you. That is all, Mr. Chairman.

The CHAIRMAN. Are there any other questions?

Mr. O'Neal?

Mr. O'NEAL. I have one more question, Mr. Chairman, just to verify something in my mind. Maybe anybody can answer this.

Are these Government payments taken into consideration?

Mr. FINDLEY. The figure I gave you?

Mr. O'NEAL. In talking about parity.

Mr. FINDLEY. It does not take into account the direct payments. As I understand it, the USDA does come out with a figure every quarter or annually which is an adjusted parity figure taking into account the direct payments, but the parity figures which are reported monthly are the figures based on market income and do not include Government payments.

Mr. O'NEAL. What is the farmer's income including the Government payments now in respect to parity?

Mr. FINDLEY. I will have to say—Including payments?

Mr. O'NEAL. Yes.

The CHAIRMAN. Roughly, 80 cents, is it not?

Mr. FINDLEY. It could not be much more than that.

Mr. O'NEAL. Thank you. That is all, Mr. Chairman.

Mr. FINDLEY. It is quite a bit less than 100 percent.

The CHAIRMAN. Are there any other questions, comments, or discussion?

If not, we are very much obliged to you, Paul, as we always are.

Mr. FINDLEY. Thank you, sir.

The CHAIRMAN. We are glad to have had you here.

Mr. GOODLING. May I ask a question off the record?

The CHAIRMAN. Yes.

(Discussion was had outside the record.)

The CHAIRMAN. Back on the record.

Our next witness is Hon. Omar Burleson, another of our colleagues.

STATEMENT OF HON. OMAR BURLESON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. BURLESON. Mr. Chairman, I appear before you in support of extending the Food and Agriculture Act of 1965. Especially it is my feeling that least the basic program should be extended during this session of the Congress, rather than delay until next year when there will be many new and pressing issues clamoring for attention of a newly organized Congress at the very time the 1965 act is expiring.

There is no need or reason for me to presume to pass judgment on the effectiveness and acceptance of the 1965 act. The manner in which it has drawn participation, almost 100 percent I am told, speaks for that. As deplorable as in the rate of farm income when gaged against other segments of our national economy, it would certainly have been far worse, and probably near chaotic, without the support of the current program.

I have had opportunity to read and consider several statements previously presented. I would like to make reference to one in particular, being that of Mr. Joe B. Pate, Jr., of the Texas Association of Cotton Producer Organizations, who was heard on April 24. Naturally it dealt primarily with cotton but its sound reasoning may be generally applied to all agriculture in a manner which I am pleased to endorse. Another excellent statement was that of F. A. Lollar of Jones County, Tex.

At this point so much has been said by others, and well said, in behalf of extending the 1965 act, that I limit myself to these brief remarks.

Mr. Chairman and members of the committee, I wish to respectfully submit for insertion in the record a written statement by Mr. F. A. Lollar, of Anson, Jones County, Tex., in behalf of extending the Food and Agriculture Act of 1965.

(The statement referred to follows:)

STATEMENT OF F. A. LOLLAR, A JONES COUNTY, TEX. FARMER SPEAKING FOR THE JONES COUNTY FARMERS UNION

Mr. Chairman, Committeemen, I am F. A. Lollar a Jones County Texas Farmer speaking for the Jones County Farmers Union.

Let me begin by saying that the 1965 Farm Act is the biggest step Congress has ever taken in helping the farmer with his problems.

Its acceptance proves the quality of the program. In my county and over the state there is almost 100% participation. It is flexible so that those who don't approve of this program do not have to participate.

It is accomplishing exactly what it was supposed to do—we have reduced our surpluses making a healthier atmosphere for the farmer to market his crop. Through allotments we can keep a check on production. It is estimated an over production of 4% can drive prices down as much as 50%, making it impossible for the modern farmer to operate.

It has given the farmer the chance we have always wanted to help ourselves. At present we are donating $1.00 per bale for promotion and research of cotton. We are trying to do our marketing in a more fashionable manner through storage at harvest, moving our wheat and feed grain to the market place evenly making a better and more stable market. At local levels through the use of hybrid seeds and research, we can give quality production along with quantity production. We can experiment with insecticides, herbicides and fertilizer preparing ourselves to feed the hungry world. We are working for bargaining power to improve the market place for farmers. We are forming more and better marketing associations to get higher prices for our products. The American farmer does not want a hand out, just his rightful share and with the present program and the farmer working it can be accomplished.

Looking at our national economy, in 1946 the net farm income was $14.9 billion out of a national income totaling $181.9 billion. In 1967 the net farm income was $14.8 billion or below 1946, out of a national income of $649.6 billion. Our local income is certainly not that of the world around us. Calf receipts show that they are now 2¢ cheaper per pound than they were five years ago. I have receipts from our cotton gin from the Farmers Co-op Gin at Anson. Average price of that cotton was 13.72 cents per pound. After ginning was deducted, 19 bales of cotton netted $934.27 or $49.12 per bale average. Take production costs and rent out of this and you will see the necessity of the 1965 Farm Act.

If we did not have government programs, our leading economists predict a a farm income would drop 35% and possibly cause chaotic conditions. Syndicated and corporate farming would take over destroying the American family farm system. Realizing the subsidies that are now being paid big business, I believe it would only be a short time after this type farming took over, the American people would see the highest subsidies paid to farming in U.S. history.

After much consideration we make the following recommendations to this committee:

1. A continuation of the present program as is now in 1969.
2. A four year extension of the 1965 Farm Act beginning in 1970 through 1973.
3. We realize that the biggest problem facing this nation is the Vietnam War. We also realize to win this war we are going to have to band together with an all out effort.

As far as our government spending is concerned it looks as if there will be cuts in all government programs. With the farmers income already low, being just above that of the depression days of the 30's. We think that any cut to farm programs would be unwarranted at this time. In the event that it does become necessary, we recommend that these cuts come from our ACP practices and Great Plains program, instead of depressing farm income further by taking it from our present program. We can build terraces and improve pastures after we win the war.

The CHAIRMAN. If there is nothing further to come before the committee, this will conclude the hearings.

(The following statements and letters were also submitted to the committee:)

STATEMENT OF HON. J. J. PICKLE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. Chairman, and distinguished Members of the House Committee on Agriculture, I appreciate this opportunity to express my support of an extension of the Food and Agriculture Act of 1965 during this Session of the Ninetieth Congress.

As the Chairman knows, the district I represent (and my district joins his) is vitally interested in cotton. I would like to point out that the current cotton program which became effective for the 1966 crop, has served to reduce cotton stocks from the staggering total of 16.6 million bales on August 1, 1966, to a projected 6.5 million bales for August 1, 1968. This curtailment of stocks has certainly reduced government storage expense, but more importantly, it has greatly done away with much of the market depressing features of these tremendous stocks.

Since I have been in Congress, I cannot recall a time when the many cotton producer organizations have joined together in supporting any program with great

unanimity. However, it is my understanding that every cotton organization which has appeared before this Committee has favored the immediate extension of the Food and Agriculture Act of 1965.

The projected yield feature of this law has given our farmers a degree of security against the many natural disasters that so often confront them.

Another important feature of this law has given our feed grains and wheat producers the flexibility of having a free choice in deciding whether to participate in the wheat and feed grains program.

I urge an extension of the Food and Agriculture Act of 1965 *during this Session of the Congress*, for the following reasons:

First: Farmers need as much time as possible to make necessary plans for producing and financing their crops. Even though this Act would not expire until after the 1969 crop, farmers would be placed in a difficult position if we wait until next year to decide what kind of program will be available for the future.

Second: Every time a new Congress begins operation, there is a great delay and much "red tape" encountered while the Congress is being organized into a working body. Certainly there would be little hope of any expeditious action on a farm bill if we wait until 1969 to act.

Third: At the present time our President and his administration support an extension of the Food and Agriculture Act of 1965. No one can tell what the situation will be next year.

Mr. Chairman, I want to thank you and the Members of this Committee for your attention and consideration of my statement.

Statement of Donald M. Mennel, National Soft Wheat Millers' Association

Mr. Chairman and Gentlemen, my name is Donald M. Mennel. I am President of The Mennel Milling Company of Fostoria, Ohio, and I am here today as Chairman of the Grain and Legislative Committee of the National Soft Wheat Millers' Association, I have with me Rondal M. Huffman, who is Secretary and Counsel of the National Soft Wheat Millers' Association. This Association has member companies representing approximately 80% of the total commercial soft wheat milling production of the United States.

We thank you very much for granting us the opportunity. We have appeared a number of times in the past, and we hope, because of our intense interest in soft wheat and the welfare of the Eastern farmers who raise it, that we will be invited back again when there is need for it.

In general, most of the members of our organization would prefer to see the end of the Wheat Certificate Program. If, however, realistically, this cannot be done at this time, we would hope it would continue on a year-to-year basis and would also be amended to improve it in several ways which we will try to present today.

The soft red winter and soft white wheats raised east of the Mississippi River by so very many small farmers are a vital part of our total wheat system. They are raised for specific purposes, by highly efficient family farmers and are mainly used in the production of domestic foods.

While our interest may seem limited in scope, we have found, often to our regret, that we must view the wheat system as a whole in order to prevent disaster, or at the least, serious consequences. An action appearing to solve a wheat farmer's problem in the State of Washington, where most of the wheat raised is exported, may raise a whole new set of problems for an Ohio farmer whose primary market is for domestic food.

The current Wheat Certificate Program would be improved if it recognized the purpose for which wheat is raised. It seems contradictory to us to award the same portion of the domestic certificate to all farmers regardless of whether it is eaten by Americans or Japanese or Pakistani. The cost to the U.S. Treasury is considerably different. Also, it seems most illogical to give the same portion to the farmer who delivers his wheat to the Commodity Credit Corporation under the loan program and subsequently defaults on his loan because there was no other real market for it.

We believe this arrangement perpetuates illogical growing practices, is uneconomic and should be corrected.

Wheat can be raised without limitation, if the producer waives his claim to any certificate payments. This has had the unforseen result of increasing produc-

tion of wheats in areas not formerly farmed for wheat and where there is no domestic market of any real significance. This tends to increase the export cost, reduce the market for both hard and soft wheats from the historical export areas and disrupt orderly marketing of crops. Arkansas and Mississippi have greatly increased their production of soft wheat during this program while Ohio, Michigan and Indiana have reduced. The extent of this dislocation can be seen by this table:

[In thousands of bushels]

	Average 1959-1963	Estimated, 1968	Percent 1968 of average
Arkansas	4,191	18,468	440.7
Mississippi	1,046	16,300	1558.3
Ohio	43,715	42,126	96.4
Indiana	42,434	42,217	99.5
Michigan	35,893	34,884	97.2

Soft wheat exports under the various programs have had to be doubled and even tripled in order to maintain balance. Most of this increase has been through the Gulf, in part displacing hard winter wheats, but also displacing some soft wheat through the Lakes and Seaway. This is costly to the Treasury and helps create unfavorable trade balances.

Personnally, I believe strongly in freedom to the farm, but I note that many authorities, believing also in freedom to farm, agree that the return to such freedom should be gradual.

It was not planned that way, but the Wheat Certificate Program seems to favor the large farmer, the larger the better. The giant corporate farm can hire the finest talent to maximize the benefits given it by the U.S. Government. The small family farmer spends most of his energies trying to survive.

An improvement in the program, we believe, would be a sliding scale of benefits paid for domestic consumption. We recognize this has many problems, such as definition of ownership. We suggest, however, these can be resolved and a scale of payments can be determined through the use of USDA statistics which would support the small farmers, and be reduced as the economies of size allow the larger farm to be less dependent on Federal payments. It amounts to a Federal Income Tax in reverse. For example, and we do not mean this as definitive, because we do not have access to the statistics necessary to devise the scale and only mean to illustrate the idea. All farmers could be paid 75¢ per bushel regardless of compliance or sign up for the first 1,000 bushels. All farmers raising more than 1,000 bushels would have to comply to receive any benefits. Then the scale might be: The next 4,000 bushels—40¢, for the next 5,000—20¢, for the next 15,000—10¢, for the next 25,000—5¢, and for the last 25,000—2¢. This would mean that any farmer raising over 100,000 bushels would receive no subsidy for the amount over 100,000. Obviously these figures would have to be redone to balance probable payments to farmers with probable income from domestic processing, but a number of us feel such a device might reduce the exodus from the family farm, alleviate rural poverty, without additional cost to the Treasury. It should encourage intensive farming, rather than extensive farming.

Another improvement we strongly recommend is to establish a reasonable statute of limitations such as one year after which processors can feel safe from further audit. We are aware that a program as expensive and extensive as this one requires auditing procedures, but, excluding judicially proven fraud, millers should be able to close those books audited by USDA without fear that a later examination, by a different examiner, possibly using different interpretations, will reopen them and penalize him for some supposed infraction despite the prior clearance. We have had a number of reports of such things happening.

We recommend that USDA adopt a procedure somewhat similar to that used by the much older and more experienced taxing authority, the Internal Revenue Service, and issue a statement that the recent examination has disclosed no change to be necessary and that the report will be accepted as filed.

There is another similar improvement we would like to recommend. There is no appeal or arbitration machinery provided within USDA other than the very general, and normally ineffective one of "appealing to the Secretary."

We feel a step-by-step procedure should be provided to obtain administrative review within the Department to adjudicate problems which are bound to arise

in such a vast program, prior to the very costly step of appealing to the Federal Courts for relief.

We know Congress is aware of the magnitude of the problems arising from the Wheat Certificate Program. It doesn't take a very large flour mill to grind one million bushels of wheat in a year. According to Ray A. Goldberg's recent book, "Agribusiness Coordination" on a study of the records of milling companies grinding nearly half of all the wheat ground in the United States, the miller in a recent six year period averaged less than 1¢ per bushel net profit after taxes from his milling operations. Thus, if the miller is average, he can expect to earn less than $10,000 after taxes for the owners. On the other hand, the Commodity Credit Corporation will receive $750,000 for wheat certificates on this same grind. Even the graduated personal income tax does not provide a 75:1 ratio. The implications from such a situation are very far reaching.

If the Wheat Certificate Program must be continued, serious consideration should be given to reduction in the charge per bushel. In a "tight" budget year, the administration is faced with a great temptation to shift more of the cost for the wheat program onto the consumer. We urge you to withstand any such move vigorously.

The size of the certificate charge has an additional effect. Bakers, particularly of soft wheat flours, are well aware of the more than $1.70 per cwt. imposed. At a recent symposium of cereal chemists, a chemist stated in his prepared text: "Since the recent increase in the cost of wheat flour more and more cookie bakers are finding that the replacement of 10 to 15% wheat flour by corn flour results in significantly lower production costs . . ." A grain sorghum chemist, at the same meeting, mentioned the use of sorghum flours in pancakes and cookies for the same reason. Another speaker said: "The increase in wheat flour prices created a large spread in price between rye flour and wheat flour so that food manufacturers have taken a look at using rye flour in their products. Rye flour in Chicago, for example last fall (1966) was $2.10 per cwt. cheaper than wheat flour. As a result, quite a few cracker and biscuit manufacturers have found it advantageous to use some rye in their products. The addition of small amounts (10–20%) have . . . given them a cost advantage . . ."

Since cookies and crackers are the largest markets for soft wheat flour we are alarmed at this artificial competition created by the Wheat Certificate Program. Since more than 25% of all the wheat consumed in this country is soft wheat, the amount of substitution can be a sizeable quantity of wheat.

We have often said before this Committee that "Wheat is not wheat, but many kinds of wheat, for many different purposes." We must now add to that by saying: "What is not only not wheat, but wheat also is not rye, not corn, not sorghum, and not any other cheap source of starch." The only reason for this is the extreme cost differential created by the Wheat Certificate Program.

Since all farmers of all the various grains raised in the United States receive some benefits from the U.S. Treasury, we suggest that all grains, not just wheat, when used in foods, should bear a similar certificate cost, or that no grain should bear it. It is most contradictory to induce a domestic reduction in the use of wheat through this discrimination while major efforts are being made to increase its use.

To illustrate the kinds of products using soft wheat, we have brought along a few examples. Flour is used in an estimated 1,000 of the more than 6,000 items on the shelves of an average supermarket. In general, soft wheat is used in most of them except for bread, rolls and the pasta products.

Please note the number of these products now listing some substitutes for some of the soft wheat flour in their ingredients.

I have also brought along cookies baked in our laboratory using some substitute ingredients. No formula changes were made to accommodate these and you can see the ease with which replacement can be accomplished. Thus, we believe the program carries within itself the seeds of self defeat both for the wheat farmer, and for us.

During earlier debates on the program much was said about the certificat cost making no differences to the miller, that it was the same difference whether the miller paid the certificate or whether it was added in the form of a higher support price, driving the market up to it. If domestic use of wheat is about 500 million bushels, the processors' wheat certificate cost is about $375 million. Some of this is paid by the American consumer.

The average price for red wheat in Chicago for the sixteen years prior to the program was $2.16. The average price, with the certificate added, for the four years of the program, through February, 1968 was $2.33. During these same periods the support price, including domestic certificate cost was down 5¾¢ per bushel. Thus, the farmer has received more than 17¢ per bushel more under the program for his domestic wheat, which has been charged through in large part to the consumer, when, if the earlier arguments had been valid, he should have received 5¢ less.

This increased cost falls heaviest on the low income families. 90% of Americans use wheat as flour, but only 20% of Americans consume more than 65% of all flour used. Rural, low or depressed income families consume over 500 pounds of flour annually per person compared to the 113 to 115 pounds consumed as a national average. Add to this the fact that lower income families eat more white bread than their richer neighbors and it all adds up to taxing those who can least afford it.

We concur with those recommendations of The National Advisory Commission of Food and Fiber, issued in July, 1967, which state: "freely functioning markets are the best mechanisms for guiding the changes in agricultural production and marketing that will be required in the future. . . . that the United States adopt its policies to accomplish a market-oriented agriculture."

We believe continuation of the Wheat Certificate Program delays accomplishment of these objectives.

In summary, the National Soft Wheat Millers' Association believes the Wheat Certificate Program requires improvement in the following ways:

1. The Wheat Certificate Program should recognize the purposes for which wheat is raised and relate this to cost to the U.S. Treasury and consumer as well as the national welfare.
2. While believing strongly in freedom to farm, such freedom should be given gradually to allow for proper adjustment to a market-oriented economy.
3. We believe a sliding scale of domestic subsidy would accomplish the purpose for which the program was designed better than the flat distribution system now used.
4. A statute of limitations is very necessary to treat processors equitably.
5. Mechanism for appeal and arbitration prior to appeal to Federal Court is highly desirable.
6. The burden of being an unpaid tax collector should be removed or reduced from the processor, with all of its implications.
7. The certificate cost should be charged to all grains used for food, or for none. Anything less is self-defeating.
8. The consumer is being charged a part of the cost of the program without being aware of it, or being able to object effectively to it.

Again, we thank you very much for this opportunity and sincerely hope we will be invited again when consideration of a specific bill or bills occurs.

Statement of Bill House, President, American National Cattlemen's Association

My name is Bill House. I am the President of the American National Cattlemen's Association and a cattle rancher from Cedar Vale Kansas. As on prior occasions, we very much appreciate the privilege of testifying before your committee.

Although few Federal government programs are directed solely to the beef cattle producers of the nation, cattlemen have frequently been caught in the middle of government programs under many departments and circumstances in recent years. Too often being "caught" between activities other than possible agricultural betterment has resulted in cattle price breaks that created losses for cow-calf, yearling or feeder segments—and at other times the entire industry has suffered.

Conversely, only an occasional "assist" from USDA or other government agency has materially helped bring prices up. Nevertheless, in recent years, beef cattle prices have not approached anywhere near parity with the balance of the national economy. The situation has created an unprecedented attrition of family operations, along with increasing debt for those remaining in beef production, and disastrously lowered returns on labor and investment.

Analysis of Federal farm and allied programs, as shown by past developments, reveals that it is indeed time for revisions in thinking and planning so that all sectors of government will truly assist food producers in harmony and coordination with the food production industry, and at the same time minimize use of domestic food in political and international maneuvering.

The words of an administration spokesman at the 1967 National Farm Institute in Iowa leaves no doubt on one score. He said, "Farm policy for the future must be flexible and fast moving. Farm policy makers must be pragmatic, tenacious and *political*. To 'take the farm policy out of politics' is one of the nicest platitudes ever introduced into the farm policy debate, but it is nothing more than that. Farm policy making is inherently and ultimately political and will continue to be."

We realize your committee is dealing with farm programs, but all governmental factors involving the beef industry are integral parts of the utlimate solution. These include fiscal borrowing; establishing interest rates, decisions on feed grains and other programs affecting cost of production; imports; tariff negotiations; purchases of foreign meat for U.S. armed overseas; labor regulations, etc.

Negotiations or dealings with other countries by various departments often are detrimental to the interests of U.S. cattlemen to the purported national interest, although beef producers have had to pay the full cost in lowered prices rather than the general public for whom the benefits are said to have accrued.

Example: Recent loan to Colombia, South America, by the U.S. Agency for International Development (AID) of $45 million to increase beef cattle production in that country can only create further problems for U.S. producers. Colombia has said it expects to double its cattle population and almost all of it for export. If the loan were made to raise the food standards of people within that country, U.S. cattlemen would have little objection. Instead, more beef produced by low-income people will enter the world market and inevitably help to drive prices down further.

Inflation created in the U.S. by policies at home and abroad has raised costs of beef production by 73% within the period 1950–1966, making it nearly impossible for U.S. producers to compete in any world market except on a limited offal and variety meat basis to some European countries and hides to Japan.

Result—static U.S. prices with those of two decades ago, and instead of increasing exports, our share of world beef markets declined in 1967.

Inflation also has created yearly higher land values which have added to taxes and opened the door to loss of a very large number of farms and ranches through Internal Revenue Service estate interpretation of "market value". Thus another agency added to the problems. Escalating land prices have also prevented young men from going into farming.

Most notable among created problems by governmental agency actions, however, came in May, 1966, and again in January, 1967.

The 1966 event recalls the Commerce Department's decision to place an embargo upon U.S. hide exports for the sttaed reason of short supply in the domestic leather market, and the presumed increases in shoe prices which developed anyway. Prices of hides abruptly dropped $3 to $4 per animal, and the level has remained low to the present time, probably due largely to foreign markets' decision to obtain supplies elsewhere that could be depended upon. This psychological down-turn in cattle prices, reflected upon the entire beef structure, which came at a time when the Administration was suggesting that consumers buy cheaper meat cuts and substitutes.

The January, 1967 problem came when the Census Bureau and USDA announced cattle population figures had been underestimated by 2,305,000 head. Market prices dropped $1–$2 immediately. This announcement was made, mind you, two years after the census had been taken. Accurate estimates are absolutely necessary.

Long range predicting of cattle prices by USDA has long been a thorn in the side of beef producers. Often an adverse price forecast has not been borne out, but the psychological factor again creates buyer uncertainty even though other factors may indicate an upturn. ANCA feels that no government agency should provide price forecasts.

The meat import situation has become an unbearable burden to domestic beef producers. U.S. population gain has leveled off somewhat and domestic production has continued an upward trend above a profitable demand. Import peaks coincide with high marketing periods in this country, particularly on cow beef,

thus effectively dampening any chance for price rises that might bring U.S. cattlemen a break-even return.

Relative to direct Federal farm programs, American National Cattlemen's Association has, upon a number of occasions, called attention to consequences of selling surplus grain at periods when the sales had a detrimental effect upon grain prices and, therefore, affected feeding of cattle and prices of the cattle. Feeders cannot plan against these kinds of agency actions, but must accept the loss resulting.

American National Cattlemen's Association approves reasonable prices on grain which will allow cattlemen to profitably produce beef for the consumer at reasonable prices. A grain reserve is not opposed per se, but safeguards must accompany such a program against price manipulations.

ANCA believes that so-called "bargaining" legislation is basically unnecessary, and if adopted, could, without long-range considerations, create many other problems. ANCA believes in the free market concept which has brought about expansion of industry and increase in per capita consumption of beef.

American National Cattlemen's Association is embarked upon a market development program of self help. It is designed to keep beef supply in line with demand. The drive of less than a year to hold down fed cattle weights and numbers of the "cow factory" has already had notable results. Much beef tonnage upon the domestic market has been eliminated, with a consequent somewhat higher price level, despite other negative factors. The USDA is to be complimented in recently joining with the ANCA to spread the word on curtailment of over-feeding.

ANCA is in the midst of developing a more sophisticated program that will enlist cattlemen of the nation in a reporting service that will more accurately estimate week-to-week supplies at all levels. In turn, beef producers will be able to determine fair price levels in all regions and work toward obtaining those prices.

Thus, cattlemen would not want to see restrictive laws which would prevent the full free flow of private initiative. We believe that the Capper-Volstead Act provides sufficient strength for cooperative action on the part of producers to obtain bargaining rights, provided they elect to make use of it by voluntary action. Any other means of price improvement would entail mandatory control by government edict, which cattlemen do not desire.

We ask that cattlemen continue to be given the opportunity to develop their own self-help program, and ask that government actions be coordinated to the end that private enterprise and public interest will not work at cross purposes.

Statement of the Grain Sorghum Producers Association

Mr. Chairman and Members of the Committee, the Grain Sorghum Producers Association is privileged to submit this statement for consideration by this distinguished committee. As the research, market development and service organization representing grain sorghum, the nation's largest commercial feed grain next to corn, farmer members of GSPA have appeared before or submitted statements to this august committee since 1955 supporting your efforts in developing effective public policy for strengthening farm income. GSPA has also maintained liaison with USDA, whom you have charged with administering these important programs. This three-way coalition—the farmer and his organization, the legislative branch and the executive branch of government—has worked to strengthen farmer income and meet other stated objectives such as adequate supplies reasonably priced and expansion of domestic and export markets.

Mr. Chairman, as you remember, GSPA was here asking for enactment of an Emergency Feed Grain Program in 1961. It was back again in 1965 asking for extension of the Emergency Program through the Food and Agriculture Act of 1965. Today GSPA would like to report to you the effects of these two programs on grain sorghum producers' incomes, as well as let you know the extent to which they are using the feed grain program you developed for their use.

The total average farm price received by farmers for grain sorghum between 1956 and 1960—the four years prior to the enactment by Congress on the Emergency Feed Grain Program—was $1.57 per hundred. By 1964—the last year of

the Emergency Program—the average price received, including the cash sale price and all government payments, had reached $2.00 per hundred. During each of the years during the operation of the Feed Grain Programs under the 1965 Act, the total average price has exceeded $2.00 per hundred and ranged up to $2.36. Yet, the direct payment system has allowed grain users at home and abroad to pay about the same prices as they were paying before the programs.

Not just a few, but the vast majority of the grain sorghum producers are using provisions of the Feed Grain Program. My understanding from USDA is that preliminary figures indicate that in 1968 over 75% of the grain sorghum base acres are signed on participating farms—or 18.6 million acres of the 24.7 million acre base. GSPA believes that *this strong participation is because farmers' individual income is being strengthened by the program*, and not just because farmers like regulations. GSPA is aware that grain or any commodity must be produced for market and that market expansion must accompany production expansion. That is why the domestic and export expansion that has been developing while these Feed Grain Programs have been in effect is so important. Grain sorghum exports have increased from 71 million bushels in 1960 to 248 million bushels in 1967. Domestic use of grain sorghum has leaped from 428 million bushels in 1960 to 614 million bushels this past year.

Mr. Chairman, because of these three facts reviewed (1) price improvement, (2) export expansion and (3) domestic market expansion, *the Grain Sorghum Producers Association requests and strongly urges the continuation of the Food and Agriculture Act of 1965 by this Committee and by this Congress.*

GSPA and its farmer members are aware of the fact that there are problems related to the effective administration of the current Feed Grain Program and in turn a problem in adequate net income improvement. One such problem is the lack of a reserve of grain for domestic and international emergencies being set aside from price depressing stocks. Currently, technically all grain in government and private stocks is for sale at the daily market price or slightly higher. GSPA recommends that an emergency reserve of feed grain be set aside with strong protection from the market except at 100% of parity (less direct payments) along with other provisions already before this committee in the so-called "Compromise Strategic Reserve Bill". GSPA recommends that such a strategic reserve become a part of the continuing Food and Agriculture Act.

Mr. Chairman, thank you and this Committee for your kind consideration of these views as you continue your awesome task of developing programs for agriculture that strengthen and compliment the total legislative task of this Congress. We are grateful also for the kind consideration of our own headquarters district Congressman, the Honorable Robert Price, for his submitting this statement on our behalf during this busy farming season.

Prepared by: D. G. "Bill" Nelson, Executive Vice President, Grain Sorghum Producers Association.

Statement of Frank Heffelfinger, Grain and Feed Dealers National Association

Mr. Chairman and Members of the Committee, I am Frank Heffelfinger, Executive Vice President of Peavey Company, Minneapolis, Minnesota. This statement is made on behalf of the Grain and Feed Dealers National Association of which I am Chairman of the Executive Committee and immediate past President.

The Grain and Feed Dealers National Association is industry-wide and nationwide in scope whose members range in size from the smallest country elevator to the largst grain and feed complexes. The membership includes 1800 firms plus 54 state and regional associations who represent 15,000 grain, feed and farm supply firms.

I appreciate the opportunity to express the views of our Association on the Food and Agriculture Act of 1965 and H.R. 15695 and H.R. 16513.

The Grain, Feed and Farm Supply trade shares a deep concern for the financial well being of farmers. Our members provide many goods and services to the farmer such as poultry and livestock feeds, animal health products, petroleum products, farm machinery and equipment, fertilizer and other agricultural chemicals, technological services, assistance in problems of capital and management, and the highly efficient marketing of farm products. All of these goods and services are required by commercial farmers in order to succeed.

If commerical agriculture cannot prosper and succeed neither can the members of this industry. The operations of our members and of farmers are completely interdependent. Only when the commercial farmer receives a fair return on his inputs, can the grain, feed and farm supply firm receive a fair return on its business investment. The profit picture of the farmer directly affects the profit picture of our members.

Farmers, Congressmen, and agribusiness leaders have been facing the perennial problem of improving farm income since the Congress authorized farm commodity programs in 1933. In reviewing current legislation and proposals before your committee, we urge that you give serious and careful attention to the report and recommendations of the National Advisory Commission on Food and Fiber. The report makes a realistic distinction between commercial agriculture and those in agriculture with incomes not related to the commercial segments of farming. We don't want to give the impression that the Association necessarily supports all of the positions taken by the Food and Fiber Commission, because it does not. Most, if not all of the meaningful courses open to Congress in connection with future commercial farm-legislation will be found in the majority and minority positions in Section III, Part B of the Food and Fiber Report. The commission was in general agreement that it is desirable for agricultural policy to be market-oriented. This means that commodity prices should move up and down at market-clearing levels, to take greater advantages of the market in allocating resources and distributing income.[1]

Both majority and minority positions of the Food and Fiber Commission make suggestions to prove present policies. However, the most important differences between the two positions appear in the long-run policies for agriculture. Careful evaluation of the two approaches is needed. A successful long-run approach is needed. The development of the Food and Agricture Act of 1965 was and is a step in solving the long-run maladjustments in agriculture. The Secretary of Agriculture has many tools to assist in maintaining a strong American agriculture in time of crisis. There are some indications that the present programs do follow some of the steps toward encouraging the development of a market-oriented agriculture.

Aims of agricultural policy are to encourage a market-oriented agriculture, to reduce surplus capacity, and to ensure adequate returns for the use of agriculture resources. However, one program to meet the objectives of commercial agriculture cannot be used to provide the same results to all rural people. The incomes of those with minimal gross sales are not properly related to the commerical segments of farming.

New opportunities are needed for those rural people who remain in agriculture and whose economic prospects are limited by the technological developments of today. Even those leaving agriculture often do not have the skills for gainful employment. There is ample evidence to show that farm programs have not aided these people as they were intended because of the different economic prospects.

The Food and Fiber Commission report states: "No reasonable or acceptable national farm policy could preserve farming oppportunities for all these people. The commission's study indicates that whether the nation followed a market-oriented policy, a policy of acreage controls and price supports, or a policy of all-out production, some 30 percent fewer manhours of work in agriculture would still be needed in 1980.

"This means that unless the economy can provide other employment by 1980 for the equivalent of 40 percent of the people now working on farms, returns to farm workers will continue to be depressed, and a substantial number of farm families will continue to live in poverty.

"Higher farm output per man is advantageous to the nation. It obtains more product for less labor, and if the manpower no longer needed in farming is shifted to producing something else, the nation is that much richer. But that's the difficulty. The surplus farmworkers must be given opportunity in other occupations. Otherwise the nation receives no benefit." [2]

The following information which I would like inserted in the record, indicates that there are two economic segments in rural America.

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[1] National Advisory Commission on Food and Fiber. Food and Fiber for the Future, Washington, D.C., July 1967, p. 61.

[2] Food and Fiber Commission Report, p. 115.

PERCENTAGE OF FARMS, NET FARM INCOME, AND CASH RECEIPTS BY SALES CLASSES 1959, 1964, 1966

Farm sales classes	All farms,			Realized net income,[1]			Cash receipts,[1]		
	1959	1964	1966	1959	1964	1966	1959	1964	1966
$10,000 and over	30.2	26.2	31.9	55.4	65.5	77.7	70.6	80.0	85.4
Under $10,000	69.8	73.8	68.1	44.6	34.5	22.3	29.4	20.0	14.6
Total	100.0	100.0	100.0	100.0	100'0	100.0	100.0	100.0	100.0

[1] Including direct Government payments.

Source: "Farm Income Situation," Washington, D.C., U.S. Department of Agriculture, July 1967, p. 69–72.

The table shows that 68.1 percent of all farms (2,215,000 farms) had cash receipts of less than $10,000 and received only 22.3 percent of the realized net income in 1966 while the balance or 77.7 percent of the realized net income is received by 31.9 percent of the farms (1,037,000 farms).

In a report on "Parity Returns Position of Farmers" prepared for Congress as required in section 705 of the Food and Agriculture Act of 1965, the USDA computed the returns to different farm sizes. Using the landlord standard, excluding capital gains, the returns from farming as a percentage of parity returns ranged from 92 percent in 1959 to 129 percent in 1966 for farms with sales of $20,000 and over. However, farms with sales less than $5,000 had parity returns from farming of 35 percent of parity returns in 1959, and 31 percent in 1966.[3] This is the crux of the problem in the rural economy of 1968.

BARGAINING PROPOSALS

The President, the Secretary of Agriculture and other Administration spokesmen have, with increasing frequency, talked on the subject of more muscle in the market place for farmers. Representatives Olsen and Evans have introduced H.R. 15695 and H.R. 16513 with the stated purpose: "To provide for the orderly marketing of agricultural commodities by the producers thereof and for other purposes." This implies disorderly marketing now, which we question.

The competition that exists in our industry today is the best assurance that the farmer receives the best price for his product. The U.S. Census in 1963 accounted for 8,286 grain elevators, 13,926 hay, grain and feed stores, and 2,590 mills preparing animal feeds for a total of 24,802 establishments. Many of these establishments, classified according to their primary business, carry on all these activities.

The producer has a choice among several suppliers for his production inputs. Likewise, he usually has several alternative outlets for his grain. Consequently, there is vigorous competitive bidding among a number of different grain marketing and farm supply businesses for the farmer's trade. He is an informed customer because he has access to a tremendous amount of information on prices and production. He can select the grain merchandiser who can provide him with the best price, considering the total service rendered.

Competition in the purchasing of grain contributes to the efficiency that provides low cost food to consumers. Farmers today are more efficient in their product than ever before. In 1950 each farmer produced food for 15.47 persons including himself and 39.56 persons in 1966. As farmers improve their efficiency so are gain marketing firms. Our member firms must continually improve their efficiency to remain competitive. The more efficient a firm, the better it can compete with others in providing the farmer with the best price for his crop.

Above, I spoke about the vast amount of information that is available to the producer. The futures markets facilitate the constant and ready access to price information. These same futures markets provide for open market pricing of agricultural products. This is where buyers and sellers meet, and through the medium of futures contracts, market prices are determined. There is no place where supply and demand meet to establish continuous pricing more exactly than in our futures markets. These prices reflect the honest judgement of buyers and sellers of the current and future situation with respect to the available supply, condition of the crop, and the demand for the production in both our domestic and export

[3] "Parity Returns Position of Farmers." Report to the Congress of the United States. Washington, D.C., United States Department of Agriculture. August 10, 1967, p. 22.

markets. There is no way that a marketing committee and a purchasing committee under the authority of an Agricultural Bargaining Act can change the fundamental demand picture. They would simply be substituting the very narrow judgment of a few men—no matter how expert—for the far wiser judgment of the entire market where every economic, and political factor both here and abroad has a direct bearing on price.

CHANGING INDUSTRY

The grain feed and farm supply industry is continually changing to improve the efficiency of marketing farm products and the resulting benefits are passed on to the farmer. Improved rail, barge and truck equipment has reduced transportation costs for the farmer. Firms in this industry are improving handling and drying facilities to better serve the farmer-customer. Expanded credit, improved low cost fertilizer service, new and effective pesticides, a wide range of animal health products, grain bank and efficient bulk delivery of full formula feeds, and other agricultural information are being supplied by agribusinesses in this industry to meet the needs of the modern commercial farmer.

The firms in this complex and competitive industry are vitally interested in the farmer receiving a fair return for his commodity and that such return will still keep his commodity in demand in the domestic and foreign markets.

However, it is our considered view that the bills H.R. 15695 and H.R. 16513 would completely destroy the present competitive pricing system and the present concepts of a market-oriented agriculture.

The present futures markets would be eliminated. Prices of major agricultural commodities would not be freely determined in the open market place as now, but the price would depend much upon which bargaining group had the most market or bargaining power. Assuming that the bargaining or marketing committee could predict accurately the supply and demand situation—something the Secretary of Agriculture and his advisors have been unable to do—the only time there would be a need for a futures market would be when supply (domestic and/or world) was reduced sustantially to force the price above minimum. However, the continuation of futures markets may be quite unlikely and they would be ineffective with a reduced number of buyers and sellers.

No one wants to keep futures markets for no better reason than that we've always had them. The fact is that they are synonymous with a freely competing, broad based, open market. The Bargaining Act would remove the broad base of the market and with it the need for a viable futures market.

With a program as proposed in these bills, first and intermediate handlers would be by-passed, especially under a controlled economic environment. The bill in Title I states that the producers are to negotiate with purchasers. This would mean that producers would not negotiate with the independent country elevator and intermediate handlers but probably with processors. Both investor-owned and co-up facilities would probably be bypassed since the ultimate purchaser is the processor.

The processors, against their wishes, would probably have to assume the responsibility of assembling, handling, and financing the marketing functions previously assumed by first and intermediate handlers.

The independent farm supply, country grain elevator has enough trouble surviving under the intense competitive conditions existing today, which require larger more efficient operations. to replace the present system with a committee negotiation system would sound the death knell in my opinion for the independent operator. If large efficient country grain elevators are the mark of the future, let it be because free competition has forced it to happen.

The proposed system visualizes an entirely new producer-processor relationship. Processors and exporters alike may be compelled by the new system to move to complete vertical integration not only in the marketing of grain but possibly in the production of grain, and perhaps livestock.

This system of integration by the processor and exporter would certainly create administrative difficulties for these firms. Centralization of all marketing functions under a few enterprises could create an unwieldy marketing structure difficult for anyone to view and manage efficiently.

In addition to destroying the current marketing system, what will be the effects of the proposals in H.R. 15695 and H.R. 15613 upon the current voluntary farm programs? Both Title I and II would enable producers to negotiate

or bargain for minimum price. Would the negotiated minimum price, in essence replace or take the place of the current loan level?

Due to weather, pestilence and other factors, the final supply will vary from the desired goals. If this is to be a producer program, will the producer or the government store the excess production? Will a loan-storage program be needed or used? If the urban population insists upon cutting the USDA budget, farmers may be forced to store the excess production at their own expense.

If marketing controls are used under Title I or II, will the minimum prices be sufficiently high to eliminate the need of diversions and price support payments? Are price support payments to be added to the minimum price? Will farmers reduce production to meet the marketing restrictions? Will consumers permit higher minimum prices? What is to be the relationship between the programs proposed in the bargaining bills and the tools of the present voluntary farm program?

Marketing controls in Title I and II would apply to all producers in order to ensure that all producers would share in the costs and burdens of supply control. However, are farmers ready to submit to a strict supply management type of program? Farmers in the 1963 wheat referendum voted against compulsory supply control. Current farm programs allow farmers to choose whether or not to participate in the commodity program. Farmers can decide under present Government programs if cooperation would be an economic advantage.

Title II of the bargaining bills is considered as an alternative to Title I. The Under Secretary of Agriculture has said, "Under Title II, the same results would be achieved, . . ." That is, both titles would lead to the same results with compulsory minimum price and nonprice terms that are enforced by marketing allotments. The effects of either title will create a system that would materially change and destroy our competitive and efficient marketing system. Inclusive regulations would also have to be developed in place of competition and the self-policing nature of the current and competitive marketing system.

While we don't presume to speak for our farm customer, in our close contact with him we recognize he is an entrepeneur. While he works hard, physically and mentally, to make his enterprise a success, he does not labor in the same sense that a so-called blue-collar worker labors. Because he is an entrepeneur he does not wish to give up his individual decision making rights. He will choose to market his produce personally. I have seen no evidence that the majority of American farmers are about to turn over to a third party all of their marketing responsibilities and accept in exchange rigid production and marketing controls.

Administrative difficulties would beset the proposed system such that the administrative difficulties of the current system would seem almost simple. It is quite possible that these administrative difficulties could cause the breakdown of the proposed system. We would point out seven areas where the questions propounded must receive realistic answers.

1. How would black market operations be prevented? Sales between farmers for feed purposes and small and irregular sales between farmers and consumers would be most difficult to supervise and police. Exemptions might be necessary but this would create inequities and sales exempted could result in a significant portion of the crop—especially in feed grains.

2. The allocation of quotas would be most difficult to administer with nationally produced commodities. How will the controlled economy maintain the balance that the competitive market economy is now doing even with short-run maladjustment? Who is to be controlled and at what level of production? Who is to benefit from increased cattle prices—the grain producer, the cattle feeder, the cow-calf rancher or the purebred breeder? What share of the benefits would accrue to the hatchery man, broiler producer, egg producer, and grain be delivered? What segment of the agribusiness is to be benefited and upon what criteria? In essence, such a proposal can result in a system that will make it almost mandatory to have a license to farm and merchandise. If a farmer does not have a quota, he just can't produce.

3. Resource allocation will be a problem. This problem is closely associated to the granting of quotas. How can an administered system ever allocate returns to resources and permit fairer re-allocation of resource use than under a market oriented system?

4. The interest of farmers and consumers will be more dramatic and more intimately intertwined than ever before. The proposed bill implies that producers will bargain and obtain higher prices. Consumer resistance to increased prices

will temper any significant increase in the price of food at the farmer level. In fact, the bill provides that the marketing committee invite consumer representatives to be a part of the committee. Or under Title II the Secretary of Agriculture is to review prices so that they are reasonable for consumers. Today, consumers are spending 17.7 percent of their disposable income for expenditures for food consumed at home. It was 22.2 percent in 1950.[4] How high would the consumer permit prices to rise, especially since farmers have become a small portion of the population and are consumers themselves of agricultural products?

5. An administered agriculture will create more administrative problems in international marketing. Agricultural exports have been the mainstay of our favorable U.S. Balance of Trade. The Secretary of Agriculture has pointed out that one of every four acres of production is exported. The domestic demand for grain and grain products is relatively inelastic and any increase in sales has to be in exports. Will the fixed minimum price keep us from competing in world trade? We think that a negotiated minimum price is not in keeping with freer world trade and comparative advantage. Higher prices encourage inefficient production in other countries and encourage other exporting countries to undersell the U.S. products unless the U.S. Government intervenes with export subsidies, which again violate the principle of freer world trade.

6. How could such a system prevent the creation of a monopoly? Monopolies could develop both on the producer as well as on the buyer side. We are not in favor of creating a system that could favor only the few. We are in favor of a free, competitive and productive enterprise system that can adjust to changes in supply and demand conditions.

7. Substitutes, natural or imitation, will be encouraged by unreasonable high prices. Since many agricultural products have close substitutes all competitive agricultural products would have to be controlled. But then, imitation products may be developed and take away the market of the agricultural products. For example, filled milk is competing and replacing fluid milk sales. Even now the regional milk marketing orders may not permit the dairymen of this country flexibility to change quickly enough to meet the challenge.

Just on February 26, 1968, it was reported in the Washington Daily News, that the British Petroleum Company is building a plant near Marseilles, France to develop protein food from petroleum products. I would like to quote in part from this news article, "The company, British Petroleum, says it has solved the problem of turning oil into edible food. By 1970, it plans to have the world's first commercial petroleum-to-food plant turning out 16,000 tons of protein concentrate a year."

"The oil industry long has recognized the importance, and potential profitability, of fueling people as well as cars. Companies, such as Shell and Standard Oil of New Jersey are working on their own processes, but British Petroleum is known to be in the lead."

"From the idea to a commercial process took 15 years of laboratory work. Now BP is confident its protein can undersell competitive products as an animal food and later as human food."

"M. J. Rathbone, former chairman of Standard Oil of New Jersey and a businessman not noted for pipe-dreaming, has this to say of the new process: 'The entire world protein deficit could be wiped out at a cost of less than 2 percent of the world production of petroleum'." Can and will the farmers of this country be able to meet this new competition? It can be much more difficult under a controlled economic environment.

CONCLUSION

In conclusion, the financial well-being of farmers is a great concern for this industry. The operations of farmers and the members of this industry are completely interdependent. The proposals in H.R. 15695 and H.R. 16513 will completely frustrate greater reliance upon a market-oriented agriculture. Government farm programs, which should be reviewed periodically, should aid agriculture in its transition to a market-oriented economy. We are committed to the concept of letting competition and not administrative actions regulate the balance between supply and demand, between the producer and the consumer.

And finally, while in theory the prospect of Farm Bargaining may sound ideal the long range effect will be to harm agriculture for the following reasons:

[4] "Handbook of Agricultural Charts—1967." Washington, D.C., United States Department of Agriculture. October, 1967, p. 29.

(1) Loss of efficiency through reduced incentive by both producers and handlers.

(2) Large annual or seasonal market swings instead of the many small adjustments daily under the present system.

(3) Loss of markets caused by artificially high prices and resulting reduced production.

(4) Attempts to treat the problems of the commercial farmer and the subsistence farmer with the same program when the problems are different.

DES MOINES, IOWA, *May 1, 1968.*

Representative W. R. POAGE,
Washington, D.C.:

At a meeting in Des Moines today Farmers Grain Dealers Associations Board of Directors representing 130,000 cooperative Iowa farmers unanimously approved the following resolution. Farmers processors and consumers need to have the 1965 Farm Act extended during this session of Congress in order to avoid disruption of their cropping and marketing plans. Farmers of Iowa have shown their approval of the present feed grains program since an overwhelming majority are participating. We therefore urge the Congress to promptly pass legislation to continue the 1965 Farm Act.

MILFORD M. BEEGHLY,
Farm Grain Dealers Association President.

AMERICAN BAKERS ASSOCIATION,
Washington, D.C., May 3, 1968.

Hon. W. R. POAGE,
Chairman, House Committee on Agriculture,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: In connection with proposals to extend the Food and Agriculture Act of 1965 under consideration by the Committee on Agriculture, the American Bakers Association and the Biscuit and Cracker Manufacturers' Association wish to submit their views concerning that part of the overall Farm Program known as the "Wheat Certificate Program".

Under this program, as the Committee is well aware, all processors of wheat are required to pay to the Commodity Credit Corporation 75¢ for each bushel of wheat processed for food use. The funds so received are paid out by the Department of Agriculture to those wheat growers who have agreed to cooperate with the Department's program of acreage limitation and other restrictions with respect to wheat. The payments are related to their allotted acreage of wheat for the domestic market.

The Baking Industry continues to regard this program as inequitable and damaging for domestic users and consumers of wheat. Without doubt the greatest penalty under the program has been inflicted on the Nation's poor. They are being taxed on all the products they buy made from wheat, particularly bread, to increase the income of the Nation's wheat growers. We believe it inconsistent for the Congress to pass such regressive legislation in this area while trying mightly to alleviate poverty in another. This program may temporarily provide more income to the wheat farmer by taxing the wheat user. But one may well question whether this insulation from the discipline of the marketplace will ultimately be self-defeating and far more costly to the wheat farmer in the long run.

Our view has been and continues to be that if it is to be the declared Congressional policy that wheat farmers should receive 100% of parity on that part of their wheat used for domestic food purposes, this should be achieved by appropriations from the general revenues rather than through a special tax or assessment on the consumer of wheat products.

We urge the Agriculture Committee to take the time and opportunity now to seriously review the impact of the Wheat Certificate Program on the long range consumption of wheat and wheat products before assenting to its continuation in any form.

As pointed out by Professor John A. Shellenberger of the Kansas City State University, one of the country's most distinguished agricultural economists, reviewing the impact of the Wheat Certificate Program in a recent article in the "Kansas Farmer":

"At no time, however, have processing tax laws remained in effect for long because they have not proved to be a satisfactory, long-term solution to inadequate price support for farmers' wheat at the marketplace . . . Experience has proved repeatedly that this is a questionable manner to remedy the price situation for the farmer."

These are the views of a man of unimpeachable credentials in the agriculture community and particularly qualified to speak on wheat. He has spent a lifetime of involvement in wheat economics. He is universally recognized as a scholar in this area; his strong criticism of the Wheat Certificate Plan as a solution to the wheat growers' ills cannot be gainsaid.

From the standpoint of the Baking Industry as users of wheat, and as collectors of the tax from the consumer, our objection is that the Program places an undesirable and inequitable burden on those who consume our products. This is a hidden tax to provide funds for a benefit program which should be provided for openly by appropriations by the Congress from taxes on all the population. Under the certificate program, it is financed unknowingly by those least able to bear the burden.

We, too, want the wheat farmer to prosper, and to participate in the healthy economic growth of the Nation. But, we believe the Wheat Certificate Plan is not the proper means to effect that participation.

We have no way of knowing exactly the extent to which this tax may have decreased consumption of wheat products, but it seems logical to expect that when a food which is in competition with many other foods bears a special tax, it labors under a distinct competitive disadvantage with those competing foods. We are gravely concerned over the fact that the decline in consumption of wheat products on a per capita basis has continued since this program was inaugurated. Efforts to increase consumption of wheat food products should not be so handicapped as they now are by having to bear the burden of the processing tax imposed through this program.

As Professor Shellenberger points out in his article, the program has "placed wheat at a price disadvantage compared with other grains". Certainly, the fact that consumption of what products has not increased and that this price disadvantage vis-a-vis other grains exists, strongly suggest that this program is not the panacea which its proponents have proclaimed.

We recommend to this Committee that it permit the Wheat Certificate Program to expire with its statutory termination date in 1969, and seek a solution for the needs of the wheat growers which does not impose a penalty on the consumers who provide the primarly domestic outlet for wheat.

We respectfully request that this letter and complete text of Dr. Shellenberger's article which appeared in the Congressional Record of March 27, 1968 (copy enclosed) be made a part of the record of the hearings on this legislation.

Sincerely,

Joseph M. Creed,
General Counsel.

[Enclosure.]

[From the Congressional Record]

WHEAT CERTIFICATE PROGRAM UNDER ATTACK

REMARKS OF HON. PAUL FINDLEY OF ILLINOIS IN THE HOUSE OF REPRESENTATIVES WEDNESDAY, MARCH 27, 1968

Mr. Findley. Mr. Speaker, the February 3, 1968, issue of the Kansas Farmer, one of the oldest farmer-oriented publications in the country published an unusually perceptive article on the wheat certificate program by J. A. Shellenberger, a distinguished agricultural economist at the Kansas State University. Professor Shellenberger has served equally both agriculture and industry for many years and is well known in the milling and baking industries. Since the President has sent to the Congress his farm program I believe Members will find Mr. Shellenberger's comments on a portion of this program—the wheat certificate plan—very timely.

The article follows:

THE CERTIFICATE CONTROVERSY

(By J. A. Shellenberger)

The wheat certificate program has been an important consideration of the major farm organizations and particularly of the wheat farmers. Although the present government processing assessment applies only to wheat, other crops such as cotton, soybeans, or tobacco could also be subject to a processing levy should Congress decide to use this means for providing funds to support agricultural prices. Thus the total implication and impact of this type of revenue measure needs to be wisely appraised by farmer, processor and the public.

The flour milling and baking industries were generally opposed to the government's policy of levying an assessment on the processing of wheat. Most wheat grower organizations and wheat farmers resented the stand taken by the flour milling and baking industries. There has arisen, therefore, a need for an impartial discussion of this delicate subject without creating accusations of being for or against.

The following is a discussion of the wheat certificate payment plan whereby the processor is assessed 75 cents per bushel for all wheat milled for domestic human consumption. What it is hoped will be accomplished is a more sympathetic understanding of the problems created by this processing assessment. Wheat certificate payments have caused, in many instances, substantial misunderstandings between wheat farmers and wheat processors. The fact that the wheat certificate payment policy was opposed by a majority of the flour milling industry and some segments of the baking industry has erroneously been interpreted by many wheat growers in many instances as a conspiracy to hold down farm prices or disinterest on the part of processors in wheat producers acquiring an adequate income. It seems essential to correct, if possible, this misunderstanding among wheat producers and wheat processors and consumers.

Without exception, everyone with any knowledge or interest in the wheat farmer realizes that market prices are low in relation to what the farmer must pay for the goods and services he buys. Certainly the milling and baking industries would have no logical reason for wishing to deprive the wheat farmer of a fair return for his investment and labor. Whatever the price of wheat may be, all processors pay that price; therefore, the competition for the sale of flour or bread made from wheat is based on the same price structure regardless of the price farmers receive. However, the price of wheat in the U.S. relative to the world price is, of course, of concern to the processor who contemplates export sales. For that reason, there are legitimate reasons for objecting to wheat price increases by segments of the milling industry.

However, it has always been the position of the milling industry that the wheat producer is entitled to a fair return for his product in the marketplace. Recent discussions on rising food prices have, in some instances, indicated that the farmer is to blame for these increases. To be sure, the price of bread has increased because of the various economic factors contributing to rising cost but neither the wheat grower nor the miller or baker is responsible. The basis of the increased cost of bread, as detailed fully by last year's Congressional investigation of the subject, were higher costs for labor, transportation, social security and other taxes, interest and other operating expenses in addition to the increased cost of flour resulting from the certificate program. The miller must pay 75 cents to the Commodity Credit Corporation for each bushel of wheat purchased, in addition to whatever the current market price may be.

That wheat prices are too low is the vigorous complaint of the grower, but growers should realize that there is no organized opposition to their contention that prices received for wheat are too low. The milling industry certainly has not contested the growers' demand for a higher price. On the other hand, farmers, and often housewives, contend that the milling and baking industries have increased the price of bread without good reason and thus have derived considerable profit. The following factual account should dispel this notion.

The Economic Research Service of the United States Department of Agriculture publishes in each issue of the Wheat Situation the marketing margin of the flour mills. Also, the National Commission of Food Marketing reports that the national average of flour mill profits before taxes based on percent of sales was only 0.22 of 1 percent.

About 85 percent of the total value of products produced by a flour mill is represented by the cost of the raw material, namely, wheat. Wheat costs consist of the price paid at the marketplace plus the 75 cents per bushel which must be paid to the Commodity Credit Corporation in accordance with the Food and Agricultural Act of 1962 as amended. Normally, about 2.28 bushels of wheat are required to produce 100 pounds of flour. Historically, there is a close association between wheat costs and flour prices; therefore, the lower the price of wheat, the lower the price of flour and vice versa. Actually, over the past 16 years the price of flour has declined slightly more than the price of wheat not withstanding increased cost of wages, salaries, interest, equipment, and maintenance, etc.

Considering what increasing the price of wheat means in terms of the added cost of flour which the baker must purchase, the effect of the certificate payment is appreciable. The price of wheat, basis Kansas City, is about $1.70 a bushel at the time this article is written. It requires 2.28 bushels to produce 100 pounds of flour and there are approximately 220 million hundred-weights of flour consumed in the U.S. per year. Thus, the payment of the processing certificate has created an added cost to the miller above the market price of wheat of over $376 million a year. This is only the sum which the milling industry must pay for the wheat that is ground into flour and does not represent certificate payments involving other products such as breakfast cereals which make the payment to the government amount to between $400 and $450 million a year under the wheat certificate program. This is a sizable sum for consumers of wheat foods to pay.

The milling industry strongly protests the singling out of wheat for such a processing tax. In contrast, direct federal payments totaling $1 to $1½ billion are being made annually to feed grain producers. Payments in the neighborhood of $750 million are being made this year under the cotton program. These and other commodity payments are being financed directly or indirectly by the general revenues of the government. There is no commodity program other than wheat that is financed by a direct and mandatory levy on the processors and consumers of that commodity—so there seems to be no sound economic justification for this special financing arrangement on wheat. Wheat will continue to be in a less competitive position than other grains so long as this inequitable treatment continues.

One example is the increase in rye flour production in 1966–67 compared to the same period for the preceding year. The milling of rye does not involve a processing certificate and the 75 cents extra cost. Hence it is economically advantageous to substitute rye for wheat whenever possible in the baking industry. Baked goods that are dark in color such as some cookies and cakes can be made using some rye to replace wheat.

The present certificate payment program has caused the processor of wheat to pay 75 cents per bushel more than would be the case without the payment and thus the additional raw material cost amounts to $1.71 per hundred pounds of flour produced. In competition with other grains, such as rye, rice, barley, oats, or corn, wheat and wheat products are seriously penalized.

The millers did protest rather vigorously when their first certificate payment of 70 cents per bushel was introduced because this policy caused, for some time, serious disruption of normal milling operations. However, most millers and bakers too, did object strongly to the proposal that the certificate payment be increased to $1.25 per bushel. This resulted in the "bread tax controversy" and Congress decided that this was going too far and voted to continue the 75 cents per bushel assessments. Congress approved the increase in the federal payment, but to be taken from general treasury funds.

The irony of the situation is that with the Food for Peace programs as a part of our national policy and wheat being the principal food grain, the certificate payment plan places wheat at a price disadvantage compared with other grains. It has been difficult to formulate a "complete" food for developing countries based on wheat because of the more favorable prices of other grains and products. Rolled wheat and bulgur, which have had historical export markets, are also more difficult to market because of the certificate payment plan. In other words, at a time when the farmer needs a better price for his wheat, the method used to supplement its basic price reduces sales of his commodity.

The right and necessity of the wheat farmers to make a living is not questioned by the milling industry. Millers merely questioned why, as wheat processors, they should be victimized by the payment scheme.

The government's imposition of a processing levy on the milling of wheat and the industry's objection to this form of taxation are in no way new. Both Canada and the U.S. have had in the past processing taxes on all wheat processed for domestic consumption. Through 1940–41, Canada, for example, collected a tax of 15 cents a bushel on all wheat processed and used domestically. Similar legislation has been tried from time to time in Argentina, Australia and many of the European countries. At no time, however, have processing tax laws remained in effect for long because they have not proved to be a satisfactory long-term solution to inadequate price support for farmers' wheat at the marketplace.

The burden of the processing tax on wheat is a case for the general theory of incidence or shifting. In the operation of the processing payment imposed on the millers of wheat for domestic consumption, the burden of this levy is shifted to the purchaser of flour, namely, the baker who, in turn, shifts the cost to the consumer. Obviously the persons who finally bear the burden of the tax are the consumers, who need to be considered, as well as do the beneficiaries of the tax, namely, the wheat producer.

The processing levy on wheat falls on the public and is reflected in a higher price for bread and baked products. Experience has proved repeatedly that this is a questionable manner to remedy the price situation for the farmer. Certainly the miller and baker are justified in objecting to the processing certificate and their objections should not be regarded as organized opposition to a higher price to the farmer for his wheat.

There has been considerable agitation by some segments of wheat growers' organizations for an added certificate payment on wheat exports. The higher minimum world price of wheat just negotiated in the Kennedy Round at Geneva by the International Cereals Agreement, when they become effective later this year may not necessarily be reflected in domestic markets and could result in a decrease of foreign outlets for wheat. Higher prices usually create production expansion. A certificate payment on wheat exports to provide the funds necessary to pay the farmer higher prices could, therefore, result in a loss of markets and thus in net loss in the eventual total funds available to growers. The desire and hope of the negotiators has been a higher price for wheat for the farmer and an expanded export market.

It is hoped that this impartial review of the processing tax on wheat will contribute to a more sympathetic understanding among wheat producers and wheat processors. At least it should help wheat farmers comprehend that their best customers, namely, the flour millers and bakers are not against them. It is definitely not true that the millers and bakers are unsympathetic to the farmers' wheat price problems.

Those who advocate taxes on wheat processing should realize that this means of providing revenue to bring a higher selling price for wheat is an old and often tried method of providing help to farmers. As a revenue means the processing tax never lasts long because it disrupts the processing industry, results in an increase of bread prices and reduces the volume of wheat processed.

Both farmers and the flour milling industry share in the present cost-price squeeze and therefore they need more than ever to work together and to appreciate the problems which each shares.

NATIONAL CORN GROWERS ASSOCIATION,
Boone, Iowa, April 11, 1968.

REPRESENTATIVE W. R. POAGE,
House Office Building,
Washington, D.C.

DEAR REPRESENTATIVE POAGE: Since you were in Japan with Secretary of Agriculture Orville L. Freeman and other farm leaders at the time I was in Washington last week, I am sending to you a copy of our testimony for the House Agriculture Committee which I hope you will have time to read.

Basically, we are for immediate extension of the 1965 Farm Act and hope that it can be done on the basis of removing the termination date and making it a permanent piece of legislation.

You will also note that we are recommending passage of your bill, H–R 16165 introduced on March 25, 1968, by you providing for stimulated use of U.S. owned foreign currency resulting from past and future P.L. 480 sales.

We are also anxious that the present Conservation Reserve Contracts be extended and that a strategic reserve be established.

We hope that you will be able to achieve early action on these items. Kindest personal regards.

Sincerely,

WALTER W. GOEPPINGER,
President.

[Enc.]

TESTIMONY OF WALTER W. GOEPPINGER, PRESIDENT, NATIONAL CORN GROWERS ASSOCIATION

National Corn Growers Association wishes to thank the House of Representatives Committee on Agriculture for giving us the opportunity to testify before you relative to U.S. Government farm programs now in effect relating to feed grains and regarding suggestions for their improvement in the future.

The testimony will cover the following subjects:

1. Corn's position in the U.S. economy.
2. Extension of 1965 Farm Act.
3. Strategic reserve as an adjunct to the extension of the 1965 Farm Act.
4. Extension of present conservation reserve contracts.
5. Stimulated use of U.S.-owned foreign currencies resulting from past and future P.L. 480 sales.

1. CORN'S POSITION IN THE U.S. ECONOMY

Corn is by far and away the largest crop raised in the United States and has the greatest dollar value. The 1967 crop of 4,700,000,000 bushels is valued at $5,100,000,000 by USDA. Wheat in second place was 1,500,000,000 bushels with a value of $2,154,000,000 and soybeans at almost 1 billion bushels had a value of $2,400,000,000. So what happens to corn is extremely important to the Corn Belt and the economy of all the United States. Of all the various U.S. industries, farming is by far the largest—first in workers, first in spending for equipment, first in assets and second in income.

In addition, corn along with grain sorghum is our largest foreign earner of hard dollar exchange. Of the approximate 1 billion bushels of feed grains exported, corn constitutes about 80%, and of that 95¢ out of every $1 of corn shipped overseas is sold for hard dollars. The importance of U.S. corn exports is underscored by the fact that one out of every six acres produced is shipped to destinations outside the U.S. We produce half the world's corn each year and account for one-half the world's exports of it.

U.S. corn is the basis of our high protein diet of meat, milk and eggs in the U.S. and is now bringing this wonderful diet to much of the rest of the world too.

2. EXTENSION OF THE 1965 FARM ACT

National Corn Growers Association considers it of utmost importance that the 1965 Farm Act be extended by Congress this year. The feed grains section of this act provides for voluntary compliance in a program that adjusts supply to probable market demand but still is not so restrictive as to cause the ultra "Freedom Conscious" farmers to rebel. However, the majority of corn farmers realize that we must have a feed grain program that provides flexible year to year controls of supply. Even though voluntary, the act is binding enough to have a predictable influence on total supply. The following two paragraphs concerning 1968 signup describes this.

No one can deny that farmers like the voluntary feed grain program. This is evidenced by the fact that 1,497,000 farmers signed up for the Voluntary Feed Grain Program—an all time record. Of the 81 million acre national corn base, 58 million acres are on the farms that are signed up or approximately 73% are thus participating.

About 8 million acres of milo will be diverted and around 26 million acres of corn. This means that approximately 32% of the nation corn base has been contracted for retirement in 1968. This will assure some drawdown of our excess corn stocks unless the disturbed international monetary picture creates a sizable drop in exports. However, with exports having held up very well the first half of this year it looks as though we are going to have another record corn export year.

The importance of extending the Act this year is great because of the interplay of the feed grain and wheat segments of this law. In most of the Corn Belt, wheat is an important crop and as you know, there is a substitution clause allowing feed grains to be planted on wheat allotted acres. In the vast dry land areas where fallowing of the land the year before is practiced, farmers must know well in advance of the 1968 fall planting season for winter wheat what the program will be for 1970. If we do not have extension of the present act this year the whole picture will be garbled by the necessity of a national wheat referendum in March of 1969. This would force Congress into an unnecessary rush job on farm legislation.

National Corn Growers Association believes that the voluntary feed grain law has worked very well. Some people condemned its operation in 1967 because of recent low corn prices. These were caused by strong pressure to completely do away with all restrictions on 1967 corn planting. As a result, the maximum amount of compliance was set at only 20% of diversion versus 50% in the previous 6 years. This brought about the smallest diversion of feed grain acres in the 7 year period. As a result larger domestic supplies came about. At the same time good weather brought large crops overseas too. In 1966 the U.S., like the rest of the world, was caught up in the world "Famine" scare and as a consequence the production faucet was opened a little too far. This proved that we need to have a feed grain supply-management program. If we had no U.S. Government feed grain program at all and the acres now diverted were brought into corn production, we could easily produce 7 billion bushels of corn annually. This is about 2½ billion more than the market we have today both domestic and export, can absorb. Seven billion bushels is more corn than we can sell *or even give away* with our existing marketing and transportation structure. Responsible agricultural economists continue to state that for the foreseeable future we can easily furnish our own and world markets with all the corn that is needed. We call upon the 90th Congress to extend the 1965 Farm Act beyond 1969 by eliminating the termination date in the present act.

3. STRATEGIC RESERVE AS AN ADJUNCT TO THE EXTENSION OF THE 1965 FARM ACT

If the Secretary of Agriculture had had a strategic reserve in existence when planning the total amount of acres to be diverted from corn for the 1967 season, he would not have had to open the production faucet as far as he did in 1967 to feel that he had a safe supply of feed grains, wheat and soybeans. We suggest a 3-segment strategic feed grains reserve structured by:

(1) A U.S. Government owned reserve of 600 million bushels of feed grains. This would be usable only in the event of natural disaster, adverse food production conditions for one or more years, military action, and to assist other nations of the world in any food emergency. Present uncommitted stocks of CCC owned feed grains would apply toward these goals. On February 1, 1968, there were uncommitted CCC stocks of feed grains totalling about 350 million bushels made up of 137,000,000 bushels corn, 191 million bushels grain sorghum and the balance composed of barley, oats and rye. CCC would make open market purchases to bring the government owned total up from the present 350 million bushels to the suggested 600 million bushel level. The Secretary of Agriculture and President could only remove grains from this reserve to meet national or international emergencies and then only sell same at parity for the grain, less any price support differentials in existence (in the case of corn—Parity of $1.61 bu. minus 19¢ present adjusted price support,—sale price of $1.42).

We suggest a safety valve in this segment of our reserve proposal and it relates to the above, —If in any marketing year USDA determines that the estimated production from feed grains will exceed estimated domestic and export needs by more than 10%, the reserve under this government owned portion could be increased by another 300 million bushels (from 600 million up to 900 million). However, subsequently, it could be resold in another year when grain stocks were pulled down by production adjustments, at a price not less than 115% of the loan plus storage and interest (roughly $1.25 per bu. for corn currently).

(2) The second segment of the suggested reserve is that USDA will offer to enter into 2 and 3 year agreements with farmers under which farmers agree to keep as much as 300 million bushels of corn, grain sorghum, barley, oats and rye under loan and in storage under farmer control. Farmers cannot choose to sell during the agreement period but the Secretary or the President could call the grain under the storage contract for delivery to (a) meet national or international

emergencies and then only if (b) the prevailing market price for corn was parity minus the price support ($1.42 bu.). The Secretary would be authorized to give added incentives such as interest free loans and higher than normal loan rates to attract farmers to utilize these contracts.

(3) The Secretary would make available to farmers an extended loan program for the feed grains involved in the reserve if the production for the year is estimated to be greater than total domestic and foreign demand (this was the case in 1967). Producers could put up to 300 million bushels of feed grains into this program. Farmers would have a right to redeem this grain at any time by paying off the loan and selling or feeding same themselves. CCC would pay reseal storage costs.

Not only would this strategic reserve program be helpful in improving grain prices to the farmer but it would also assure the consumer of an adequate reserve of grain on hand for any great emergency. It would also help to stabilize poultry, red meat, eggs, and dairy product prices for the consumer. With the above three segment program, the Secretary of Agriculture would know that he had a cushion to work against in determining the next year's feed grain program compliance and thus not have to be on the safe side by a big margin when figuring what acreage is needed, causing an over supply if the acreage called for was too high.

4. EXTENSION OF PRESENT CONSERVATION RESERVE CONTRACTS

If the presently existing conservation reserve contracts (also known as Soil Bank Land Contracts) covering about 9½ million acres of productive U.S. cropland expiring mainly in 1968 and 1969 are not recontracted and held out of production, then the crop diversion of land under the present voluntary feed grain program must be expanded by just that much more. The same applies to wheat and other crops which the existing Conservation Reserve Contracts are holding out of production.

The conservation contract farms have rested now for 10 to 12 years and are big potential producers if they are brought back into production. We are anxious that the delicate balance between agricultural production and probable usage be maintained. This year we are attempting to keep at least 32 million acres of cropland out of corn and grain sorghum production via the 1968 Voluntary Feed Grain Program over and above the land which is now under Conservation Reserve contracts, and under the newer Cropland Adjustment Program. If the old Conservation Reserve contracts are allowed to expire and the owners of the land not given opportunity to renew the contracts, there will be a big upsurge in production of feed grains and other crops just from these lands alone. We urge your committee to promptly activate a program that will give the present land owners opportunity to extend the current contracts now in existence. Unless this is done farmers will soon plow up this seeded down land to get it ready for wheat seeding this fall and corn or sorghum in 1969.

Before closing our testimony, we wish to again emphasize the most important point we desire to make with you. It is that the 1965 Farm Act *should be extended by this Congress as soon as possible* by eliminating the termination date in the present act. No other changes need be made at this time. Such action would give the 91st Congress ample time to consider what polishing up and changes or additions it would like to make to the act.

We thank you for allowing us to bring this testimony to you.

MILLERS' NATIONAL FEDERATION,
Washington, D.C., May 3, 1968.

Hon W. R. POAGE,
Chairman, House Agriculture Committee,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. CHARIMAN: We were qutie surprised that the Secretary of Agriculture, in urging your Committee to grant permanent status to the Food and Agriculture Act of 1965, requested amendments to the wheat certificate program so as to shift more of the price support cost to wheat processors and consumers; and that these actions be taken before the present program has run its course.

The attached statement was prepared for your current hearings which we

understood were to provide a broad review of existing programs and to give a head start on next year's planning. We think this was entirely appropriate. Furthermore, we believe it would be sound judgment to permit the new 91st Congress to make its own determination as to that future farm programs should be.

In our statement we indicate that the Secretary can, and perhaps should, increase the present $1.25 loan. The Secretary has stated that this would be ineffectual because the Federal levy on millers would be reduced accordingly, along with income to growers. This is not the entire story. It is true that if the loan were increased by ten cents, for example, millers would pay ten cents less to the Commodity Credit Corporation and growers would receive ten cents less on their domestic allocation, or on only about 40 per cent of their production. What has been overlooked entirely is the effect a higher loan would have on the market price of wheat. If, for example, the market price were to increase by ten cents, every bushel of wheat produced would benefit accordingly, far offsetting any loss in Federal payments.

By the same token, under the Secretary's proposal millers would have to pay more for wheat in the market, yet the minimum fee they must pay to the CCC would become fixed at the present 75¢ per bushel rate. Any tenuous relationship that might exist now between the loan level/market price of wheat and the tax or levy the processor must pay in addition is totally lost. The Secretary would have at his command virtually all of the tools necessary for unrestricted, one-man price fixing of our most basic food commodity. Furthermore, although the present Act guarantees the producer full parity on the domestic share of his allotment, total per bushel returns have in fact been consistently above parity. The Secretary's proposal would serve as an absolute guarantee to growers of full parity plus the increase in the loan rate. Also, to the extent the market price exceeded the loan rate, that amount, too, would be added to the cost of wheat to the U.S. Treasury and the consumer.

The Secretary has also recommended that millers be required to add to their certificate cost any future increase in wheat parity. The CCC is now obligated to issue certificates to growers valued at the difference between the loan rate and full parity, presently about $2.60. All the Secretary's proposal would do is shift the cost of any future increase in parity from the U.S. Treasury to consumers. The wheat producer will not receive one penny more by the amendment. But wheat processors would be subjected to highly disruptive year-to-year adjustments in the processing tax rate and for every penny parity increases, $5 million will be added to the cost of wheat foods.

Mr. Chairman, we urge you not to add further to the Federal levy on wheat processors and not to extend the current program this year.

Sincerely yours,

DEAN MCNEAL,
Chairman, Committee on Agriculture.

[Attachment.]

STATEMENT OF DEAN MCNEAL, MILLERS' NATIONAL FEDERATION

My name is Dean McNeal. I am a Group Vice President of The Pillsbury Company in Minneapolis and serve as Chairman of the Agriculture Committee of the Millers' National Federation. This association represents about 85% of the productive capacity of the U.S. wheat flour milling industry.

Because of the direct effect the present wheat certificate program has on flour millers and the customers we serve, we appreciate this opportunity to again express our views. The total wheat program is far-ranging and complex. We do not believe it would be appropriate for us to offer opinions on the need or lack of need for a Federal wheat program. That can best be decided by Congress and others.

Assuming the continuation of a wheat price support program, we believe the current concept of establishing a loan at or slightly below the world wheat price level is desirable. In view of new levels to be established under the International Grains Arrangement, if ratified, the loan could logically be increased by about 10–12 cents per bushel. This could have a salutary effect on market prices and, in any event, would establish a higher support under the market than presently exists.

Another basic feature of the present program is the payment of Federal funds to producers who comply with the program. The bulk of the funds for these income-supplementing payments do not come from the Federal Treasury as is true for other competing grains. Instead, processors are required by law to pay to the Commodity Credit Corporation a processing tax on each bushel of wheat processed. These payments are then passed on to producers.

It is this feature of the wheat program—namely, the method of financing cooperator payments—to which we object. To our knowledge, this is the only Federal program which obligates consumers—and it is the consumer who actually pays—to finance the major cost of a commodity price support program. In other words, the consumer is required to pay an additional 75 cents per bushel above the competitive market price for the wheat contained in products she buys.

Questions of principle aside, we believe this is an unsound economic program for all whose livelihoods depend on wheat and wheat products.

Wheat products compete, directly or indirectly, with every item of food available to the consumer. Particularly, they must compete directly with rice, corn, and rye products. Wheat products are purchased not out of loyalty or habit, but because they are good to eat, nutritious and economical.

The estimated Federal cost of the 1967 wheat support program will be about $725 million, of which some $400 million will be financed by wheat processors and consumers. By way of contrast, direct Federal payments to feed grain producers in 1967 amounted to about $870 million and the total cost of the cotton program was $930 million which was paid direct from the Federal Treasury. In other words, well over half of the wheat price support program is being financed by processors and paid for by wheat product consumers. The same principle, if applied to the feed grains, would require that those who purchase corn and other feed grains for human food use pay an additional $450 million or so. (Statistical computations indicate that, for the years 1910–1963, the more or less normal and natural price spread between corn and wheat market prices is about 20 percent; that is, as of today normal wheat prices to the miller would be about 120 percent of the price of corn on a pound-for-pound basis. Instead, however, the cost of wheat to the miller since the inception of the certificate program in 1964 has been between 172 percent and about 190 percent of the corn price on a pound-for-pound basis. It is this increasing artificial price disadvantage wheat now has which is causing ingredient buyers to substitute corn and other grain products for wheat.)

These figures give dramatic evidence of the discrimination against wheat resulting from these certificate payments and the price disadvantage wheat is faced with in competing against corn and other grains for human food use.

The per capita consumption of wheat in the U.S. has declined steadily over the years. Through research, market development, and investment, everyone concerned with wheat is trying to reverse this trend. Millers, bakers and wheat producers are presently in the process of attempting to develop a strong, coordinated and well-financed research and promotion program to maintain the role of wheat products in the U.S. and world diet.

It should be obvious that many of these efforts are being discouraged by the unfavorable competitive position in which wheat is placed as a result of these certificate payments. We are seeing substantial evidences of the substitution of other ingredients for wheat flour in certain products and it is being done mainly on the basis of ingredient cost. There is evidence of a decline in new wheat product development and in corporate research on wheat as a source of cereal protein. Flour mills have been closing at a rapid rate. New mill construction and the investment of outside capital in the milling industry is almost at a standstill.

It is impossible at this time to document what the long-run effects of the certificate program would be if extended beyond next year. We do not want to cry, "Wolf", unnecessarily, but we do believe the present method of financing the wheat price support program is potentially dangerous to the entire wheat economy in this country.

These factors inevitably lead us to the conclusion that if the Committee and the Congress feel that wheat market prices provide producers with inadequate returns, any supplemental payments should be provided direct from the Federal Treasury. All other commodity programs are financed in this manner. We believe the singling out of wheat for this unique tax treatment is harmful to the welfare of the entire wheat economy.

We would like to comment briefly on two other matters which have been discussed by other witnesses before this Committee.

The present price support loan rate on wheat is $1.25 per bushel which, as we mentioned earlier, could perhaps logically be increased by 10 to 12 cents per bushel. Other proposals have been made which would permit the simultaneous establishment of different and higher minimum prices. These could conceivably come into play under proposals for farmer collective bargaining, marketing agreements, or Government purchases above the loan rate under so-called strategic reserve or food bank legislation.

There are a number of factors the Secretary should take into consideration in setting the basic loan rate at what should be the highest level he can justify. Briefly, these factors are:

(a) Adequate production for all requirements, including a reasonable carryover.

(b) Competitively priced and readily available grains for domestic and export markets.

(c) Adequate participation in acreage adjustment programs, with primary benefits to cooperators.

(d) Reasonable production balance among competing grains.

Any Government price-propping system superimposed on a properly established loan rate will increase Government costs and tend to overstimulate production, discourage exports, increase benefits to non-cooperators, and disrupt the competitive situation among the several grains.

Collective bargaining for price, as suggested in certain proposals, would bring about the undesirable results just mentioned. In addition, we concur with the recent finding of the National Planning Association that "market bargaining is likely to be of little value for major farm commodities produced on a national scale . . ." Wheat, for example, is produced in most areas of the United States; many sellers and buyers are involved; there would be no one to represent foreign buyers of what is predominantly an export crop; and the combinations of wheat quality factors are almost unlimited.

With respect to reserve legislation, we have stated that we believe there is no need whatsoever for an additional program to protect against shortages of wheat. Reasonable Government practices under present programs can provide such protection and should continue to do so. We feel strongly that if higher supports are justified, they should not come from piling one program on top of others. Rather, if higher supports are justified, this should be accomplished by raising the loan rate to a level near the world price level and reducing certificate values by the same amount, in the event the certificate program is extended.

The CHAIRMAN. Monday morning, the committee will meet here at 10 o'clock for consideration of this legislation and possibly the introduction of a bill. We have no bill before us. We are trying to see what we should do before we introduce a bill, but the committee will stand in recess now until Monday morning at 10 o'clock.

(Whereupon, at 11:05 a.m., the committee arose.)

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For Legislative History on P.L. 559

FARM PROGRAM AND FARM BARGAINING

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

NINETIETH CONGRESS

SECOND SESSION

ON

THE OPERATION OF PROGRAMS ESTABLISHED PURSUANT TO THE AGRICULTURAL ACT OF 1965 AND THEIR CONTINUATION, AND PROPOSED STRENGTHENING OF FARM BARGAINING POWER

APRIL 3, 4, 5, 8, 9, 10, AND 24, 1968

Printed for the use of the Committee on Agriculture and Forestry

Freeman

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CONTENTS

FARM PROGRAM AND FARM BARGAINING

WEDNESDAY, APRIL 3, 1968

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Talmadge, McGovern, Mondale, Byrd of Virginia, Aiken, Young of North Dakota, Miller, and Hatfield.

The CHAIRMAN. The committee will please come to order.

Off the record.

(Discussion off the record.)

The CHAIRMAN. In any event, I wish to say that these hearings are being held today to determine the strength and weaknesses of the farm programs which expire in 1969, as well as to look into new or alternative programs. Our purpose is to develop a basis for legislation for enactment early in 1969.

The purpose of the hearings and some of the programs which will be covered by them are further described in a letter which has been sent to farm organizations, and a résumé, which will be inserted in the record at this point.

(The documents referred to follow:)

COPY OF LETTER SENT TO FARM ORGANIZATIONS AND OTHERS

FEBRUARY 16, 1968.

DEAR ----------: The Senate Committee on Agriculture and Forestry at its regular meeting on Wednesday, February 7, 1968 decided that hearings should be held this year to determine the strength and weaknesses of the farm programs now in effect for the major agricultural commodities, as well as to explore any new proposals to supplement or compliment these when they expire in 1969. Hopefully, the hearings will be used as a basis for action the Senate must take in the 91st Congress, as well as to lay the groundwork for discussion among farm people, their organizations, and others of alternatives or improvements to existing legislation. We are inviting all interested persons and organizations to appear before the Committee to present their views.

It is not the intention of the Committee to hold hearings on any particular bills. Nor is it the intention that these hearings will result in legislation in 1968. Rather the hearings will be directed toward the formulation and establishment of general farm policy for 1970 and beyond. Certainly, shortcomings in the existing law must be pinpointed. Improvements, if possible, must be made. New ideas must be explored. All should be directed toward the improvement and betterment of agriculture.

Attached is a brief resume of some expiring legislation and problems which need to be considered. This list is not all-inclusive, nor are the hearings restricted in any way.

These hearings will begin on April 3, 1968 and will continue with full opportunity for all to appear.

With kindest regards and best wishes, I am

Sincerely yours,

ALLEN J. ELLENDER,
Chairman.

SOME SUBJECTS TO BE COVERED BY COMMITTEE'S FARM PROGRAM HEARINGS

The Committee on Agriculture and Forestry of the Senate is holding hearings beginning on April 3, 1968 with a view to developing general farm legislation in 1969 when various provisions of the Food and Agriculture Act of 1965 expire. Following is a list of some of the subjects and problems on which testimony should be presented:

Applicable to all programs is the cost to the Federal Government. How can programs be changed so that they are less costly but at the same time protect farm income?

I. DAIRY

The 1965 Act provided limited authority for Class I base plan milk marketing orders until December 31, 1969. Prior to enactment of the 1965 Act this Committee contended that there was broad authority for such plans, while the Department asserted there was no authority for them. New problems have arisen with respect to the effect of an adverse vote on a Class I base plan, pricing standards, legislative purpose, and administrative review of petitions for exemption from provisions not in accordance with law. A further potential long-run problem to the dairy industry is possible inroads into the market by products containing no butterfat but sold in competition to milk and its products.

II. WOOL

The National Wool Act of 1954, which provides price support through payments and other operations at 62 cents per pound (adjusted to reflect changes in the parity index from the average parity index for 1958, 1959, and 1960), expires December 31, 1969. Continuing problems for wool producers are competition from synthetics and imports, as well as downward trends in production.

III. WHEAT AND FEED GRAINS

The law now provides for price support for corn at 65 to 90 percent of parity if a diversion program is in effect and at comparable levels for other feed grains; for a diversion program; for substitution of wheat and feed grain acreage; and for growing soybeans on feed grain acreage for price support payment purposes. Part of the price support may be in the form of payments for any feed grain subject to a diversion program. For 1970 and subsequent crops there is no specific authority for a diversion program. In the absence of such a program corn would be supported at such level, not less than 50 percent of parity or more than 90 percent of parity as would not result in increasing Commodity Credit Corporation stocks. There would be no authority for payments or substitution.

The present wheat program is a voluntary one. Beginning with the 1970 crop the program would revert to a quota program, whereby the Secretary would be required to proclaim quotas for wheat if he determined supplies would be excessive in the absence of quotas. A referendum of wheat farmers would be required to determine if they favor or oppose quotas. If quotas were approved by a two-thirds majority there would be monetary penalties for violating either quotas or diversion requirements, and loss of allotment history for exceeding allotments. At present domestic certificate wheat must be supported at parity and there is authority (not currently applicable because world market prices have not been above U.S. prices) for variable export marketing certificates. Beginning with the 1970 crop, if marketing quotas are in effect, domestic certificate wheat would be supported at 65 to 90 percent of parity, and export certificate wheat would be supported at not more than 90 percent of parity (The law needs clarification in this regard). The provision limiting the cost of domestic certificates to processors to the amount by which $2 exceeds the loan expires with the 1969 crop. Noncertificate wheat support is determined under existing and future law after consideration of world price, feed grain support, and other factors. If quotas are not approved, wheat would be supported at 50 percent of parity.

Wheat and feed grain producers are disappointed by the sharp drop in prices in 1967 from those of a year ago. Unfortunately 1967 grain production in the U.S. coincided with a near record world wheat crop and record corn crops in competitive export nations. The season average price for wheat will be about $1.40 per bushel—some 15 cents over the loan, but about 20 cents below last year's season average price. The corn price will average around $1.07 per bushel—about 17 cents below last year's price.

The Department has taken several actions to stimulate markets. For 1968, the wheat allotment has been cut, and increased diversion authorized for feed grains. The Department made an early announcement that all 1967 grain placed under price support loan will be eligible for reseal, both on farms and in commercial warehouses. CCC has made almost no grain sales in the past several months. Recently the Department of Agriculture announced that CCC stocks of feed grains would not be available until quantities of the 1967 crop under loan or reseal totaled at least 6 million tons.

Some wheat growers feel that export certificates are needed to bolster their income. Wheat export certificates are not authorized under current legislation, unless domestic prices are less than world prices.

IV. COTTON

The 1965 Act conditioned price support on reducing acreage below the allotment by up to 12½ percent (as prescribed by the Secretary). Price support loans are limited to not more than 90 percent of the estimated world market price, and payments are made on cotton planted within the farm's domestic allotment, the rate being such as to provide the producer with total price support of not less than 65 percent of parity if he obtains a normal yield on his entire permitted acreage. The 1965 Act also provides for a diversion program, CCC sales for unrestricted use at prices designed to move cotton into the market, export market acreage, and the sale and lease of allotments. Special provisions are made for small farms and for diversion on farms on which no acreage is planted to cotton. The one-price cotton system would terminate and export subsidies would be required.

All of the above provisions terminate with either the 1969 crop or its marketing year. Marketing quotas and acreage allotments would continue as at present and price support would be at 65 to 90 percent of parity without payments.

Longer staple upland cotton is in short supply. The carryover of cotton stapling 1-1/16 inches and longer will be down to about 1.7 billion bales, by August 1, 1968, compared to a 5-year average of about 4.4 million bales. Is legislation necessary to assure the Nation that farmers will produce enough of the cotton in demand by domestic and foreign mills, in order to meet competition from manmade fibers and foreign-grown cotton? What other changes in existing law should be made?

V. CROPLAND ADJUSTMENT PROGRAM

This program authorizes long term agreements to divert cropland to noncrop uses and promote soil, water, forest, wildlife and recreational resources. Authority to enter into new agreements expires December 31, 1969. No funds were provided for new contracts in 1968, but the budget request funds for new contracts in 1969. Some questions have been raised as to the exent to which age, infimity, and other factors creating special needs should be taken into account in administration of the program, and whether the special payments now made for permitting public access for hunting, trapping, fishing, and hiking should be extended to noncrop lands, including noncrop lands in connection with Greenspan projects. Should this program be continued?

VI. PEANUTS

The exemption of peanuts for boiling from marketing quotas expires with the 1969 crop. Legislation providing for the transfer of peanut acreage allotments (P.L. 90–211) also expires with the 1969 crop.

VII. TOBACCO

The authority provided by section 316 of the Agricultural Adjustment Act of 1938 for the leasing of tobacco acreage allotments expires with the 1969 crop. What additional legislation is necessary?

VIII. FARM BARGAINING POWER

In the State of the Union Message the President stated that he would recommend "programs to help farmers bargain more effectively for fair prices."

The future potential of the bargaining power concept has wide ramifications both with respect to geographic areas and commodities to which it might be applied and the considerable range of marketing practices that might be modified as a result of stronger bargaining efforts.

Because of the potential scope and importane of the bargaining concept, it is important to review thoroughly its possible accomplishments and limitations and its relation to other changes we are witnessing in agricultural production and marketing.

One important question to be considered in an overall assessment is whether or not changes in our agricultural marketing system are creating a wider role for bargaining.

A second question concerns the range of commodities for which stronger bargaining should be sought.

Third, the question of producer support and enthusiasm for self-discipline called for by successful bargaining techniques must be thoroughly examined before determining how much of the broad effort to secure income gains for agriculture is to be based on stronger bargaining authority.

Fourth, the operating feasibility of stronger bargaining program must be carefully though through. Can, for example, bargaining be conducted successfully on a national basis or will the diversity of conditions from region to region mean a narrower scope whether commodity wise or geographically?

IX. EXPORTS

Is subsidized production in foreign countries threatening U.S. export markets? Overall, the export outlook in the years ahead raises problems. For cotton, exports are influenced by production in foreign countries, and other countries have been increasing production and exports as we endeavor to maintain a balance between supply and requirements. Fats and oils present problems. Soybean oil exports have not continued to expand and cottonseed oil exports are off sharply. For grains the foreign market is very competitive. With world wheat production at a near record level various countries are looking hard for places to sell wheat. To date we have held our share of the world wheat market; but, in the case of feed grain, exports of other countries reached record levels last year while ours were down significantly. What must we do to regain, maintain, or increase our share of world markets?

The CHAIRMAN. Now, it is my hope that you folks who testify here today will not be timid in giving us your reactions to the program that we enacted here in 1965, which expires next year, and how best to amend this program or change it so as to give to the farmers greater benefits.

It is my hope that we can work out a program that will be not too costly to the Government.

I said sometime ago after its enactment in 1965, that the cost to the taxpayers would be probably lessened a good deal, but that has not been the case. As we will be able to indicate later on during the hearings, the cost of this program last year alone was over $4 billion.

Now, that may not be a big sum, but it was my hope and my belief that farmers would in time be able to obtain better prices in the marketplace if production was in line with our requirements, both domestically and abroad.

Now, we have quite a few witneses to be heard today, and the first is Mr. Tony T. Dechant, president, National Farmers Union, who is accompanied by Mr. Edwin H. Christianson, vice president, National Farmers Union, and president, Minnesota Farmers Union.

So, gentlemen, you may proceed in any manner you desire.

STATEMENT OF TONY T. DECHANT, PRESIDENT, NATIONAL FARMERS UNION

Mr. DECHANT. Fine. Mr. Chairman and members of the committee, I want first of all to assure you that we think this committee is indeed important, Mr. Chairman. And, personally——

The CHAIRMAN. I didn't say it wasn't important. I said it was not glamorous.

Mr. DECHANT. I understand. There is also some question about how glamorous agriculture is these days, but we think it, too, is tremendously important.

I want personally and on behalf of my associates who are here with me today to commend you, Mr. Chairman, for your letter of February 16, inviting the Farmers Union to appear before your committee. Your letter very excellently set forth the purpose of this hearing. It has been most constructive in guiding us in the preparation of testimony which I will present with the help of the members of the board of directors of Farmers Union who accompany me.

We note with much encouragement the action of the committee to extent the food-for-freedom program for 3 years. We commend your efforts.

Farmers Union completed one of its most successful conventions 2 weeks today. These hearings could not have been dated better from our point of view because the recommendations we shall make all have the recent endorsement of delegates in attendance at our convention.

GENERAL

Extend the Food and Agriculture Act of 1965

We urge the committee to act upon the recommendations of President Johnson to extend the Food and Agriculture Act of 1965 on a permanent basis. We will make recommendations today for improvements in the commodity and other programs it establishes. In the use of the word "permanent" we do not mean to imply that we favor extension of the provisions of the act without periodic review of the Congress with needed improvements being made.

Extension of the 1965 Food and Agriculture Act will not solve all the problems of agriculture. Conversely, failure to extend the wheat, feed grains, cotton, and dairy programs the act provides would result in a loss in net farm income of up to $5 billion—reversing the progress since the beginning of the past decade when net farm income fluctuated around $11 billion.

With the recommendations that my associates will make to the committee, we believe the Food and Agriculture Act will better serve farm families and will be a step toward correcting the inequities between agriculture and other sectors of our economy cited by President Johnson in his farm message.

FARM BARGAINING

Enact National Agricultural Bargaining Act

Before the committee is one of the most important pieces of farm legislation to be introduced in Congress since the Agricultural Act of 1938. I have reference to the National Agricultural Bargaining Act

(S. 2973) introduced by a member of this committee, Senator Walter F. Mondale. The bill is cosponsored by 19 Senators.

It has been introduced in the House of Representatives by Congressman Arnold Olsen of Montana.

This bill opens the way for farmers to win strong bargaining power in the marketplace as an addition and supplement to existing farm programs. Existing farm programs provide a foundation for farmer bargaining action which the Mondale bill makes possible.

Let me make it crystal clear, however, that we do not look upon the National Agricultural Bargaining Act as a replacement or substitute for the commodity programs authorized in the Food and Agriculture Act. Rather, we look upon it as providing a supplementary procedure in a similar manner to that additional bargaining power extended workers when the Wagner Act was passed to supplement other labor legislation. We call attention briefly to essential features of the bill, as follows:

(1) It would let producers decide when prices are too low and when bargaining action is needed;

(2) It would let producers decide through commoditywide referendum whether they want a bargaining committee for a particular commodity;

(3) It would let producers decide in a referendum who will represent them on bargaining committees; and

(4) It would provide expanded authority for producers to strengthen prices under the provisions of the Agricultural Marketing Agreements Act of 1937.

Recognition is also given in the bill to the need for supply-control as an essential element in farmer bargaining.

There can be no effective bargaining for farm prices without consistent and binding supply control. There is no point in negotiating price if you can't make it stick.

There is no longer any question that farm families want more bargaining power. There is no question that farm families do not today have the power to bargain effectively for fair and reasonable returns for their production.

We should like to urge members of the committee to carefully consider in more detail than I have provided the provisions of the National Agricultural Bargaining Act. We urge the committee to approve the bill. We see considerable merit in its inclusion in whatever package of farm commodity and other legislation may be approved by the committee this year.

(S. 2973 and the attachments are as follows:)

[S. 2973, 90th Cong., second sess.]

A BILL To provide for the orderly marketing of agricultural commodities by the producers thereof and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "National Agricultural Bargaining Act".

TITLE I

POLICY AND FINDINGS

SEC. 101. The Congress finds that production and marketing of agricultural commodities constitutes a fundamentally basic and essential industry of the United States, involving the supply of the Nation's food, feed, and fiber which must be

available in adequate volume without impairing or wasting the soil resources of the country.

The bulk of agricultural commodities are produced for commercial purposes and are marketed either in the current of interstate and foreign commerce or in a manner which directly burdens, obstructs or affects such commerce and the marketing of that part of such commodity as enters directly into the current of interstate and foreign commerce cannot be effectively regulated without also extending the regulations, in the manner provided in this Act, to that part which is marketed within the State of production.

Farmers, ranchers, and other producers of agricultural commodities are located and operate throughout the United States, produce the same or similar or competitive crops in many States, carry on their farming operations with the use of borrowed funds and on leased land as well as their own land, and their operations are subject to uncontrollable and unforeseeable natural causes which often adversely affect the supply and directly affect consumer and national welfare.

Agricultural producers do not now enjoy the opportunity, comparable to that of industrial workers and those in many other forms of enterprise or employment, to organize and bargain effectively for a just and reasonable return or compensation for the commodities they offer for sale in domestic and foreign commerce. Neither is adequate government protection or assistance available to the vast majority of them in their effort to market their agricultural commodities in an orderly manner at reasonable prices. The producers of agricultural commodities are one of the very few economic groups, if not the only economic group, which must sell in markets largely controlled by the buyers, brokers, commission agents, and other representatives of buyers. As a result, producers of agricultural commodities are unable to effectively prevent or avoid the wasting of natural resources, the disorderly marketing of their commodities, congestion in transportation, storage and processing and other burdens on interstate and foreign commerce.

Disorderly marketing of abnormally excessive supplies of agricultural commodities unduly depresses the prices received by the producers, burdens and obstructs interstate and foreign commerce, causes wide and injurious disparity between the prices received by producers of such commodities and the cost to such producers of the materials and supplies required to produce such agricultural commodities, thus depressing the net return received by such producers and threatens the maintenance of a continuous and stable supply of agricultural commodities to meet the requirement of the Nation and the consumers of said commodities.

NATIONAL AGRICULTURAL RELATIONS BOARD

SEC. 102. (1) There is hereby created a board, to be known as the National Agricultural Relations Board (hereinafter referred to as the "Board"), which shall be composed of five members, who shall be appointed by the President, by and with the advice and consent of the Senate. One of the original members shall be appointed for a term of one year, two for a term of three years, and two for a term of five years, but their successors shall be appointed for terms of five years each, except that any individual chosen to fill a vacancy shall be appointed only for the unexpired term of the member whom he shall succeed. The President shall designate one member to serve as Chairman of the Board. Any member of the Board may be removed by the President, upon notice and hearing, for neglect of duty or malfeasance in office, but for no other cause.

(2) The Board is authorized to delegate to any group of three or more members any or all of the powers which it may itself exercise. A vacancy in the Board shall not impair the right of the remaining members to exercise all of the powers of the Board, and three members of the Board shall, at all times, constitute a quorum of the Board, except that two members shall constitute a quorum of any group designated pursuant to the first sentence hereof. The Board shall have an official seal which shall be judicially noticed.

(3) The Board shall at the close of each fiscal year make a report in writing to Congress and to the President stating in detail the business it has conducted over the preceding year, the names, salaries, and duties of all employees and officers in the employ or under the supervision of the Board, and an account of all moneys it has disbursed.

(4) Each member of the Board shall be eligible for reappointment, and shall not engage in any other business, vocation, or employment. The Board shall ap-

point an executive secretary, and such other employees as it may from time to time find necessary for the proper performance of its duties.

(5) All of the expenses of the Board, including all necessary traveling and subsistence expenses outside the District of Columbia incurred by the members or employees of the Board under its orders, shall be allowed and paid on the presentation of itemized vouchers therefor approved by the Board or by any individual it designates for that purpose.

(6) The Board shall have authority from time to time to make, amend, and rescind, in the manner prescribed by the Administrative Procedure Act, such rules and regulations as may be necessary to carry out the provisions of title I of this Act.

(7) The Board is authorized to use the services of the employees of the Department of Agriculture and of the committees established under section 8(b) of the Soil Conservation and Domestic Allotment Act, as amended, in the performance of all of its duties and responsibilities provided for herein.

MARKETING COMMITTEES

SEC. 103. (a) In order to effectuate the policy of this title, whenever a representative group of producers of any agricultural commodity or relative group of commodities or any market classification or product thereof the initial sale of which is customarily made by the producer or his cooperative or other marketing representative, shall file with the Board a written petition stating that the average market price received by the producers of said agricultural commodity or commodities is below a fair and reasonable price to the producers thereof or that the price to the producer of said agricultural commodity or commodities may reasonably be expected to be below a fair and reasonable price to the producer thereof during the next marketing season or seasons and shall define the area within which said agricultural commodity or commodities is commercially produced or, if said agricultural commodity is produced in a lesser area than the entire United States, shall define the boundaries of the lesser area by States or political subdivision of States; or, if the Board finds and determines that the average market price received by the producers of any agricultural commodity is below a fair and reasonable price to the producers thereof or that the price to the producers of such agricultural commodity or commodities during a future marketing season may reasonably be expected to be below a fair and reasonable price to the producers thereof, taking into account: (1) the direct cost of production, including hired labor; (2) the reasonable value of the time, skill, and experience of the individual producing such commodity or commodities; (3) a fair return upon essential invested capital; (4) continuation of the American family farm pattern of agricultural production; and (5) other appropriate factors, including compensation comparable with that of other persons engaged in other means of earning a livelihood for themselves and their families, the Board shall announce the receipt of said petition or its findings and determination and promptly thereafter shall initiate and conduct a referendum among producers of such agricultural commodity to determine whether or not said producers favor the establishment of a representative marketing committee of the producers of said commodity to be chosen by such producers for the purpose of negotiating with purchasers of the commodity to determine a fair minimum price or nonprice terms for the sale and purchase of said commodity. If the Board determines that such agricultural commodity is commercially produced in a lesser area than the entire United States it shall so state in its announcement and define the boundaries of the lesser area by States or political subdivisions of States. Commodities of the same general class or which are used wholly or in part for the same purpose may be treated as a separate commodity for the purposes of this title.

(b) All phases of said referendum, including preparation and distribution of ballots, establishment of voting places and procedures defining the further qualification of producers eligible to vote, the tallying of the vote upon the issue of whether or not a marketing committee shall be created and authorized and the number of the initial members of the marketing committee for said commodity as hereinafter provided shall be prepared and conducted by the Board.

(c) Said referendum ballot shall contain the names of at least twice as many persons as the membership of the proposed initial marketing committee, to be selected by the Board from recommendations submitted to it by the Agricultural Stabilization and Conservation County Committees established by section 8(b) of the Soil Conservation and Domestic Allotments Act, as amended. The membership of the marketing committee shall be elected at large or the whole

area may be divided into divisions or subareas and the number of members to be selected from each division or subarea to be elected by the eligible producers resident in such division or subarea shall be fixed by the Board. No person shall be eligible to vote for or serve on any marketing committee unless more than 60 per centum of his annual gross income received from production during each of the preceding three calendar years has been derived from farming or ranching as owner-operator or lessee-operator and the commodity named in the Board's announcement constitutes a significant portion of the total farming or ranching operations of said proposed marketing committee member.

(d) If a majority of producers eligible to vote and voting in said referendum shall approve the establishment of such a marketing committee, the Board shall so publicly announce and shall promptly notify the persons elected as the initial members of said marketing committee that a meeting of said committee will be convened at a time and place, either in Washington, District of Columbia, or elsewhere for the purpose of organizing and planning the work of the committee.

(e) Concurrently with its announcement of the creation of a marketing committee as provided for in this title, the Board shall give notice to prospective purchasers of such commodity and request such prospective purchasers to select a purchasers committee for the purpose of participating in negotiating a minimum price at which said commodity shall be offered for sale and sold by the producers thereof and negotiating nonprice terms of such sales.

(f) If prospective purchasers do not select a committee which is fairly representative of all prospective purchasers of the commodity within thirty days after date said invitation was issued by the Board, or within such additional period as the Board may fix, the Board is authorized to select a committee which it determines is fairly representative of all commercial purchasers of said commodity. The Board is authorized to fix the time and place of a meeting or meetings of the marketing committee and the purchasers committee for the purpose of negotiating a minimum price at which such commodity is to be offered for sale and sold by producers and on nonprice terms of such sales. The marketing committee and the purchasers committee shall bargain in good faith during such meeting or meetings. The marketing committee shall also invite the Chairman of the President's Advisory Council on Consumer Problems to designate one or more persons to represent the interest of consumers in said meeting and to present such data and information, recommendations and suggestions on behalf of consumers as said consumer representatives deem desirable.

(g) The Board and the Secretary of Agriculture are authorized and directed to make available to the marketing and purchaser committees such information, statistics, and assistance as are reasonably available to them and will assist in determining the facts relating to the production and marketing of said agricultural commodity and a fair and reasonable minimum price. But no employee of the Board or of the Department of Agriculture shall participate in any meetings of such committees except that the Board or its delegate may act as an arbitrator in any bargaining negotiations between the marketing and purchaser committees if invited by a majority vote of the membership of both committes and both committees accept the terms and conditions prescribed by the Board concerning the scope and nature of its participation in such negotiations.

(h) If less than a majority of the producers eligible to vote and voting in the referendum favor the establishment of a marketing committee, the Board shall make public announcement of that fact and shall not take any further action to establish a marketing committee for that commodity during the current marketing year or season. The Board shall, however, be authorized to submit a referendum to the producers within the same area applicable to a subsequent marketing year or season, except that if a majority of said producers voting fail to vote in favor of a marketing commmittee in three successive referendums, the Board shall take no further action to establish a marketing committee for said commodity produced within said area unless at least 20 per centum of the producers of said agricultural commodity in such area shall sign and submit to the Board a petition requesting another referendum.

(i) Each marketing committee constituted pursuant to this title shall be authorized and empowered—

(1) to establish the minimum price by size, grade, quality or other type of condition, and other nonprice terms of sale, and the date upon which said price and terms shall become effective, for the agricultural commodity described in and produced within the area defined in the Boards' announce-

ment, in accord with agreements reached after negotiations with representatives of prospective purchasers of such commodity as provided in this title; or, if said representatives of the prospective purchasers of the product fail or refuse to negotiate, or, if after a reasonable period of negotiations in good faith as determined by the Board, the parties fail to agree upon a minimum price, then the Board shall promptly offer and provide such conciliation and mediation services to the marketing committee and purchasers committee as may be useful and helpful in bringing them to agreement. If such agreement is not thereupon reached within thirty days, the issues under dispute shall be submitted to a joint settlement committee to be selected as follows: One member to be chosen by the marketing committee, and one member by the purchasers committee, and the third member to be chosen within five days by the first two. If the first two members cannot agree upon such third member within such period, the latter shall be a neutral appointed by the Board. The Board may apply to the appropriate Federal district court to compel action unlawfully withheld or unreasonably delayed under this section. The joint settlement committee shall proceed to resolve such issues, allowing the marketing committee and purchasers committee reasonable opportunity to present pertinent information and argument, through submission of written data, views, or arguments, with or without opportunity to present the same orally in any manner. The decision of the joint settlement committee on the issues in dispute shall be judicially reviewable in the appropriate Federal district court to the extent provided hereafter. The reviewing court shall hold unlawful and set aside decisions found to be (1) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with this Act; (2) affected with bias or prejudice on the part of the neutral member of the joint settlement committee; (3) in excess of jurisdiction or authority granted under this Act; or (4) without observance of procedures required herein;

(2) to announce said minimum price and the effective date thereof of the commodity by any one or more of the usual and available media of publication and communication;

(3) to establish reasonable rules for the operation of the committee, including the rules and procedures for the election of their successors and to fill vacancies on the committee;

(4) to establish terms of service on the committee;

(5) to request the Board to submit referendums to producers from time to time for the committee's guidance;

(6) after the second year or season of its operations, to recommend to the Board a reasonable assessment on the producers of the commodity, by unit or by value, for the cost of carrying on the activities of the committee, to be assessed and collected by the Board through the committees established by section 8(b) of the Soil Conservation and Domestic Allotment Act, as amended;

(7) to recommend to the Board that injunctive or related actions be instituted to prevent any buyers from purchasing or any producers from selling the commodity at less than the minimum price established under this section or in violation of other, nonprice terms of sale so established; and

(8) to establish additional penalties for violation of section 103(k) by producers after approval in a referendum by a majority of producers eligible to vote and voting.

(j) All marketing committees created pursuant to this title shall cease to have any authority and shall be dissolved by the Board after three years from the date of its first meeting if, during the third year of said three-year period, at least a majority of the producers then eligible to vote and voting fail to vote in favor of the continuation of the markeing committee in a referendum conducted by the Board.

(k) In order to effectuate the purposes of this title, no producer shall offer to sell or sell and no buyer shall offer to purchase or purchase from a producer said commodity at a price lower than the minimum price agreed upon and fixed by the marketing and purchasers committees or, in the absence of an agreement by said committees, at the price established by the joint settlement committee under this section. Compliance by a producer with the minimum prices established by a marketing committee under this title for a commodity shall be established by

the Secretary as a condition of eligibility for price support, loans, purchases and other similar payments authorized under any other Act.

SEC. 104. All producers of a commodity covered by the provisions of tihs title for which a marketing committee has been elected shall keep such records and furnish such reports with respect to production, storage, marketing and other relevant matters as the marketing committee may require; and all persons purchasing or acquiring possession of any such commodity shall supply such information concerning such commodity as the marketing committee finds to be necessary to enable it to carry out the provisions of this title. Any such person failing to make any report or keep any record as required by this subsection or making any false report or record shall be deemed guilty of a misdemeanor and upon conviction thereof shall be subject to a fine of not more than $500.

SEC. 105. Notwithstanding the foregoing provisions of this title the Board may, with the approval of the marketing committee, if it deems such action will not substantially interfere with the achievement of the purposes of this title or the effective operation of the marketing committee, determine for any agricultural commodity a uniform amount of production (in terms of acreage, production units or commodity units) per form which may be marketed in specified markets free of restriction for all uses or limited uses.

SEC. 106. Injunctive proceedings or other penalties provided for by this title shall be brought by the Board in the name of the United States. The several district courts of the United States are vested with jurisdiction of such suits, and it shall be the duty of the United States attorneys in their respective districts, at the request of the Board and under the direction of the Attorney General, to prosecute such proceedings. The remedies and penalties provided for herein shall be in addition to and not exclusive of any of the remedies or penalties under existing law.

SEC. 107. To effectuate the purposes of this title, the Board is directed and authorized to pay the costs of conducting any referendum requird to be submitted to producers, including the cost of publishing notice in newspapers, radio, and television announcements, posting notices throughout the area, giving notices to prospective purchasers of the commodity, pay the costs of operation of the marketing and purchasers committees including a meeting room, temporary clerical and stenographic assistance, necessary transportation, meals and housing costs of members while traveling to and attending such meeting or any adjournment or continuation thereof.

SEC. 108. The decision of the Board with respect to the boundaries of the area and the commodity to be affected by his announcement and the results of the referendum conducted pursuant thereto shall be final.

SEC. 109. There is authorized to be appropriated to the Board such sums as Congress may from time to time determine to be necessary to enable it to carry out the purposes of this title I including the reasonable and necessary expenses and per diem of any marketing committee elected by the producers of a commodity. Obligations may be incurred in advance of appropriations therefor and the Commodity Credit Corporation is authorized to advance from its capital fund such sums as may be necessary to implement this title during any current fiscal year.

SEC. 110. No bargaining or negotiating activities by a marketing committee pursuant to this title and no price agreement reached as a result of such negotiations and bargaining shall be deemed to be in violation of any of the antitrust laws of the United States.

SEC. 111. Whenever a marketing committee shall have established a minimum price for any commodity and thereafter shall also determine that the total supply of said commodity produced within the defined area will so substantially exceed the ffective demand for said commodity during the market year as to nullify or defeat the purposes of this title, said marketing committee, in consultation with the Board and the Secretary of Agriculture, shall develop a plan or program of marketing allotments, with or without acreage or production limitations, and shall request the Board to submit said plan or program by referendum to the producers of said commodity within said defined area for the approval or rejection of said producers. If a majority of producers eligible to vote and voting in said referendum approve said plan or program, the Board shall instruct the Secretary of Agriculture to proceed immediately to put said plan or program into effect.

SEC. 112. The Secretary of Agriculture is hereby authorized to establish all reasonable rules and regulations necessary to effectuate such plan and program, including the fixing of reasonable penalties for the violation of said rules

and regulations. The Secretary is further authorized to use any existing authorities available to him for the purpose of putting said plan or program into effect and, in the event he determines that he is without sufficient authority to effectuate any part of said plan or program, the Secretary is directed to suggest enabling legislation before the Congress of the United States.

SEC. 113. For the purposes of this title, the following definitions shall apply:

(1) "Secretary" shall mean the Secretary of Agriculture.

(2) "Commodity" shall mean any agricultural commodity or any regional or market classification, or product thereof, the initial sale of which is customarily made by the producer, or his cooperative, or other marketing representative, and shall further include a combination of agricultural commodities of the same general class which are used wholly or in part for the same purpose. The plural shall be included whenever the context so requires.

(3) "Total supply" of any agricultural commodity for any marketing year shall be the carryover at the beginning of such marketing year, plus the estimated production of the commodity in the United States during the calendar year in which such marketing year begins and the estimated imports of the commodity into the United States during such marketing year.

(4) "Marketing year" for an agricultural commodity shall be any period determined by the Board during which substantially all of a crop or production of such commodity is normally marketed by the producers.

SEC. 114. If any provision of this title, or any section thereof, is declared unconstitutional or the applicability thereof to any person, circumstance, commodity, or product is held invalid, the validity of the remainder of this title and the applicability therof to other persons, circumstances, commodities or products, shall not be affected thereby.

TITLE II—MARKETING ORDERS

SEC. 201. The Agricultural Adjustment Act of 1933, as amended, and as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is further amended as follows:

(1) Section 8c(2) is amended by inserting after the third sentence ending with the words "Southwest production area." the following: "Notwithstanding any of the commodity, product, area, or approval exceptions or limitations in the foregoing sentences hereof, any agricultural commodity or product (except canned or frozen products) thereof, or any regional or market classification thereof, shall be eligible for an order, exempt from any special approval required by the preceding sentences hereof, if after referendum of the affected producers of such commodity the Secretary finds that a majority of such producers voting in such referendum favor making such commodity or product thereof, or the regional market classification thereof specified in the referendum, eligible for an order: *Provided, however*, That such referendum shall not be required for any commodity or product for which an order otherwise is authorized under the preceding sentences of this subsection (2) and for which no special approval or area limitation is specified therein."

(2) Section 2(3) is amended by inserting "such minimum prices and other terms and conditions for the acquisition of commodities by handlers as are provided for in section 8c(6)(J)," immediately after "establish and maintain".

(3) Section 8c(5)(A) is amended by inserting "by collective bargaining in good faith (including provisions for the designation, by election of committees of producer representatives to bargain with handlers, or groups of handlers), or otherwise," after the phrase "method for fixing."

(4) Sections 8(c)(6) (A), (B), (C), (D), and (E) are amended by inserting ", species or other classification" after the words "grade, size, or quality" wherever the latter words appear.

(5) Section 8c(6), as amended, is further amended by adding the following at the end thereof:

"(J) Providing a method for establishing by collective bargaining in good faith between producers and handlers (including provision for the designation by election of committees of producer representatives to bargain with handlers or groups of handlers), the minimum price or prices and other minimum terms and conditions under which any such commodity or product, or any grade, size, quality, variety, species, container, pack, use, disposition, or volume thereof may be acquired by handlers from producers or associations of producers: *Provided*, That no such minimum price or prices or other terms and conditions shall become

effective unless agreed to by handlers who during the preceding marketing year acquired from producers at least 50 per centum of the commodity sold by producers which was produced in the production area subject to the order and unless thereafter approved by the Secretary of Agriculture: *Provided further*, That if the Secretary of Agriculture finds that the parity price of any such commodity, other than milk or its products, for which such minimum prices or other terms or conditions are to be established is not adequate in view of production costs, prices to consumers, and other economic conditions which affect market supply and demand for such commodity subject to such order (including any marketing limitation of the commodity otherwise provided by such order), the Secretary of Agriculture shall determine a price or prices for such commodity at such levels as he finds will insure a sufficient market supply of the commodity, reflect such factors, and be in the public interest, and such price or prices shall be used in lieu of the parity price for the purpose of section 2 of this title: *Provided further*, That the agency designated to administer provisions authorized under this subsection shall be a committee primarily composed of producers of the commodity: *And provided further*, That an order containing provisions authorized under this subsection shall also contain provisions authorized under section 8c(6)(K) or section 8c(7)(E), or both, if the Secretary of Agriculture finds that such combination of provisions is necessary to provide an equitable distribution of market opportunity and returns among producers.

"(K) With respect to orders providing for minimum prices on a classified use basis (i) providing for the payment to all producers or associations of producers of uniform minimum prices for the commodity or product marketed by them (within their allotments, if any), irrespective of the use or disposition thereof, subject, however, to adjustments specified by the order, including but not limited to adjustments for place of production or delivery, grade, condition, size, weight, quality, or maturity, or any other adjustments found to be appropriate to provide equity among producers, and (ii) providing a method for making adjustments in payments as among handlers (including producers who are also handlers), to the end that the total sums paid by each handler shall equal the value of the commodity or product purchased or acquired by him at the classified use minimum prices fixed pursuant to such order."

(6) Section 8c(7), as amended, is further amended by adding the following at the end thereof:

"(E) Notwithstanding any other provisions of this title—

"(1) allotting, or providing methods for allotting, the quantity of such commodity or product or any grade, size, or quality thereof, which each producer may be permitted to market or dispose of in any or all markets or use classifications during any specified period or periods on the basis of (i) the amount produced or marketed by such producer or produced on or marketed from the farm on which he is a producer in such prior period as the Secretary of Agriculture determines to the representative, subject to such adjustment for abnormal conditions and other factors affecting production or marketing as the Secretary may determine, or (ii) the current quantities available for marketing by such producer, or (iii) any combination of (i) or (ii), to the end that the total allotment during any specified period or periods shall be apportioned equitably among producers. Allotments hereunder may be in terms of quantities or production from given acres or other production units. If the Secretary determines that such action will facilitate the administration of a marketing order hereunder and will not substantially impair the effective operation thereof he may fix, or provide a method for fixing, a minimum allotment applicable to producers and producers whose production does not exceed such minimum shall not be subject to the regulatory provisions of the order except as prescribed therein;

"(2) any producer for whom an allotment is established or refused under the authority of this subsection may obtain a review of the lawfulness of his allotment as prescribed by the order of the Secretary establishing the allotment and rules and regulations thereunder, which shall constitute the exclusive procedure for review thereof and section 8c(15)(A) of this title shall not apply thereto. Under such order, rules or regulations any officers or employees of the Department or any committees or boards created or designated by the Secretary of Agriculture may be vested with authority to perform any or all functions in connection with such review proceedings including ruling thereon. Committees or boards created or designated for this purpose shall be deemed agencies of the Secretary within the meaning of

subsection 8c(7)(C) and section 10 of this title. The ruling upon such review shall be final if in accordance with law. The producer may obtain a judicial review of such ruling in accordance with the provisions of section 8c(15)(B) of this title:

"(3) when allotments for producers are established under this subsection the order may contain provisions allotting or providing a method for allotting the quantity which any handler may handle so that any and all handlers will be limited as to any producer to the allotment established for such producer, and such allotment shall constitute an allotment fixed for each handler within the meaning of section 8a(5) of this title."

(7) Amend section 8c by adding at the end thereof a new paragraph (20) as follows:

"(20) PRODUCER ADVISORY COMMITTEES.—The Secretary of Agriculture may establish a producer advisory committee with respect to any commodity, or group of commodities, for which a marketing order is potentially authorized. Such committee shall be composed of producers of the commodity or commodities for which the committee is established. Such committees may be called on by the Secretary of Agriculture to provide advice and counsel with respect to the initiation of proceedings for the promulgation of a marketing agreement or marketing order for such commodity or commodities and may also formulate specific proposals for purposes of a public hearing concerning such a proposed marketing agreement or marketing order. The establishment of such a committee shall not, however, be deemed necessary to the initiation of any such proceeding to promulgate a marketing agreement or marketing order."

(8) Amend section 10(b)(2) by adding at the end thereof a new subparagraph (iv) as follows:

"(iv) If the order contains provisions authorized by section 8c(6)(J) or section 8c(7)(E) it shall provide that the assessments payable by handlers under subsections (i) or (ii) shall initially be payable pro rata by the producers of the commodity to such handlers thereof, who shall be responsible for the collection thereof from producers and payment to the authority or agency established under such order."

SEC. 202. Nothing in this title shall supersede the provisions of other statutes relating to marketing quotas, acreage allotments or limitations, or price support, with respect to agricultural commodities and no action taken or provisions in an order issued under this title shall be inconsistent with the provisions of such other statutes or actions taken by the Secretary of Agriculture under such other statutes.

TITLE III—AGRICULTURAL FAIR PRACTICES

DEFINITIONS

SEC. 301. When used in this title—

(a) The term "handler" means any person engaged in the business or practice of (1) acquiring agricultural products from producers or associations of producers for processing or sale; (2) grading, packaging, handling, storing, or processing agricultural products received from producers or associations of producers; (3) contracting or negotiating contracts or other arrangements, written or oral, with or for producers or associations of producers with respect to the production or marketing of any agricultural product; or (4) acting as an agent or broker for a handler in the performance of any function or act specified in clause (1), (2), or (3) of this paragraph.

(b) The term "producer" means a person engaged in the production of agricultural products as a farmer, planter, rancher, dairyman, fruit, vegetable, or nut grower.

(c) The term "association of producers" means any association of producers of agricultural products engaged in marketing, bargaining, shipping, or processing as defined in section 15(a) of the Agricultural Marketing Act of 1929, as amended (49 Stat. 317; 12 U.S.C. 1141j(a)), or in section 1 of the Act entitled "An Act to authorize association of producers of agricultural products," approved February 18, 1922 (42 Stat. 388; 7 U.S.C. 291).

(d) The term "person" includes individuals, partnerships, corporations, and associations.

PROHIBITED PRACTICES

SEC. 302. It shall be unlawful for any handler knowingly to engage or permit any employee or agent to engage in the following practices—

(a) to coerce any producer in the exercise of his right to join and belong to an association of producers, or to refuse to deal with any producer because of the exercise of his right to join and belong to such an association;

(b) to discriminate against any producer with respect to price, quantity, quality, or other terms of purchase, acquisition, or other handling of agricultural products because of his membership in or contract with an association of producers;

(c) to coerce or intimidate any producer or other person to enter into, maintain, breach, cancel, or terminate a membership agreement or marketing contract with an association of producers;

(d) to pay or loan money, give any thing of value, or offer any other inducement or reward to a producer for refusing to or ceasing to belong to an association of producers;

(e) to make false reports about the finances, management, or activities of associations of producers or interfere by any unfair or deceptive act or practice with the efforts of such associations in carrying out the legitimate objects thereof; or

(f) to conspire, combine, agree, or arrange with any other person to do, or aid or abet the doing of, any act made unlawful by this title.

ENFORCEMENT

SEC. 303. (a) Whatever the Secretary of Agriculture has reason to believe that any handler has violated or is violating any provision of this title, he shall cause a complaint in writing to be served upon the handler, stating his charges in that respect, and requiring the handler to attend and testify at a hearing at a time and place designated therein, at least thirty days after the service of such complaint; and at such time and place there shall be afforded the handler a reasonable opportunity to be informed as to the evidence introduced against him (including the right of cross-examination), and to be heard in person or by counsel and through witnesses, under such regulations as the Secretary may prescribe. Any person for good cause shown may, on application, be allowed by the Secretary to intervene in such proceeding, and appeal in person or by counsel. At any time prior to the close of the hearing the Secretary may amend the complaint; but in case of any amendment adding new charges the hearing shall, on the request of the handler, be adjourned for a period not exceeding fifteen days.

(b) If, after such hearing, the Secretary finds that the handler has violated or is violating any provisions of this title covered by the charges, he shall make a report in writing in which he shall state his findings as to the facts, and shall issue and cause to be served on the handler an order requiring such handler to cease and desist from continuing such violation. The testimony taken at the hearing shall be reduced to writing and filed in the records of the the Department of Agriculture.

(c) Until the record in such hearing has been filed in a court of appeals of the United States, as provided in section 305, the Secretary at any time, upon such notice and in such manner as he deems proper, but only after reasonable opportunity to the handler to be heard, may amend or set aside the report or order, in whole or in part.

(d) Complaints, orders, and other processes of the Secretary under this section may be served in the same manner as provided in section 5 of the Act entitled "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes", approved September 26, 1914 (38 Stat. 719, as amended; 15 U.S.C. 45).

SEC. 304. The Secretary of Agriculture shall have power, upon issuance of a complaint as provided for in section 303 of this title charging that any person has engaged in or is engaging in a practice in violation of this title, to petition the United States district court within any district wherein the practice in question is alleged to have occurred or wherein such person resides or transacts business, for appropriate temporary relief or restraining order. Upon the filing of any such petition, the court shall cause notice thereof to be served upon such person, and thereupon shall have jurisdiction to grant to the Secretary such temporary relief or restraining order as it deems just and proper.

SEC. 305. (a) An order made under section 303 shall be final and conclusive unless within thirty days after the service the handler appeals to the court of appeals for the circuit in which he has his principal place of business, by filing with the clerk of such court a written petition praying that the Secretary's order be set aside or modified in the manner stated in the petition, together with a

bond in such sum as the court may determine, conditioned that such handler will pay the costs of the proceedings if the court so directs.

(b) The clerk of the court shall immediately cause a copy of the petition to be delivered to the Secretary, and the Secretary shall thereupon file in the court the record of such proceedings, as provided in section 212 of title 28, United States Code. If before such record is filed the Secretary amends or sets aside his report or order, in whole or in part, the petitioner may amend the petition within such time as the court may determine, on notice to the Secretary.

(c) At any time after such petition is filed, the court, on application of the Secretary, may issue a temporary restraining order and injunctions, restraining, to the extent it deems proper, the handler and his officers, directors, agents, and employees, from violating any of the provisions of the order pending the final determination of the appeal.

(d) The evidence so taken or admitted, and filed as aforesaid as a part of the record, shall be considered by the court as the evidence in the case. The proceedings in such cases in the court of appeals shall be made a preferred cause and shall be expedited in every way.

(e) The court may affirm, modify, or set aside the order of the Secretary.

(f) If the court determines that the just and proper disposition of the case requires the taking of additional evidence, the court shall order the hearing to be reopened for the taking of such evidence, in such manner and upon such terms and conditions as the court may deem proper. The Secretary may modify his findings as to the facts, or make new findings, by reason of the additional evidence so taken, and he shall file such modified or new findings and his recommendations, if any, for the modification or setting aside of his order, with the return of such additional evidence.

(g) If the court of appeals affirms or modifies the order of the Secretary, its decree shall operate as an injunction to restrain the handler, and his officers, directors, agents, and employees from violating the provisions of such order or such order as modified.

(h) The court of appeals shall have jurisdiction, which upon the filing of the record with it shall be exclusive, to review, and to affirm, set aside, or modify, such orders of the Secretary, and the decree of such court shall be final except that it shall be subject to review by the Supreme Court of the United States upon certiorari, as provided in section 1254 of title 28, if such writ is duly applied for within sixty days after entry of the decree. The issue of such writ shall not operate as a stay of the decree of the court of appeals, insofar as such decree operates as an injunction, unless so ordered by the Supreme Court.

SEC. 306. Any handler, or any officer, director, agent, or employee of a handler, who fails to obey any order of the Secretary issued under the provisions of section 303, or such order as modified—

(1) after the expiration of the time allowed for filing a petition in the court of appeals to set aside or modify such order, if no such petition has been filed within such time;

(2) after the expiration of the time allowed for applying for a writ of certiorari, if such order, or such order as modified, has been sustained by the court of appeals and no such writ has been applied for within such time; or

(3) after such order, or such order as modified, has been sustained by the courts as provided in section 305;

shall on conviction be punished by a fine of not less than $500 nor more than $10,000, or imprisonment of not less than six months nor more than five years, or both. Each day during which such failure continues shall be deemed a separate offense.

SEC. 307. Any person injured in his business or property by reason of any violation of, or combination or conspiracy to violate, any order of the Secretary issued under section 303 of this title may sue therefor in the district court of the United States for the district in which defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages sustained, and the cost of the suit, including a reasonable attorney's fee.

SEC. 308. For the efficient administration and enforcement of this title, the provisions (including penalties) of sections 6, 8, 9, and 10 of the Act entitled "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes", approved September 26, 1914 (38 Stat. 721–723, as amended; 15 U.S.C. 46, 48, 49, and 50) (except the last paragraph of section 9), and the

provisions of subsection 409(1) of the Communications Act of 1934 (48 Stat. 1096, as amended; 47 U.S.C. 409(1), are made applicable to the jurisdiction, powers, and duties of the Secretary in administering and enforcing the provisions of this title and to any person, firm, or corporation with respect to whom such authority is exercised.

SEC. 309. The provisions of this title shall not be construed to deprive the proper State courts of jurisdiction in actions for damages.

SEC. 310. Nothing contained in this title shall be construed to supersede, displace, or in any way interfere with the jurisdiction of any Federal court or Federal agency.

SEC. 311. If any provision of this title or the application thereof to any person or circumstances is held invalid, the validity of the remainder of the title and of the application of such provision to other persons and circumstances shall not be affected thereby.

SEC. 312. No court of the United States shall hold any officer, member of any association or organization of producers of agricultural commodities participating or interested in the marketing of agricultural commodities or any such association or organization responsible or liable for the unlawful acts of individual officers, members, or agents except upon clear proof of actual participation in, or actual authorization of such acts, or of ratification of such acts after actual knowledge thereof. No court of the United States shall have jurisdiction to issue a temporary or permanent injunction in any case against such an association or organization relating to activities in connection with actions relating to the marketing of agricultural commodities including disputes with respect to prices or other terms in connection with the acquisition thereof except after hearing the testimony of witnesses in open court (with opportunity for cross-examination) in support of the allegations of a complaint made under oath, and testimony in opposition thereto, if offered, and except after findings of fact by the court to the effect that unlawful acts have been threatened and will be committed unless restrained or have been committed and will be continued unless restrained, but no injunction or temporary restraining order shall be issued on account of any threat or unlawful act against such an officer, organization, or member thereof except one making the threat or committing the unlawful act or actually authorizing or ratifying the same after actual knowledge thereof.

SEC. 313. There is hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this title.

SECTION BY SECTION ANALYSIS OF THE NATIONAL AGRICULTURAL BARGAINING ACT

TITLE I. NATIONAL AGRICULTURAL BARGAINING ACT

Section 101. *Policy and Findings.* Farmers do not have the opportunity to bargain effectively for a fair and reasonable return for their production, because of an inherently weak economic position.

Section 102. *National Agricultural Relations Board.* This independent five-member Board, appointed by the President with Senate confirmation, is established to provide administrative, technical, and supporting assistance to farmer Marketing Committees and Purchasers Committees. It does not represent either farmers or buyers. It would administer farmer referendums and assist the Committees in holding meetings.

Section 102. *Marketing Committees.*

103(a). *Petition and Referendum.* When the Board receives a petition from the producers of a particular agricultural commodity, stating that the average market price is below a fair and reasonable level, it shall proceed to conduct a referendum among producers to determine whether a Marketing Committee should be established and who should be elected to that Committee. The Board may also initiate a referendum upon its independent determination that the market price is below a fair and reasonable price. This procedure may be used for any commodity or commodity group.

103(b). *Referendum.* The Board supervises and administers all phases of the balloting, including voting qualifications in addition to 103(c).

103(c). *Voting and Candidates.* ASC County Committees will furnish names of candidates to the Board, which shall include on the ballot at least twice as many as will be elected. Candidates may be elected at large or from lesser subdivisions. Basic eligibility for voting and membership requires that at least 60% of income must be from farming or ranching, and

the particular commodity must be a "significant portion" of the farming operation.

103(d). *First Meeting.* Upon a majority referendum vote, the Board will convene the first meeting of the Marketing Committee.

103(e). *Notification to Prospective Buyers.* The Board must notify prospective purchasers of the existence of the farmer Marketing Committee, requesting them to select a Purchasers Committee to meet and negotiate price and nonprice terms of sale of the particular commodity involved.

103(f). Board is authorized to fix the time and place of a meeting between the Purchasers Committee and the Marketing Committee. The Marketing Committee must invite consumer representatives to present the viewpoint and information on behalf of consumers at such meetings.

103(g). Statistical and factual data are to be supplied to the respective Committees by the Board and USDA. Provides that the Board may act as an arbitrator if both Committees invite its participation and if both Committees accept the Board's conditions.

103(h). *Failure of Referendum.* Provides procedures for resubmission through referendum on the questions of establishing the Marketing Committee and the membership in following years.

103(i). *Powers of the Marketing Committee.*

Establish minimum price and nonprice terms of sale pursuant to agreements in negotiations.

Where negotiations for whatever reason do not result in a minimum price, the Board is required to mediate the dispute. If this does not lead to agreement within 30 days, the disputed issues are referred to a Joint Settlement Committee composed of a Purchasers representative, a farmers representative, and a neutral selected by each. The Joint Settlement Committee, after reasonable opportunity for the parties to be heard, must decide the questions at issue, and its decision is judicially reviewable.

Other powers dealing with operation of the Marketing Committee, and enforcement of their responsibilities. See also Section 111.

103(j). *Dissolution of Marketing Committees.* Provides for termination of a Marketing Committee unless approved by referendum every three years.

103(k). *Prohibition.* Prohibits the sale or purchase of the commodity below the established price.

Section 104. *Recordkeeping.* Farmers are required to keep certain records to aid in carrying out the Marketing Committee's functions.

Section 105. *Exemption.* The Board may, with the approval of the Marketing Committee, where it will not interfere with the purposes of this Act, allow some farm production in the commodity to be marketed for specific markets outside the limitations of this Act.

Section 106. *Injunctions and District Courts.* Injunctive proceedings provided, through U.S. Attorneys in U.S. District Courts.

Section 107. The Board is required to pay for and conduct all referenda, and cost of operation of the Marketing Committee.

Section 108. The Board's decisions on the boundaries of marketing areas, the scope of the commodity, and the results of the referenda are final.

Section 109. *Appropriation authorization.*

Section 110. *Antitrust exemption.*

Section 111. *Supply Control.* Provides that the Marketing Committee, when necessary to achieve the purposes of the Act, may prepare in consultation with the Board and the Secretary of Agriculture a plan of marketing allotments, with or without acreage or production limitations, for submission to farmers for approval in a referendum. If approved, the Secretary of Agriculture will administer the program.

Section 112. Authorization for the Secretary to implement the plan approved under Section 111.

Section 113. *Definitions.*

Section 114. *Separability.*

TITLE II. MARKETING ORDERS

Section 201. Amends the Agricultural Marketing Agreement Act of 1937, as amended, in eight respects, as follows:

201 (1) Amends Section 8c(2) to make any additional agricultural commodity or product (except canned or frozen products) eligible for a market-

ing order if the Secretary, after a special preliminary referendum of affected producers, finds that a majority of those voting favor making that commodity or product eligible for such an order.

201 (2) and 201 (5) Provide authority to include in marketing orders provisions establishing a method of establishing, by collective bargaining (including provisions for the designation by election of committees of producer representatives to bargain with handlers or groups of handlers), minimum prices and terms and conditions under which handlers may acquire a regulated commodity or product thereof (other than milk and its products) from producers or associations of producers. The minimum prices and other terms prior to becoming effective would have to be agreed to by the handlers of 50 per cent of the commodity and would be subject to approval by the Secretary.

These provisions also specify special pricing standards to be the statutory objective for such price determining purposes if the Secretary finds that parity for a regulated commodity is not adequate. The alternative pricing standard would take into account factors such as production costs, prices to consumers, and other factors affecting supply and demand for the commodity, including any limitations on marketings that may otherwise be included in the marketing order.

In addition, Section 201(5) would authorize the pooling of proceeds of sale of a commodity other than milk when minimum prices are established on a use-classification bases. If the Secretary found that pooling and producer marketing quotas were necessary in conjunction with pricing provisions to provide equitable distribution of returns and market opportunity among producers, he could require the use of such combined authority.

201(3). Authorizes the establishment of minimum pricing for milk through a collective bargaining process.

201(4). Amends Section 8c(6)(A) through (e) by adding "species or other classification" after "grade, size, or quality" to make this regulation available by such categories with respect to livestock and other commodities.

201(6). Adds a section 8c(7)(E) to:

(1) authorize the Secretary to issue producer allotment bases for any commodity including milk on the basis of (i) the amount produced or marketed by such producer or from the farm on which he is a producer in a representative prior period, subject to adjustment for abnormal conditions and other factors the Secretary may determine, or (ii) the current quantities available for marketing by such producer, or (iii) any combination of (i) and (ii) that will result in the total allotment being apportioned equitably among producers. A minimum allotment could be fixed for producers whose production does not exceed that amount.

(2) establish an administrative procedure, with subsequent court review, for reviewing the lawfulness of a producer's allotment. This would be similar to the section 8c(15) (A) and (B) review procedure for handlers.

(3) specify that a handler may not handle more of a producer's allotment base than is authorized to be marketed.

201(7). Adds a Section 8c(2) to authorize the Secretary to establish a producer advisory committee for any commodity to provide advice on starting proceedings to promulgate a new order and formulate specific hearing proposals.

201(8). Provides that orders containing price bargaining or producer allotment provisions under proposed Section 8c(6)(J) or Section 8c(7)(E) (see items 5, 6) would impose administrative assessments pro rata on producers, payable through handlers to the agency administering the order. Handlers would have the responsibility of collection from producers.

Section 202. Would make it clear that the new authorities provided by Title II shall not supersede the provisions of other statutes relating to marketing quotas, acreage allotments or limitations, or price support and that no action taken or any provision of an order issued under Title II shall be inconsistent with such other statutes or actions taken by the Secretary thereunder.

TITLE III. AGRICULTURAL FAIR PRACTICES

Sections 301 to 311 include the substance of the version of S. 109 on which the Senate held hearings, with amendments recommended by the Department of Agriculture in its report on that bill.

Section 312 would protect associations and organizations of producers and their members or officers from being held responsible for acts where it is not clearly established that they participated in, authorized or ratified such acts after full knowledge and limits the authority for issuance of injunctions to instances where after a full hearing the Court finds that such association or person actually engaged in the acts of questions authorized them or ratified them with full knowledge thereof. This is similar to the type of protection given to labor organizations involved in labor disputes. (29 U.S.C. Sections 106 and 107).

National Agricultural Bargaining Act, S. 2973 and H.R. 15695*

HOW WOULD IT WORK?

The accompanying flow sheets—Titles I and II—with explanations will enable *you* to become an effective spokesman for *Farmer Bargaining Power.*

Narrative To Accompany Flow Sheet on the National Agricultural Bargaining Act, S. 2973 and H.R. 15695—Title I

(This is designed to be an aid to Farmers Union leaders for use in explaining the National Agricultural Bargaining Act. Numbered paragraphs correspond to numbered boxes on attached Flow Sheet. Flow Sheet can be enlarged to poster size or duplicated and each participant provided with a copy.)

1. Any group of commodity producers may petition the National Agricultural Relations Board for the opportunity to bargain for adequate prices for their production.

2. Producers would petition at any time that prices were low because of a weak bargaining position and would call for a producer referendum to be held.

3. The National Agricultural Relations Board referred to hereinafter as NARB will be composed of 5 members, appointed by the President with the advice and consent of the Senate.

At the outset one of the members would be appointed for a term of one year, 2 members for a term of 3 years, and 2 members for a term of 5 years. Successors to the original members would be appointed for 5-year terms.

The NARB will provide administrative, technical and supporting assistance to the Farmer-Elected Marketing and Purchasers Committees. It is an independent board. It does not represent either farmers or buyers. It would (1) administer farmers referendums, (2) decide upon qualifications for voting, (3) set up dates and places of bargaining meetings and (4) mediate disputes between the Producer Marketing and Purchasers Committees.

4. The NARB is provided with an executive secretary and staff.

5. NARB is authorized to call upon the USDA for information and technical assistance, including the services of USDA employees.

6. On receiving a petition from the producers of a particular agricultural commodity which indicates that market prices are below adequate levels, the NARB shall conduct a referendum among producers, the result of which shall determine whether (1) bargaining will take place and (2) a Marketing Committee will be established. In other words, in the same referendum producers vote on whether to bargain and will elect a Producer Marketing Committee. NARB supervises and administers all phases of the referendum. The expenses of conducting the referendum may be paid for out of funds appropriated to carry out the work of the NARB.

7. Candidates whose names appear on the ballot will be named by ASCS County Committees, who will submit twice the number of candidates as will be elected by producers voting in the referendum.

7–A. No person shall be eligible to represent producers on any marketing committee unless he receives more than 60 percent of annual gross income from farming or ranching during each of the three preceding calendar years.

*Sponsors: S. 2973, Mondale (D-Minn.) Burdick (D-N. Dak.), Harris (D-Okla.), Inouye (D-Hawaii), Mansfield (D-Mont.), Metcalf (D-Mont.), McGovern (D-S. Dak.), McCarthy (D-Minn.), McGee (D-Wyo.), Morse (D-Oreg.), Nelson (D-Wis.), Proxmire (D-Wis.), Young (R-N. Dak.); H.R. 15695, Olsen (D-Mont.).

And the commodity for which he bargains must constitute a "significant portion" of his farming or ranching operations.

If a majority of the producers voting in the referendum does not favor bargaining NARB will not take further action to establish a marketing committee for the commodity during the current marketing year or season. However, NARB is authorized to hold another referendum of producers of the commodity the next marketing year. If producers fail to vote to bargain the second year, NARB may hold a referendum the third marketing year. However, if producers fail to vote in favor of bargaining three successive years, NARB will take no further action in regard to the commodity unless 20 percent of the producers petition the NARB in a subsequent year to hold another referendum.

Let us assume that in a referendum on "X" commodity, producers voted to bargain and elected a Producer Marketing Committee.

8. The NARB will then notify buyers of "X" commodity to establish a Purchasers Committee. The buyers are notified that such a committee is needed for the purpose of negotiating a minimum price for the commodity and other nonprice terms of sale.

9. If the buyers do not select a Purchasers Committee within 30 days after being notified by NARB such a Committee will be appointed by NARB.

10. The NARB is authorized to call a meeting of the Producers Marketing and Purchasers Committees at whatever time and place it decides. Good faith bargaining is called for. Additional meetings may be called at the discretion of NARB.

11. Producers Marketing Committee will invite the Chairman of the President's Advisory Council on Consumer Problems to represent the interest of consumers in the bargaining meeting of two Committees.

12. Agreement could conceivably be reached at this point.

13. If no agreement is reached after a reasonable period of negotiations in good faith, NARB shall offer to mediate.

14. Agreement could possibly be reached at this point.

15. However, if no agreement is reached within 30 days after NARB offers its conciliatory and mediation services, the issues in dispute will be submitted to a Joint Settlemen Committee. This Committee will consist of one member selected by the Producer Marketing Committee; one member selected by the Purchasers Marketing Committee; one member selected by the Purchasers Committee; and one member selected by the members representing the Producers Marketing and Purchasers Committees. If the third member cannot be agreed upon by the producer and purchaser members, the NARB will make the selection. The Joint Settlement Committee shall attempt to resolve points of disagreement.

16. If no agreement is reached, the NARB is authorized to seek appropriate action of the Federal District Court which could result in daily fines or other penalties. The decision of the Joint Settlement Committee will be judicially reviewable by Federal District Court.

17. To provide for full compliance with agreements in connection with which there is no supply-adjustment program, the Producers Marketing Committee is empowered to recommend to NARB that injunctive or related action of the appropriate court be instituted—such action to prevent buyers from purchasing or producers from selling the commodity at less than the minimum price established in the agreement or any violation of nonprice terms of sale established in the agreement.

18. Once an agreement is reached if over-supply threatens the terms of the agreement, the Producer Marketing Committee in consultation with the NARB and the Secretary of Agriculture will develop a supply-control program. The supply-control program will be submitted to producers in a referendum.

19. If a majority of the producers voting in the referendum approve the program, it will immediately be put into effect. The United States Department of Agriculture will administer the supply-control program including fixing reasonable penalties for violation of the producer-approved program.

20. All Producers Marketing Committees will be dissolved by NARB three years after the date of the first meeting, unless during the third year of the life of the Committee a majority of the producers voting in the referendum favor its continuation.

Narrative To Accompany Flow Sheet on the National Agricultural Bargaining Act, S. 2973 and H.R. 15695—Title II

Numbered paragraphs correspond to numbered boxes on attached flow sheet.

1. Any group of commodity producers may *petition* the Department of Agricultural for the opportunity to decide by referendum whether or not that particular commodity should be *eligible* for a marketing order. A special Advisory Producer Committee may be established by the Secretary of Agriculture to help focus producers' efforts in this direction.

2. A producers *referendum* would then be held to decide if a particular commodity shall become eligible for a marketing order (majority of producers voting decide). Commodities already covered under the Marketing Agreement Act of 1937 do not require this initial referendum.

3. Producers *devise the various terms* of the marketing order. The Advisory Producer Committee may assist in this. A marketing order may contain terms implementing:

   a. Bargaining between elected producer committees, and handlers and groups of handlers, for minimum prices and other terms of sale. The producer bargaining committee would be elected at the time of the referendum on whether or not to *accept* the order.

   b. Various market supply control programs ranging from grading standards to marketing allotments, binding on all producers and handlers of the particular commodity.

   c. Pooling of sale proceeds where the commodity is sold on a use-classification basis.

The marketing order may contain any *combination* of these terms that the producers so desire—e.g., price bargaining *and* quality control; only quality control; price bargaining *and* marketing allotments, etc.

4. Public *hearings* are then held on the proposed marketing order. Producer groups, processors, and any others having an interest in the order may participate.

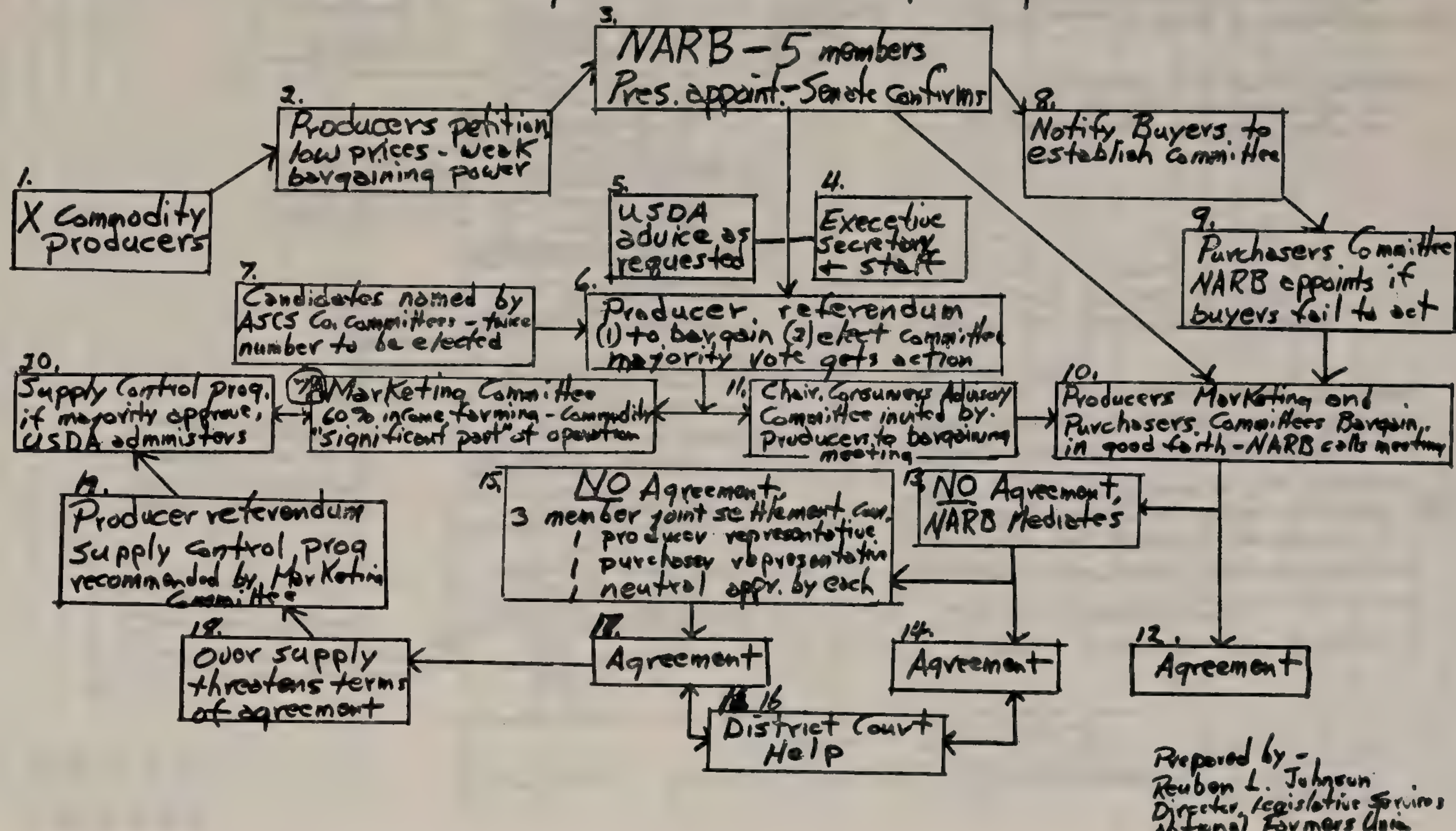
5. A *tentative marketing order*, based on the hearing record, is issued by the Secretary of Agriculture.

6. Producers vote in a *referendum* whether or not to accept the order. The marketing order becomes effective if it is approved by ⅔ of the producers voting.

7. The various terms of the marketing order are then carried out, including bargaining over minimum price and other terms of sale, if that is part of the order. With respect to bargaining, agreements must be reached between the elected producer bargaining committee, and handlers or groups of handlers that represent at least 50% of the volume, before the minimum price and other terms become binding.

8. Marketing orders are enforceable against handlers by civil and criminal penalties, and against producers by only civil penalties.

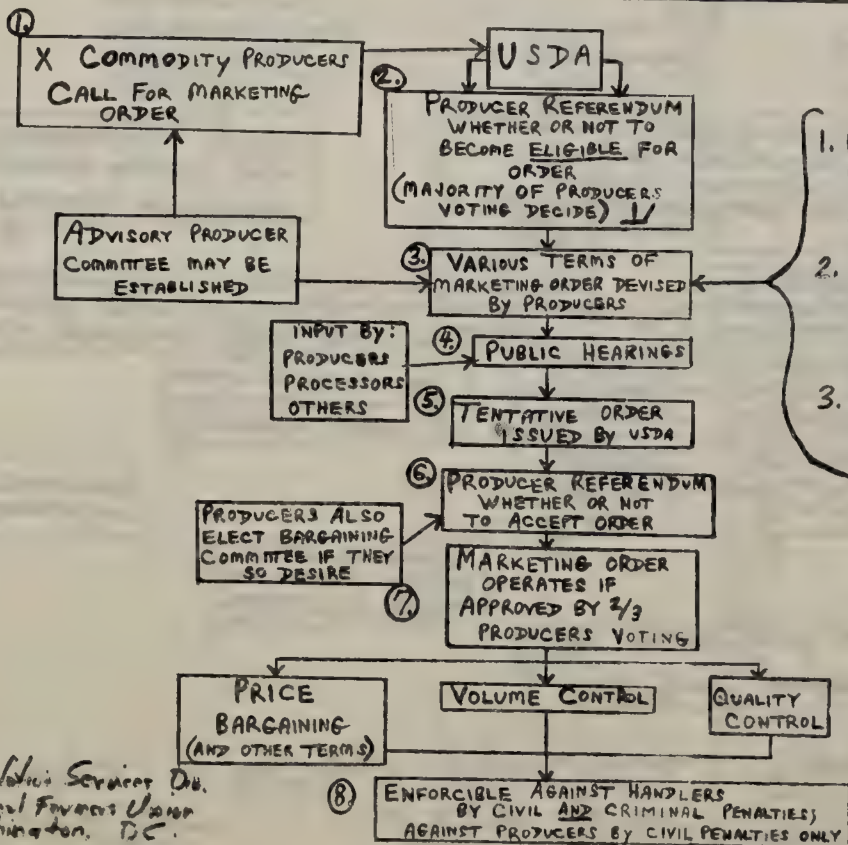
H.R. 15695 - Flow Sheet - Title I - H.R. 15695
S. 2973 - National Agricultural Bargaining Act - S. 2973



S. 2973
H.R. 15695

NATIONAL AGRICULTURAL BARGAINING ACT : TITLE II

S. 2973
H.R. 15695



ORDER PROVISIONS MAY INCLUDE (IN ANY COMBINATION):

1. BARGAINING BETWEEN ELECTED PRODUCER COMMITTEES, AND HANDLERS AND GROUPS OF HANDLERS FOR MINIMUM PRICES AND OTHER TERMS OF SALE, BINDING ON ALL PRODUCERS. 2/
2. VARIOUS MARKET SUPPLY PROGRAMS, RANGING FROM GRADING STANDARDS TO MARKETING ALLOTMENTS, AND BINDING ON ALL PRODUCERS AND HANDLERS.
3. POOLING OF SALE PROCEEDS WHERE COMMODITY IS SOLD ON USE-CLASSIFICATION BASIS.

1/ COMMODITIES PRESENTLY ELIGIBLE UNDER MARKETING AGREEMENT ACT DO NOT REQUIRE THIS INITIAL REFERENDUM.

2/ AGREEMENTS MUST BE REACHED BETWEEN PRODUCER BARGAINING COMMITTEE AND HANDLERS REPRESENTING 50% OF THE VOLUME, BEFORE MINIMUM PRICE AND OTHER TERMS BECOME BINDING

Legislative Services Div.
National Farmers Union
Washington, D.C.

The CHAIRMAN. If you will permit an interruption at this time, I wish to say that it was my belief, as expressed to the Secretary of Agriculture, that a bill of this character would probably have a better chance to be enacted in a package bill with the extension of the act of 1965.

Now, I want to say this, that if sufficient testimony and backing can be produced during these hearings, I am sure that the committee will, if it sees fit, probably take the bill up on its own and wait the extension of the 1965 act until next year.

But my sole purpose in taking the position I did about 7 or 8 weeks ago was that an act of this kind being used, as I said, would stand a better chance of being enacted together with the extension of the 1965 act.

Now, as you notice, in the letter and the statement that I sent to the various organizations, I took the position that it was my belief—and I think I expressed the belief of the Members of this committee—that it was best for us to hear from the grassroots, from the farmers themselves as to what ought to be incorporated in the bill in the future, and that I think with the experience this committee has had, that we ought to be able to prepare a bill as well as anybody on the Hill which will be in keeping with what testimony is developed during these hearings.

And I want to repeat that even though I made the statement which went around that we would take the Mondale bill up, that if there is any effort made, if there is sufficient testimony produced which would warrant us presenting it to the Senate or Congress this year, why I would be the last man to object.

Mr. DECHANT. Thank you very much, Mr. Chairman.

The CHAIRMAN. You may proceed.

Senator YOUNG. Mr. Chairman.

The CHAIRMAN. Yes, Senator Young.

Senator YOUNG. Could I make a comment and ask a question?

I think you make a very significant and important statement in the last paragraph on page 1 of your statement:

> Extension of the 1965 Food and Agriculture Act will not solve all the problems of agriculture.

I agree with you—

> Conversely, failure to extend the wheat, feed grains, cotton and dairy programs the Act provides would result in a loss in net farm income of up to $5 billion—reversing the progress since the beginning of the past decade when net farm income fluctuated around $11 billion.

Mr. Chairman, I wonder if we couldn't have the staff get the price-support levels for corn and wheat, two of the big grain commodities, for the past 20 years and the average farm price for those 20 years.

My purpose in having this put in the record at this time is that I think it will show that, with the exception of the period of the Korean war, the cash market prices of these grains averaged pretty close to the price-support level. When the price-support level dropped, the cash price dropped, too. And I think you are absolutely right, if it weren't for these programs, farm income would probably be $5 billion less than it is today.

Mr. DECHANT. Thank you, Senator Young.

The CHAIRMAN. Well, your suggestion, Senator Young, will be followed, and it will be my purpose as chairman of the committee not only to obtain the information that you are now suggesting, but I have here with me quite a lot of information as to the cost of these programs, and I think that those figures would also be valuable to place in the record.

Senator YOUNG. They would be.

The CHAIRMAN. And if there is no objection, we will try to place them in one part of the record rather than have them scattered all over so that you can have statistics to prove almost anything you want as to the operation of the act of 1965, as well as what the witness has just stated in his paragraph you read from.

(For the information above, see pages 95 to 100.)

Senator YOUNG. This request of mine probably should follow Mr. Dechant's statement.

The CHAIRMAN. Do you want it that way?

Senator YOUNG. Would you prefer it that way?

Mr. DECHANT. I think that would be very fine, Senator.

Senator YOUNG. Yes.

The CHAIRMAN. Very well.

(The information is as follows:)

NATIONAL AVERAGE WHEAT LOAN RATES AND SEASON AVERAGE PRICES RECEIVED BY FARMERS, 1948-67

Marketing year beginning July 1	National average loan rate	Season average price received by farmers	Marketing year beginning July 1	National average loan rate	Season average price received by farmers
1948	2.00	1.98	1958	1.82	1.75
1949	1.95	1.88	1959	1.81	1.76
1950	1.99	2.00	1960	1.78	1.74
1951	2.18	2.11	1961	1.79	1.83
1952	2.20	2.09	1962	2.00	2.04
1953	2.21	2.04	1963	1.82	1.85
1954	2.24	2.12	1964	1.30	1.37
1955	2.08	1.99	1965	1.25	1.35
1956	2.00	1.97	1966	1.25	1.63
1957	2.00	1.93	1967	1.25	[1] 1.41

[1] Estimate.

NATIONAL AVERAGE CORN LOAN RATES AND SEASON AVERAGE PRICES RECEIVED BY FARMERS

[In dollars per bushel]

Marketing year beginning Oct. 1	National average loan rate [1]	Season average price received by farmers	Marketing year beginning Oct. 1	National average loan rate [1]	Season average price received by farmers
1948	1.44	1.28	1958	[2] 1.36	1.12
1949	1.40	1.24	1959	1.12	1.05
1950	1.47	1.52	1960	1.06	1.00
1951	1.57	1.66	1961	1.20	1.10
1952	1.60	1.52	1962	1.20	1.12
1953	1.60	1.48	1963	1.07	1.11
1954	1.62	1.43	1964	1.10	1.17
1955	1.58	1.35	1965	1.05	1.16
1956	[2] 1.50	1.29	1966	1.00	[3] 1.24
1957	[2] 1.40	1.11	1967	1.05	[4] 1.07

[1] Corn loans available only to producers in the commercial corn area that planted within their acreage allotments in years when allotments were in effect. Corn loans available only to producers participating in the feed grain program for 1961-67.

[2] Loans available to noncompliers in the commercial corn area at $1.25 per bushel for 1956 corn, $1.10 for 1957 corn, and $1.06 for 1958 corn.

[3] Preliminary.

[4] Estimate.

Senator AIKEN. Mr. Chairman.

The CHAIRMAN. Senator Aiken.

Senator AIKEN. Before I leave for an executive committee meeting of the Foreign Relations Committee, let me say all the legislation in the world won't do agriculture any good as long as agencies of Government can set it aside, as the Food and Drug Administration did the other day. They said that the Milk Import Act which had been on our books for 40 years does not apply to foreign dairy products which are hermetically sealed and shipped into the United States.

That means the producers in foreign countries don't have to comply with inspection for brucellosis, tuberculosis, or any other animal diseases. It means the processing plants don't have to comply with any of the sanitary requirements which are imposed, and properly so, on our own processing and canning plants. They not only didn't consult the Department of Agriculture, I understand, they didn't even let the Department of Agriculture know they were going to do it. Somebody just got to them and said let all the canned milk from foreign countries come in free of the import quota.

And when an agency of Government can set aside legislation designed to improve the welfare of our farmers, it is a little discouraging.

Mr. DECHANT. The loopholes that are——

Senator AIKEN. The Milk Import Act has been observed for 40 years. It was enacted in 1927. And now they say if the product is sterilized and hermetically sealed, it doesn't come under the law, and they can bring in all the dairy products from cows infected with tuberculosis, brucellosis, or hemorrhagic septicemia in Europe, Asia, and Africa, and nullify not only the intent of the Congress but the proclamation of the President.

I would be interested to know who asked for that ruling.

Mr. DECHANT. Yes, it would be interesting.

Senator AIKEN. Because I don't think it was any dairy farmer.

The CHAIRMAN. You may proceed, sir.

Senator AIKEN. I have to go and save the rest of the world and the cherry blossom princesses.

The CHAIRMAN. Take care of my interests over yonder, and I will take care of yours here.

Mr. DECHANT. Thank you, Senator.

Senator AIKEN. Thank you. I don't want you to think I am not interested in what you are going to say.

Mr. DECHANT. Mr. Chairman, for the benefit of the press and others interested, I have summarized in this statement the farmers union's program recommendations as approved by the delegates at our recent convention. We spent considerable time at the commodity front, and at this time I should like, with your permission, to call upon several of my associates to present short statements in connection with some of the specific recommendations. And first I would like, if I may, to present the National Vice President of the Farmers Union, president of the Minnesota Farmers Union, Mr. Ed Christianson.

The CHAIRMAN. You may proceed, Mr. Christianson.

STATEMENT OF EDWIN CHRISTIANSON, VICE PRESIDENT, NATIONAL FARMERS UNION, ST. PAUL, MINN.

Mr. CHRISTIANSON. Mr. Chairman and distinguished members of this committee, we commend you and the committee for your decision to hold discussions in depth upon the long-range farmer policy.

We regard, of course, the recommendations spelled out by our president, Tony T. Dechant, in regard to the extension of the Agricultural Act of 1965 this year and consideration of farm bargaining legislation as particularly vital.

We believe, however, that more must be done than just striking the expiration dates and advancing them a specified period. Improvements are needed, which are being spelled out here today and permanent status should be given to the basic legislation as recommended by the President.

This should be done to give farmers assurance of something better than the limited legislation which would become effective again should the 1965 act be allowed to expire.

I wish, before proceeding to my assigned segment of the program—dairy policy—to acknowledge the debt which farmers owe to members of this committee for development and support of needed measures.

I cannot take time to single out the many cases where such leadership has been exhibited, but I think that I should commend Senator Mondale for the contribution which he made in putting down on paper a proposal which could set in motion serious discussion of the mechanics of effective farm bargaining.

He has done the Nation the service of taking farm bargaining out of the realm of generalities and catch-phrases and bringing it down to specifics. He has brought bargaining down out of the stratosphere—down to earth where we can now talk farmer to farmer and citizen to Congressman about what it can do and what it should do.

My role in this overall presentation pertains to the dairy industry and to the situation in which dairy farmers find themselves.

DAIRY

We in Farmers Union were gratified that administrative actions were taken recently to do these three things, all of which will be meaningful to the Nation's dairymen:

First, the increase in the manufacturing milk support level to 90 percent of parity or $4.28 per 100 pounds, an increase from the $4 support level which had prevailed since June of 1966.

Second, the increase by a comparable amount in the basic formula price for the Federal milk orders.

Third, the setting aside of the usual seasonal decline of 20 to 24 cents per 100 pounds which had prevailed each year in the spring and summer months prior to 1967.

These are substantial actions, taken under the authority of the existing act. The manufacturing milk support increase could add as much as $150 millions a year to the income of producers.

The increase in the basic formula price and the setting aside of seasonal declines also will add substantially to the protection of the income of fluid milk producers.

Now, as far as manufacturing milk supports are concerned, it will require legislation to provide for a still further increase.

But, at the same time that such new authorization is considered, attention should be given to designing the support effort in a way which will best improve income while holding or expanding markets and minimizing the impact of completing imports and substitute products.

The price increases of 1966 and 1967 have helped slow the migration out of dairy farming, yet they have not reversed the downtrend in production.

Rising costs continue to plague producers. Obviously, dairy farm income is still too low.

The delegates to our national convention adopted a series of recommendations on dairy policy, after a thorough discussion of the dairy industry had been held in a special conference with a number of foremost dairy leaders participating.

Most important, our delegates recommend the granting of discretionary authority to USDA to use direct payments in implementing dairy supports. USDA may well find it more advisable to use payments to farmers than to order a further and abrupt increase in support levels.

We believe that if dairy payments are authorized, USDA should have the authority to make such payments only on a family farm level of annual production.

The provision of the 1965 act which make available the class I base plan expires in 1969 and should be renewed and made permanent. While the class I base plan has not been invoked extensively as yet, we believe it will have more value in the future.

As the Federal milk orders become regionalized, we expect that there will be a better setting for the use of the class I base plan.

We are interested in the establishment of a nationwide milk order on manufacturing milk and feel that this could become of value to dairymen even though it may only involve supervision and accounting to begin with and would not until later become involved in pricing.

Farmers union recommends that administrative action taken by President Johnson in 1967 to limit dairy imports should be given legislative sanction and permanence by adoption of the Proxmire Dairy Import Act.

Farmers Union testified at the recent Memphis hearing proposing the pricing of skimmed milk and reconstituted nonfat dry milk for use in fluid milk substitutes and price it as class I milk. The Agricultural Marketing Agreement Act of 1937 is clear in its intent to avoid chaotic marketing conditions in the handling of fluid milk. We think it is within the scope of the existing law to prevent filled milk products from creating choas in the milk markets. But, if there is any legal doubt about the authority, we urge this committee to spell out such provisions as will not permit the purpose of the 1937 act to be nullified.

And, of course, we want to express our thanks to you again for the opportunity to present our views. And we emphasize in closing, again, that these actions, we think, ought to be taken this year.

The CHAIRMAN. With respect to your direct payments, would that be provided for all milk producers, whether they produce for manufacturing purposes or not?

Mr. CHRISTIANSON. Yes. Under our proposal, it would be clear across the board but limited to an average family farm volume of production.

The CHAIRMAN. Well, it was my belief all along that the act of 1937, which, in my opinion, was not administered as Congress intended, would be a greater help to the milk producers if better prices were made for milk for direct consumption, because that's what we had in mind. I know I had that in mind.

If you have a law saying to a farmer, you produce clean milk, and follow certain sanitary conditions, that that meant a good deal more expense that the farmer was put to, and certainly the purpose of that was to get wholesome clean milk for direct consumption. And it was my belief then, it is my belief now, that the milk program should be so administered as to give more or less a premium on milk that is produced for direct consumption in contrast to milk that's used for manufacturing purposes.

I don't like the blend idea—never did. It is my hope that we can work something out whereby the farmer will be properly protected and given a fair price for producing milk for direct consumption.

Mr. CHRISTIANSON. Well, we certainly hope so, too, Mr. Chairman.

Mr. DECHANT. Mr. Chairman, I would like, then, if I may, to call the chairman of our executive committee and president of the North Dakota Farmers Union, Ed Smith.

The CHAIRMAN. All right, Mr. Smith.

STATEMENT OF ED SMITH, CHAIRMAN, EXECUTIVE COMMITTEE, NATIONAL FARMERS UNION, JAMESTOWN, N. DAK.

Mr. SMITH. Mr. Chairman and illustrious Agriculture Committee of the Senate, wheat and feed grain farmers of America are perhaps the most cognizant of all people of the importance of trade with foreign nations. We are opposed to a protectionist policy of high tariffs but still recognize that if U.S. agriculture is to buy American products at American prices, they cannot feed the hungry world at world prices for their production.

We feel the producers of food, the most effective weapon of peace, should not be shouldered by American farmers alone.

The National Farmers Union convention in Minneapolis this March reiterated again if this Nation feels a responsibility to feed the hungry world, the farmers should not be asked to carry the burden alone. If our Government feels that food is essential for peace, the farmers should be paid a fair price and all taxpayers participate.

Mr. Chairman, I should like to request that the paragraphs relating to feed grains and wheat to be found in the statement attached to your letter of February 16, be made a part of the record of the hearings at this point.

The CHAIRMAN. No objection. That will be done.

Mr. SMITH. I am making this request in order that the record may show the effect of the failure to extend the current wheat and feed grains programs. I assume that a copy of your letter is available. If not, we shall be happy to provide this information for the record.

The CHAIRMAN. I placed all of that in the record, my letter as well as the attachments to it.

Mr. SMITH. All right. I have it here.

The CHAIRMAN. Yes. All that is already in the record.

Mr. SMITH. The recommendations of our delegates to our recent convention for improving wheat and feed grain programs are as follows—and I am happy that my Senator here, known as "Mr. Wheat" from the Northwest is with us today, and all the rest of our surrounding Senators. I just want to reiterate now what our position is on wheat and feed grains.

WHEAT

On wheat, No. 1, we urge that the provisions of the 1965 Food and Agriculture Act be amended to provide for a special export certificate or payment at not less than 65 cents per bushel. We further recommend that food-for-freedom shipments of wheat be certificated as export wheat.

Two, we call for a strategic reserve of wheat, one-half of which would be controlled by farmers under contract with the Commodity Credit Corporation.

Three, we strongly urge that existing wheat loan reseal policies be continued.

Four, we urge that one-half of the wheat certificate payment be made at time of sign-up.

Five, we propose an equalization of wheat price-support loans through adjustment in the value of wheat certificates to assure every producer 100 percent of parity price on the domestic portion of production as directed and authorized by the 1965 Food and Agriculture Act.

Six, we urge wheat export payments to be set at levels that will increase wheat exports.

FEED GRAINS

On feed grains, we have three recommendations:

One, present provisions of the 1965 Food and Agriculture Act which authorize the feed grain program should be amended to increase the level of return to full parity price through an increase in diverted acreage or direct payments.

Two, we support the establishment of a strategic reserve of feed grains, and

Three, reseal privileges as established in response to the 1967 target program should be extended to producers as an integral part of the reserve called for above.

Mr. Chairman, it has been a pleasure to appear before your committee, and we hope that these recommendations will be taken very seriously.

The CHAIRMAN. Well, they will be considered anyhow.

Senator YOUNG. Mr. Chairman.

The CHAIRMAN. Yes, Senator Young.

Senator YOUNG. Mr. Chairman, I want to commend the Farmers Union for the fight they are putting up to continue and improve price support programs. I know some are advocating that maybe these programs aren't so good and you could get a good price without them. I think all we have to do is point out that in every country of Europe wheat, for example, has a very high price support for their local farmers and low prices for imported wheat. I think this is true of dairy commodities as well. I don't know of a country in the world

that doesn't have a price support program that puts their local price above that of the world price. For the farmers of the United States to try and operate now on a price that the world market would provide, to me seems to be insane. Agriculture is in deep trouble and it would be in much worse trouble if we followed such a course.

The CHAIRMAN. Well, as I understand the present law, we do have full parity on wheat this is consumed domestically.

Mr. SMITH. On domestic, yes.

The CHAIRMAN. Yes. Now, under your program how much more would the Government have to put out for wheat sold abroad?

Mr. SMITH. Well, I do not know exactly what the total cost might be, but we are asking for a 65-cent certificate for the——

The CHAIRMAN. You mean fixed.

Mr. SMITH. Yes.

The CHAIRMAN. What is it now?

Mr. SMITH. None. We have no certificate payment on wheat that goes abroad. And the farmer——

The CHAIRMAN. But you have a certificate plan there. How does that work? Do you want to change that?

Mr. SMITH. On what specific thing?

The CHAIRMAN. On wheat.

Mr. SMITH. No. We want to preserve the present law that we have, but we need an export certificate. If we are going to feed this hungry world, the farmer should not be asked——

GENERAL

The CHAIRMAN. Well, the question is should we, should we feed the hungrey world? Are we capable of doing it?

You know, I have just returned from India this last November and December, India, Pakistan—in fact, all of the countries south of the Soviet Union and China in Asia. And in my humble judgment you could put every acre you have in this country to wheat and other grains and send it to those people, and you couldn't produce enough to feed them.

Now, the question is should we undertake that?

You know, this is a world problem. It is a humanitarian problem. We don't owe a thing to India, nor to Pakistan, except to give our share of assistance in order to help the starving. But now when we—when you stop to consider that there are a lot of rich countries in Western Europe, why shouldn't they be called upon to help.

Mr. SMITH. Certainly.

The CHAIRMAN. And in the extension of Public Law 480 3 or 4 years ago I proposed that we give in proportion to what others will give, but I couldn't put that through. We had to let it be at the discretion of somebody here at the Washington level.

But in 1966, as I recall, we furnished over 80 percent of the excess wheat and corn and feed grains to help feed the world, and we had a lot of trouble to get 20 percent from the rest of the countries.

You know, we have exported our gold, as you know.

Mr. SMITH. Yes, I certainly do.

The CHAIRMAN. We are now exporting our young men, and many would like us to export our soil to the people abroad.

Mr. SMITH. The position of the Farmers Union is if our Government is going to feed the world, the farmers should not carry the load.

WHEAT

The CHAIRMAN. Well, he's not—he's not carrying the load. Farmers have price supports.

Under the act of 1965, as I understand it, you have a minimum of 1.81 for domestic and wheat produced for export. That's your minimum.

Senator, you remember that.

Senator YOUNG. The blended price support for the 1967 cropyear is $1.73 per bushel.

The CHAIRMAN. Well, that's——

Senator YOUNG. $1.84 for 1966.

The CHAIRMAN. Well, that's three and a half cents per bushel more than the act provided.

Senator YOUNG. $1.73 is the blended price support for wheat for 1967, according to a letter I got from the Under Secretary of Agriculture, Mr. Schnittker.

The CHAIRMAN. Well, it is my recollection, and I think the record will show, that the farmers were supposed to get a blend price of at least $1.81 per bushel.

Senator YOUNG. No, it was $1.84½ the first year. According to the figures he gave me, the blended price support levels were as follows: in 1964, $1.73; in 1965, $1.69; and in 1966, $1.84; and in 1967, $1.73. Of course, wheat producers are getting 100 percent of parity for that portion consumed in the United States, but that's only about a third of our total production.

Mr. DECHANT. Thirty-five percent.

Senator YOUNG. Forty percent of their production.

Mr. SMITH. Forty percent.

The CHAIRMAN. Well, now, what is your view on having a compulsory wheat program rather than a voluntary program as you now have?

Mr. SMITH. Well, the Farmers Union feels that programs of any sort, if they are going to be workable, have to be mandatory. I can see no way in the world how you can pay people and just proceed to produce. I think it has to be a mandatory program.

The CHAIRMAN. Well, that has been my view throughout.

Mr. SMITH. Yes.

The CHAIRMAN. That it should be that way. You have wheat that is on a voluntary basis, and you have corn and other feed grains on a voluntary basis.

Mr. SMITH. Yes.

The CHAIRMAN. As a matter of fact, corn and other feed grains have never been under the same kind of program as has cotton, rice, or wheat. I would like to get the views of anybody present here. I hope that we will have more testimony in the future——

Mr. SMITH. We would be happy to prepare it.

The CHAIRMAN (continuing). As to whether or not we should continue these programs, particularly wheat and corn and other feed grains, on a voluntary basis.

Any further questions?

Senator McGovern.

Senator McGovern. Mr. Chairman, do you remember how we got into that when the farmers turned down the——

The Chairman. Yes; I remember that.

Senator McGovern (continuing). Mandatory wheat referendum, and I think it was really just a practical judgment that this was the only thing we could probably get accepted at that time.

The Chairman. Well, that was before the act of 1965, of course.

Senator McGovern. Yes. Maybe the sentiment has changed somewhat.

Mr. Dechant. I think it has. I think there is much better sentiment on that now.

The Chairman. Well, I don't think it's fair to the Government, to the taxpayers to reward the farmers and then let them produce all they care to, and that's the attitude of some, don't you see. And it strikes me that for these programs, large programs, to make it on a basis wherein the farmers will vote, as we have in the past, I think we would fare much better.

I may be in error about that, but we have been having such programs for many, many years now, and it is one of the problems that we are going to have to decide, as to whether or not we will continue these programs, particularly the corn and other feed grains, and wheat on a voluntary basis or through an involuntary one that is imposed by the farmers themselves.

Mr. Smith. The Farmers Union supports you on this one.

Thank you very much.

Mr. Dechant. Mr. Chairman, I would then like to call the president of the Texas Farmers Union, Jay Naman.

The Chairman. All right. Mr. Naman, how are you?

STATEMENT OF JAY I. NAMAN, PRESIDENT, TEXAS FARMERS UNION, WACO, TEX.

Mr. Naman. Mr. Chairman, distinguished members of the committee, first I would like to make personal reference, Mr. Chairman, to a very important part of the 1965 act to which cotton farmers owe you a great debt of gratitude, that is. the Ellender amendment, which is in the 1965 act and which provides a floor of 65 percent of parity which we feel is an important part of the program. We want to make special comment about this.

Also, I would like to commend this committee and you personally for the support which you gave to the cotton research and promotion program. I am on the Cotton Board, and I want to say that this program is moving right ahead.

COTTON

In reference to the cotton program and the rice program, I would like to say this, Mr. Chairman, that we recommend that the Congress amend the Food and Agriculture Act of 1965 to increase support price and payments to cotton producers to 100 percent of parity.

The Chairman. On what?

Mr. NAMAN. On domestic production, that is, we bridge the gap on the payment side to 100 percent of parity.

The CHAIRMAN. Well, now, if it's at 100 percent of parity, would you expect the cotton mills to get that cotton at the world price?

Mr. NAMAN. I am speaking of the payments, sir.

The CHAIRMAN. I understand that, but, remember, you can't eat cotton. It's got to be produced by your mills. And, as you know, under the present law the mills are indirectly subsidized. Heretofore the price paid by the domestic mills was just at the support price, but the 1965 act changed that so that domestic mills can get cotton at the same price as foreign mills.

Now, that sounds good, and we were supposed to consume much more cotton—as a matter of fact, the assertion was made that if you give us a one-price cotton, we are going to be able to increase consumption by 1,100,000 bales the first year.

Well, this is the third year, and the mills haven't done it yet, don't you see. And the cost of that program has been much greater than we anticipated. As a matter of fact, the cotton program this year will cost almost a billion dollars, and that was never intended. I am kind of sick and tired of giving these cotton mills these benefits without in turn their giving the benefits to the consumer.

Mr. NAMAN. There is no question, sir, but what our domestic mills enjoy a preferential position, and I can't agree with you more.

We also recommend that cotton be added to the strategic reserve proposal that is now before the Congress. We feel that—

The CHAIRMAN. Now, why do you advocate that? And I failed to ask that of the preceding witness. The fact that we had on hand at one time 84 and a half million tons of corn and other feed grains is what caused us to change the law and then make it on a 4-year basis in 1965, because these huge surpluses were dangling over the market and depressing the price. I am just wondering why anybody is advocating that we go back to that same formula. I just can't understand it, and I would like to have more explanation on that.

Mr. NAMAN. Of course, Mr. Chairman, we would anticipate that the program would be written in such a way that this whole production would be completely insulated from the market.

The CHAIRMAN. Oh, I know, but who would carry the load? The Government. You would have the big warehouses filled with cotton, with wheat, and so forth and so on.

That's very costly. You must add that to the cost of the farm program, when the farm program costs over $5 billion, I think, during 1962 or 1963 just before we put the act over.

And, in all, that money comes from the taxpayers, and sooner or later we may be unable to continue a program that is so costly.

Mr. NAMAN. Well, I understand that we have strategic reserves of metals in the amount of $6 or $7 billion.

The CHAIRMAN. Well, that has been from World War II.

Mr. NAMAN. Certainly food is vital to us, food and a certain amount of fiber.

The CHAIRMAN. Well, I understand all of that, but I don't think it will help the farmers any, I mean on their prices unless, as I said, you lock it up and let Uncle Sam take the burden.

Mr. NAMAN. We would hope that mechanics could be worked to make such a program workable and acceptable.

RICE

We also, Mr. Chairman, favor an increase in the price support for rice to 100 percent of parity, for that rice domestically used, or that the export subsidy be increased in such a way as to return domestic producers, or producers who sell on the domestic market a hundred percent of parity.

Now, that's in regard to rice.

The CHAIRMAN. Well, what would you do about the rice that is shipped abroad?

Mr. NAMAN. The export subsidy must bridge the gap between a world market price. We must, of course, compete on the world market. But, at the same time——

The CHAIRMAN. Well, you wouldn't want to sell the excess rice on the world market, would you?

Mr. NAMAN. We must, of course, continue the program as it's presently written, which is a mandatory program, but to simply judge the gap between a hundred percent of parity and a world price with an adequate export subsidy.

The CHAIRMAN. So that in addition to a hundred percent of parity on what's domestically produced, you would want a subsidy on exports?

Mr. NAMAN. No, sir. We must have the export subsidy adequate so that the——

The CHAIRMAN. That's what I am saying. You want it both ways. You want full parity on what's consumed at home, and then what you sell abroad you would want an additional subsidy for.

Mr. NAMAN. Well, we are in the same position, as rice farmers, as the wheat farmers. We feel that it's not right——

The CHAIRMAN. I understand.

Mr. NAMAN (continuing). To ask domestic rice farmers to produce an important product such as rice and do it on American cost, at American costs, by American machinery, by American fertilizer, and at the same time sell on the world market. We feel that this is an injustice.

The CHAIRMAN. Proceed.

Mr. NAMAN. Thank you, Mr. Chairman.

The CHAIRMAN. All right. Any further questions? Don't hesitate to barge in, any of you.

Mr. DECHANT. Mr. Chairman, I would then like to ask the president of the Nebraska Farmers Union, a very key State in livestock marketing, to come forward, Elton Berck.

STATEMENT OF ELTON BERCK, PRESIDENT, NEBRASKA FARMERS UNION, LINCOLN, NEBR.

Mr. BERCK. Mr. Chairman, members of the committee, I remember with a good deal of pleasure the several occasions in the past when I have been greeted by this committee with a great deal of courtesy in appearing before it with certain problems, and I am happy that Mr. Dechant has selected me to speak briefly to the problem of the livestock producer germane to the total issue of family farm income.

I believe there is a brief statement in the article, Tony, the paper you submitted, on page 6, dealing with livestock marketing, and in this statement I would call your attention to two sections, paragraphs 3 and 4 as you have them.

LIVESTOCK

One deals with the passage of legislation to strengthen the packers and stockyards authority to provide it with additional funds, to give it more muscle in the marketplace.

Another mentions, paragraph 4, the enactment of legislation which would limit the number of head of livestock which can be slaughtered each week at each packingplant which were fed by the packer, directly or indirectly, or subject to his control by contract or otherwise.

I would like to enlarge very briefly upon these two subjects. And we would begin with the last paragraph, paragraph 4, first.

I was interested in, recently, studying a report which was a study of Parker feeding of cattle by the Parkerton Stockyards Division of USDA, released in 1966, and one particular paragraph caught my eye in this study, and I will quote it, with your permission.

> In the analyses of the effect of Parker fed cattle on the selected market, the report had this to say "the price impact from a hundred head increase of Parker fed cattle transferred to slaughter plants was about 12 times as great as the impact of a hundred head increase in the total supply of choice steers sold out of first hands at the market."

This dramatizes or emphasizes the position adopted by the delegates at our recent convention concerning the implementation through legislation of a prohibition against the movement of large amounts of Parker fed cattle onto the market.

The other one deals, No. 3, with the passage of S. 2879, or at least a favorable consideration of this particular measure which calls for the provision of more muscle for the packers and stockyards authority, and also the bonding or commuting of a greater liability on the part of the meatpacker. And, very briefly, we are firmly in support of provisions in the new omnibus Packer and Stockyards Act which provide for bonding of meatpackers.

According to our reports, some $3 million was sustained in 1 year's time because of packers going broke financially. And the producer of the livestock who had furnished the livestock which was in the hands of the packer at the time of his failure were still left holding the bag for this amount of money.

We feel something should be done, in law, to strengthen this.

It was recently considered at the last session of the Nebraska Legislature, and I happened to appear on behalf of that measure in the Nebraska Legislature.

GENERAL

There is one further statement that I would like to mention very briefly, and it's germane to the issue of what happens to the family of farms. We have a general policy statement which is not printed, Mr. Dechant, in the record as you presented it here concerning the sale of Government lands, and this is germane to the issue I am about to bring up.

Sales of publicly owned agricultural lands should be made to owner-operator families with the size of farm determined by what is an

adequate family unit and fully consistent with other family-operated farms.

Very briefly, we have been struggling with a situation in Nebraska over the last 12 months or so in which Defense Department lands, installations which are being deactivated, are moving into private channels.

In one instance, the city of Hastings, which occupied our attention in the last session of the legislature, the city of Hastings plans to take over somewhere 5,000 acres of the land in the Hastings Naval Ordnance Depot. The plan involved the promotion of a commercial hog plant, an integrated hog feeding plant which in its original planning called for 500,000 head of hogs a year.

All farm groups opposed the sale of the land for this purpose. We opposed it to no avail. The land was transferred to the city of Hastings, which immediately transferred it to private hands. And in my contact with people on the site the day before yesterday, I had been assured that this commercial hog feeding venture is going forward. We feel that this does put family farmers out of business. It takes a good many family farmers to produce 5,000 head of hogs, and it interferes very substantially with the hog sales for this group.

And very recently—and I'll conclude with this—another ordnance plant, the Sioux Ordnance Depot out at Sidney, Nebr., was up for sale. A portion of this land had been transferred to the State of Nebraska for the site of a vocational technical school, another portion for use as an experimental station, Great Plains Experimental Station of the University of Nebraska. But another section of it, some 19,000 acres in total, has been or is in the process of being sold to the city of Sidney, Nebr., where the ordnance plant is located.

At least one of the industrial concerns trying to locate there, according to our reports, envision another tremendously large commercial hog feeding plant.

Now, we have objected to that. Our president, Mr. Dechant, has helped us with this. But, we feel that if the National Farmers Union policy concerning the transfer of publicly owned lands supposed to be going forward, such lands should be disposed of in ways that would not interfere with the programs of the Federal Government to improve the situation for family farmers.

Obviously, it doesn't make sense for one department of Government to transfer lands in a fashion that would hurt family farmers and another agency to provide programs which would aid family farmers.

This concludes my testimony. I will be happy to try to answer any questions you might have.

The CHAIRMAN. Well, what you have been discussing just now, this committee doesn't have too much jurisdiction over. It is some other committee of Congress, in respect to the disposal of land, disposition of lands.

Are there any suggestions you desire to make in order to assist cattle growers other than what you have on the statute books now and what you have just mentioned?

Mr. BERCK. No; none that we have in particular. There are others, but we emphasize these as being of prime importance.

The CHAIRMAN. Yes. And, of course, that affects just a general locality.

Mr. BERCK. Right.

The CHAIRMAN. Around two towns. It's not general.

Mr. BERCK. Yes. However, there are undoubtedly many such defense installations over the country which will be disposed of in the course of time, and we would like to see a policy developed which would say to the General Services Administration, you may not dispose of this land in the fashion which will injury family farm livestock production. This we feel is important.

Incidentally, I have a prepared statement, but I will not go into that now, and I appreciate your consideration very kindly.

The CHAIRMAN. Very well, sir.

Any questions?

Mr. DECHANT. Mr. Chairman, I would like next to call on a soybean and feed grain livestock farmer, president of the Illinois Farmers Union, Ray Watson.

STATEMENT OF RAYMOND J. WATSON, PRESIDENT, ILLINOIS FARMERS UNION, SPRINGFIELD, ILL.

Mr. WATSON. Mr. Chairman, members of the committee, the Farmers Union urges a support price for soybeans of $2.75 per bushel; a support price for flaxseed of $2.50 per bushel and for each commodity a direct payment of 50 cents per bushel to farmers who participate in Federal farm programs where applicable to other commodities they produce.

We oppose planting soybeans on "diverted" acres. We urge that levels of reserve stocks in any emergency reserve program fully reflect supplies in excess of requirements.

I have one short comment I would like to make here.

For the record, I would like to make a point for those who think we will price soybeans out of the market by raising soybean support prices. I would like to say that Japan is the biggest buyer of our soybeans. They buy our soybeans for dollars. The price in Japan of soybeans is over $4 per bushel, whereas in Illinois farmers are receiving $2.60 per bushel. Yet, Japanese farmers are quitting raising soybean because they can more profitably raise other crops.

Now, in other words, soybean farmers are subsidizing the Japanese economy. This is in support of Senator Young and Ed Smith from North Dakota, their previous remarks.

I do realize that Japan does have a tariff on our soybeans of about 53 cents a bushel, and that as of January 1, this was cut 20 cents a bushel and next January 1 will be cut another 20 cents a bushel for 3 more years.

The CHAIRMAN. Now, as I understand you, you would want to have a rigid support price.

You know, the Secretary of Agriculture could fix that under the present law if he desired to.

Mr. WATSON. For farmers who comply in the feed grain program, participate in, we urge a direct payment of 50 cents a bushel, which would bring him the soybean price support raised from 2.50 to 2.57 a bushel. This would bring soybeans up to parity.

The CHAIRMAN. Well, would you want to put soybeans on a control basis?

Mr. WATSON. I would be for it; yes.

The CHAIRMAN. You would be for it.
Mr. WATSON. Yes.
The CHAIRMAN. Well, I think you will find a lot of people would not want that.
As I understand the law as it now is, the Secretary of Agriculture would have the authority to make this 2.75 if he desired to.
Mr. WATSON. Yes; I have talked to him about it many times.
The CHAIRMAN. The same thing goes for flaxseed.
Well, if you put a rigid amount in that without control, Lord knows what is going to happen to the market.
Any questions?
Senator YOUNG. I am a long ways from an authority on soybeans, but I have noted, though, from year to year we have increased the price support. This has helped farmers and has meant little cost to the Federal Government because we have been able to dispose of our soybeans throughout the world.
The CHAIRMAN. That is right.
Senator YOUNG. Only by increasing price supports have the farmers been able to take more advantage of the big demand.
The CHAIRMAN. Well, Senator Young, suppose you put a rigid price support of 2.75, as he suggests, without acre limitation. What do you think would happen to the soybean market?
That's the question I asked him.
Senator YOUNG. Well, I agree if you get price supports too high you do involve a problem of controls.
The CHAIRMAN. No doubt about it. That's what it is going to bring on. And I imagine it would be rather difficult to bring a crop under acreage controls.
Mr. WATSON. And the world market is $4. Soybeans in Japan bring over $4 per bushel, and the Japanese Government has this tariff on soybeans. The American farmer is actually subsidizing the Japanese economy by these low subsidy prices.
The CHAIRMAN. Well, we are subsidizing a lot of people abroad.
Wheat, for instance, is not a commodity abroad that we are not subsidizing them on. You know that.
Any further questions?
Mr. DECHANT. Mr. Chairman, I would like next to call on Joe Fichter, chairman of activities in Ohio, to speak on poultry, eggs, and turkeys.
Mr. Fichter.

STATEMENT OF JOSEPH FICHTER, PRESIDENT, ORGANIZATIONAL COMMITTEE, OHIO FARMERS UNION, OXFORD, OHIO

POULTRY

Mr. FICHTER. Mr. Chairman and members of the committee, these recommendations grew out of discussions of the poultry people of the National Farmers Union convention and they were recommended to the delegate body and were approved by the delegate body.
We urge the enactment of S. 2972 introduced by Senator Herman Talmadge, and House Resolution 15537 introduced by Congressman Frank Stubblefield, which would enable egg producers to establish a marketing order with producer-elected marketing boards.

And I should like to add that we hope that it might be possible for the Agriculture Committee to hold hearings on Senate bill 2972 at an early date, if possible.

And, second, we urge enactment of legislation which would curtail and prevent product of eggs and poultry by large feed companies, processers, and food chains.

Third, we urge enactment of legislation which would extend the jurisdiction of Packers and Stockyards Administration to include eggs.

Fourth, we urge that provision be made to allow small producers to have poultry inspection services on a part-time or seasonal basis that the poultry inspection program be paid for by the Government.

The CHAIRMAN. All right, sir.

Well, now, Mr. Dechant talked awhile ago about putting a farmer in a better bargaining position by enacting the Mondale bill, or something similar to it.

Now, would what you propose be necessary if such a bill were put on the statute books?

Mr. FICHTER. Well, that we don't know. We feel that the Mondale bill, if enacted, would take care of some of these things, but we also—it was the feeling that this recommendation here for the marketing orders should be included some way whenever legislation is enacted so as to give the egg producers an opportunity in referendum to determine whether they want to adjust their supply to the demand in order to maintain a better price.

The CHAIRMAN. Well, wouldn't we probably run into a lot of trouble if we were to enact legislation to prevent people from producing, let's say, eggs, as you suggested, in large quantities? That in essence is what you are proposing.

Mr. FICHTER. You mean in No. 3?

The CHAIRMAN. Yes; I say wouldn't we be getting into some legal difficulties by trying to enact such legislation?

Mr. FICHTER. Well, it would depend, of course, on the form the legislation took.

I think this recommendation is an expression of a desire of the family farm people to try to prevent the egg business from being taken away from the family farm and taken over by other agencies. I think it's a part of this whole movement of corporation farms into the takeover of agriculture.

And I agree with you that the legislation will have to be of a type that it didn't transgress upon certain principles that we hold to be important. But, at the same time, these large operators have certain advantages in the big operations that we have whereby they can squeeze a little fellow out, and the little fellow is looking for some kind of help to help him overcome that disadvantage which he has as a result of this big accumulation of power and capital that the big producers, feed grain producers, have.

The CHAIRMAN. You know, we have the same problems in the distribution of food. The supermarkets nearly put all the little groceries out of business. Somebody suggested we should do something about that. But, in trying to do that, I think we would doubtlessly be confronted with many legal probabilities.

Mr. FICHTER. Well, I think so, too, but what is happening is that we are putting these little people out of business. And is it any more unjust—is it fair to have a situation which puts them out of business but to try to protect and hold these other people in business? I think there's a big issue involved here. And I have the faith that through the Congress, and through the people participating in the discussion, we can find some way to prevent this takeover of the family farm by these large corporation units.

The CHAIRMAN. Well, we have been working on trying to protect the small farmer ever since I have been on this committee, but we have never been able as yet to devise some way of doing it.

You know, whenever your wage scale is raised to the point where it doesn't pay the farmer to farm, why he is going to quit and go to work for a $1.50 an hour. And to me that has been some of our trouble. I don't much blame them for leaving the farm to get more money from industry.

Thank you.

Any questions?

Senator YOUNG. Mr. Chairman, I would like to be excused. I am one of those who has the pleasant assignment of escorting a Cherry Blossom Princess at noon. I would rather stay here but I think I better go.

The CHAIRMAN. Oh, you wouldn't. Don't tell me that. [Laughter.]

Mr. DECHANT. Mr. Chairman, I would like to say that in connection with the question you asked Mr. Fichter, I think the Mondale bill could very well answer the matter you raised in terms of it being sufficient. We just want to make sure that either via the Mondale bill or via a bill that Mr. Talmadge introduced, that we would get at this problem.

The next man is Jack Hall, president of the Virginia Farmers Union.

The CHAIRMAN. Oh, yes.

Mr. DECHANT. Jack, would you please make your statement?

STATEMENT OF JACK HALL, PRESIDENT, VIRGINIA FARMERS UNION, RICHMOND, VA.

PEANUTS

Mr. HALL. Mr. Chairman and distinguished Members of the Senate, it gives me a great deal of pleasure to be able to appear before you today to discuss a crop that is certainly important to the southeastern area of the United States.

We Southerners probably have been accused of being conservative, and the definition of a conservative has been described, Mr. Chairman, as someone who is willing to do something about something but not just now.

Well, we are not that way, and I want to redefine that definition of a conservative as one who is willing to do something about something after proper consideration is given to the subject and reaching the right conclusion that we think, and then we come out for it and believe in it and fight for it. And today I am here for just that. Peanuts are one of the basic commodities. And it's the only one, Mr. Chairman and members of the committee, that also has a price sup-

port program and a minimum acreage restriction. And this has, with the increase in yields, tended to create an oversupply system that has depressed prices, and at this time we feel that some remedial action should be taken in reference to the peanut program.

Peanut producers have traditionally voted over 90 percent in favor of supply management or supply control. You can call it either way you want. It's the same thing—to control their product or the commodity that we have to keep the supply in line with the demand. We are willing to do so today. And I think some changes in legislation will have to occur for this to happen.

Now, in our——

The CHAIRMAN. Well, have you any suggestions as to what changes should be made?

Mr. HALL. Yes, sir. At our convention we approved the three following resolutions: We favor an increase in the support price of peanuts for domestic edible use to 100 percent of parity.

And, Mr. Chairman, we are not urging this be done all in one jump, one tremendous increase. Probably it could be done over a period of 3 to 4 years. We haven't had an increase in the price of peanuts since 1961.

Now, another resolution that we passed is that the Government policy should not encourage peanut production solely for oil unless this production is subsidized to return the full parity price, because it costs just as much to produce a pound of peanuts no matter what they're used for. And if it's uneconomical to use them in competition with other vegetable oil and fats, we feel that if the Government decides that it's to the public interest that this be done, probably for export or for domestic use, then it should be subsidized so that the farmer would at least get his costs for production plus a reasonable profit for his investment, land and equipment, and so forth. And that's why our recommendations are made this way.

We had a further recommendation, but it will be covered by one of the other speakers. For the sake of brevity, I see no reason to go into that because it is a general practice. Now, Mr. Chairman, the peanut growers in my area were here yesterday over in the Department and it alarms us to a certain extent that in some circles there is, sentiment has been expressed that we need to not go below 125 percent of our domestic needs in production. That's 25 percent surplus peanuts. And I think that it will kill us.

Not only the Congress, I don't think you people can justify the tremendous expenditures for such a program, and we would like to see the price of peanuts move up in the marketplace to the consumer who can certainly afford to pay a little more for the peanut content of the products they use, since we haven't had any increase in the price of peanuts in about 7 or 8 years. And we are ready any time to accept any concrete proposal. And this is our proposal, that we favor this increase in the support price of peanuts used the domestic market to 100 percent of parity. Then, if the Congress decides that it's in the public interest to produce these other peanuts—and I think that it is to a certain extent, but I don't say that we need to go overboard on it—we will take a little cut in income—we will have to.

The CHAIRMAN. Well, your edible peanuts take the jumbo produced in Virginia, you would want to put a special price on those?

Mr. HALL. No, no. All the edible peanuts or the ones used in peanut butter, and so forth.

The CHAIRMAN. Oh, I had it wrong.

Mr. HALL. But the peanuts that are crushed for oil and so forth, I think we need to at least take another look at it and see that we are not going a little too far in our production. If we stay at the 1,610,000-acre limitation with the increase in yields, we are getting ourselves into serious trouble.

The CHAIRMAN. Well, would your proposal reduce the production of peanuts that are now used to make oil?

Mr. HALL. Our proposal would include it if it were felt that it was in the public interest to produce these peanuts for oil and that the public would subsidize the farmer in the form of payments or some other means to produce them, because we can't compete with soybean oils, flaxseed oil, and these other oils with the cost of producing peanuts, which has increased, according to the land grant college in Virginia, Virginia Polytechnic Institute, 11 percent in the last 8 years. The cost of production has increased that much.

The CHAIRMAN. But the point I am trying to make is if your proposal is carried through to better produce edible peanuts in contrast to those for oils, the chances are that the payments of such peanuts would be so great that I doubt that the Congress would agree to it.

Mr. HALL. Well, you are probably right, sir. That's why we need to take a look at it and see if we are not producing a few too many peanuts for oil purposes.

Now, this would materially—well, it would tend to level the income received by farmers as this price for edible types came on up to 100 percent of parity so that farmer income would remain fairly static with what it is now.

We do need to take some serious looks at this thing and protect the farmer in these States where this is a major portion of their income. Peanuts are one of the best products, we think, for human consumption. We just dare you to eat one and you can't stop.

Mr. DECHANT. Thank you.

The CHAIRMAN. Well, before we go any further, I am greatly surprise that no witness so far has seriously criticized the Act of 1965 as to the operations, and to me that would indicate it's a pretty good law except you want more money.

Mr. DECHANT. That's right.

The CHAIRMAN. That's it.

Mr. HALL. That's right.

Thank you, Mr. Chairman.

Mr. DECHANT. I think the chairman summed it up.

The CHAIRMAN. That's it.

Mr. DECHANT. Next we would like to have the president, new president, incidentally, of the Montana Farmers Union, make a short statement. He happens, also, to be the spokesman of the minority party in the State legislature in Montana, Gordon Twedt.

The CHAIRMAN. Which is the minority party, the Republicans or Democrats?

Mr. TWEDT. The Democratic Party, sir—sad to say, that is the minority at the present time. We hope to change that.

The CHAIRMAN. Proceed.

STATEMENT OF GORDON TWEDT, PRESIDENT, MONTANA FARMERS UNION, GREAT FALLS, MONT.

COMMODITY RESERVES

Mr. TWEDT. Mr. Chairman, members of the committee, I am almost hesitant to take any more of your time. You have been extremely generous with time this morning, Mr. Chairman, and we appreciate it no end. But I would like to address myself to a subject that was mentioned previously a few minutes ago, that of the strategic reserves of feed grains, wheat, and soybeans and perhaps as it may concern other commodities.

First, I would like to draw just quickly a little homely parable that at 5 o'clock yesterday morning, my wife and my two young sons and I sat in the kitchen of our farm home and had a little conference about a strategic reserve. Outside there was a bitter, rather unexpected spring blizzard raging; a newborn calf on the verge of death was wrapped in an electric blanket in the utility room, and our decision was to open up the strategic reserve we have of hay and feed again to keep the cattle going. If we use it all up in this coming year, we will replace it from source or another. If we do not produce it, we will go into the market and buy it and replace the strategic reserve.

Now, in keeping with the longstanding policy of this committee under your able leadership, Mr. Chairman, we believe in constantly improving farm programs and extending the good ones that we have. This is where our emphasis is.

President Johnson called for the establishment of a security commodity reserve "to protect unforeseen emergency or variations between production estimates and actual need."

Now, he referred to the Food and Agriculture Act of 1965 and the food for freedom program as providing a "solid basis for this national strategy."

It is certainly true that the projected needs in terms of acres and bushels established under the 1965 act are based on anticipated domestic consumption and foreign demand including food for freedom shipments. Now, it would seem logical that a better balance could be maintained on a continuing basis between production and demand if a reserve of such commodities as wheat, feed grains, soybeans, cotton, and peanuts were to be maintained.

Now, I would like to file with the clerk of the committee, Mr. Chairman, a draft of a bill agreed upon by several general and commodity farm organizations. Now, these organizations were the National Grange, the National Farmers Union, the National Farmers Organization, the National Association of Wheat Growers, the Mid-continent Farmers Association, the National Association of Corn Growers, and the Grain Sorghum Producers Association. Personally, I think this is a rather imposing list of general and commodity organizations. This bill combines the best features of the bills introduced by Senators McGovern and Young and by Senator Monroney and Congressman Purcell.

Now, I also have available and will leave with the clerk a table prepared by Reuben L. Johnson, who is our director of Legisaltive Services, which compares provisions of the McGovern-Young and the

Monroney-Purcell bills with the compromise bill backed by these several organizations.

Now, we have learned through bitter experience the hardships that were brought on by uncontrolled production, and we also recognize the even more serious problem which can be brought about by the inability or refusal to produce adequate food and fiber. And so we submit these proposals in the spirit of expanding the farm program with the hope that the farmers can embark, that we can embark on a joint venture of farmers with our Government in providing food and fiber at a fair return to the producer and with adequate production for the consumer.

Mr. Chairman, with the submission of these, I thank you for the opportunity to appear before you.

(The documents are as follows:)

A BILL To provide for the establishment and maintenance of strategic reserve stocks of agricultural commodities by producers and the Commodity Credit Corporation for national security, public protection, meeting international commitments, and for other purposes

Be is enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That it is the policy of the Congress to establish and maintain reserves of storable agricultural commodities adequate to meet any foreseeable food and fiber shortage which might arise in the Nation as a consequence of any natural disaster, adverse food production conditions for one or more years, military actions, or other causes and to assist other nations of the world in any food emergency. It is further the policy of Congress to establish such reserves in years of surplus production and to maintain them to the maximum extent practicable in the control of producers, to assure their segregation from the commercial market so that existence of the reserves will not adversely affect the level of market prices.

SEC. 2. Whenever, during any marketing year the uncommitted stocks of wheat, feed grains, or soybeans owned by the Commodity Credit Corporation fall below the reserve level for such commodity specified below, the Commodity Credit Corporation may purchase at prevailing market prices such quantities of the commodity at such times and places as will effect the orderly establishment and maintenance of the Commodity Credit Corporation's stocks of the commodity at such reserve level. The reserve level of the commodity under this section for any marketing year shall be:

For wheat (million bushels)	200
For feed grains (million tons)	15
For soybeans (million bushels)	30

In any marketing year for any crop for which the Secretary determines that the estimated production from such crop will exceed estimated domestic consumption and exports during such marketing year by more than 10 per centum, the reserve level under this section shall be increased by 100 million bushels for wheat, 7.5 million tons for feed grains, and 15 million bushels for soybeans.

SEC. 3. In order to assure that the Commodity Credit Corporation reserve stocks of wheat, feed grains, and soybeans will be insulated from the market, whenever the Commodity Credit Corporation's stocks of any such commodity are below the level specified for such commodity in the schedule at the end of this section, Commodity Credit Corporation, notwithstanding the provisions of any other law, shall not sell for unrestricted domestic use or value for redemption of payment-in-kind certificates such commodity at less than the price specified in such schedule.

SCHEDULE OF CCC STOCK LEVELS AND PRICES

For wheat, when the Commodity Credit Corporation's uncommitted stocks are not more than two hundred million bushels, the minimum price shall be 100 per centum of the current parity price, adjusted for class, grade, and location, less the current cost of the marketing certificate charged to processors.

For feed grains, when Commodity Credit Corporation's uncommitted stocks are not more than fifteen million tons, the minimum price shall be 100 per centum of

the current parity price, adjusted for class, grade, and location, less the current price support payment rate with respect to the maximum permitted acreage for the feed grain.

For soybeans, when the Commodity Credit Corporation's uncommitted stocks are not more than thirty million bushels, the minimum price shall be 100 per centum of the current parity price, adjusted for class, grade, and location.

SEC. 4. Notwithstanding any other provision of this Act, for the purpose of efficient management of the reserve stocks, including rotation thereof, Commodity Credit Corporation may sell any commodity in its reserve at the domestic market price, but any such sale shall be offset by a prompt purchase of a substantially equivalent quantity of such commodity at the domestic market price.

SEC. 5. (a) The Secretary shal make available a program for extending the maturity dates of price support loans for any crop of wheat, feed grains, or soybeans, if he determines that the estimated production from such crop will exceed estimated domestic consumption and exports during the marketing year for such crop. The Secretary shall estimate the production from each crop and the domestic consumption and exports for the marketing year for such crop within 30 days after the beginning of such marketing year and at any subsequent time during the marketing year when he finds that changed circumstances require a new estimate. If in any marketing year when the Secretary has made such a determination, extended loans on wheat, feed grains, or soybeans of any crop are called and the quantity of the commodity under such extended loans is not substantially offset by the quantity placed under the extended loan program from the current crop, the Commodity Credit Corporation shall purchase such additional quantity of the commodity at the prices specified in section 2 as will substantially offset the quantity of the commodity under extended loans which are called.

(b) The Secretary shall make extended loan programs available under subsection (a) or otherwise and exercise the right to call extended loans in a manner which will enable producers so far as possible to maintain at the end of each marketing year carryover stocks under such programs of approximately 100 million bushels of wheat, 7.5 million tons of feed grains, and 15 million bushels of soybeans. In the case of any marketing year for any crop for which the Secretary determines that the estimated production will exceed domestic consumption and exports during such marketing year by more than 10 per centum, the Secretary may conduct the program in a manner which will enable producers to maintain at the end of such marketing year carryover stocks of up to 200 million bushels of wheat, 15 million tons of feed grains, and 30 million bushels of soybeans.

(c) The Secretary shall offer to enter into agreements with producers under which the producer shall agree to keep such commodity in storage under his control for periods of not to exceed three years, and the Secretary shall agree not to call the loans in such cases unless the prevailing marketing price for the commodity has reached the level at which Commodity Credit Corporation may sell such commodity for unrestricted domestic use under the pricing schedule provided in section 3 and the Secretary determines that the commodity is needed to meet a shortage which has arisen as a consequence of a natural disaster, adverse food production conditions for one or more years, military actions, or other causes: *Provided*, That notwithstanding the foregoing restrictions, the Secretary may call the loans in the case of commodities which have substantially deteriorated in quality or as to which there is a danger of loss or waste through deterioration or spoilage or for the purpose of establishing claims arising out of contract or against persons who have committed fraud, misrepresentation, or other wrongful acts with respect to the commodity. The Secretary is authorized to provide incentives necessary to encourage farmers to store under such agreements approximately 100 million bushels of wheat, 7.5 million tons of feed grains, and 15 million bushels of soybeans. To the extent that the quantity of any commodity stored by producers under this subsection falls below such level, the Commodity Credit Corporation may purchase an additional quantity of the commodity to offset the deficiency.

EMERGENCY RESERVE BILLS, 2D SESS., 90TH CONG.

Provision	Compromise bill backed by 7 organizations			Monroney-Purcell S. 2743 [1]—H.R. 14329	McGovern S. 2617 [1]
	Reseal on farms	Farmers contracts	CCC publicly owned		
1. Amount of reserve:					
Wheat	100,000,000 bushels [2]	100,000,000 bushels	200,000,000 bushels [2]	20 percent of use, about 300,000,000 bushels.	200,000,000 bushels.
Feed grains	7,500,000 tons [2]	7,500,000 tons	15,000,000 tons [2]	15 percent of use, about 25,000,000 tons.	14,000,000 tons.
Soybeans	15,000,000 bushels [2]	15,000,000 bushels	30,000,000 bushesl [2]	6 percent of use, about 55,000,000 bushels.	75,000,000 bushels.
2. Maximum acquisition price	None	None	None	115 percent of loan plus carrying charges.	Advance to farmers 115 percent of loan plus storage.
3. Minimum resale price:					
(a) Wheat	Producer option, no minimum price at release date.	Stocks below above levels; parity price less 75-cent certificate ($1.82 per bushel).		Total carryover: 350,000,000 bushesl or less—100 percent parity less processor certificates about $1.86 per bushel.	Not specified. Farmers held reserve could be sold only by farmers. Likely not less than advance price of 115 percent of loan plus storage.
(b) Feed grains	do	Stocks below above levels; parity price less adjusted payment. ($1.42 per bushel on corn).		25,000,000 tons or less—100 percent of parity less p.s. payment about $1.43 per bushel.	
(c) Soybeans	do	Stocks below above levels: Parity price $3.32 per bushel		35,000,000 bushels or less—100 percent or parity about $3.30 per bushel.	
4. Reserve held by—	Farmers	Farmers	CCC	CCC	Farmers.
5. Provision for emerency release at prices other than above.	None	In addition to minimum resale price, natural disaster, low production, military action would control release.		No	No. Released when carryout is below percentage of requirements; wheat, 15; feed grains, 10; soybeans, 5.
6. Expiration date		Permanent	Permanent	Permanent	Applies only to 1967 crop.

[1] Hearings; Subcommittee No. 3, Senate Committee on Agriculture and Forestry, Jan. 30-31, 1968.

[2] When estimated consumption, including exports, exceed production by more than 10 percent, reserve levels under both reseal and in CCC reserves will be increased by 100,000,000 bushels of wheat, 7,500,000 tons of feed grains, and 15,000,000 bushels of soybeans.

The CHAIRMAN. Well, you know, as I pointed out awhile ago, Mr. Twedt, what gave rise to the 1965 act and legislation prior to that around 1961 was the enormous surpluses we had on hand. It was felt then that these enormous surpluses had the tendency of affecting the price because they dangle over the market. We had a lot of cotton on hand, and as I remember, 84, plus million tons of feed grains. So this committee was urged to do something about reducing all of that. And now that we have reduced them somebody wants to increase them, and I just can't understand that.

Mr. TWEDT. Mr. Chairman, I would submit that speaking for my neighbors and my fellow farmers and ranchers in my State, we recognize this problem, and I would venture a guess that if we were to have the chance to again vote for or against the supply management program, I think that we would vote for the supply management program. But, at the same time, there is this nagging fear that somewhere along the line conditions beyond our control productionwise would—because of underplanting of acres in order to keep this production at a reasonable level, we would fail to produce. Another spring storm could come that would wipe out part of our production. So, consequently we feel that this can be done, that this can be put in such a way that it will not have a depressing effect on the market. I think we have the knowledge and the know how amongst our people in the country to do the job.

The CHAIRMAN. But that hasn't happened in over 25 years now. We have produced good crops all along. And I attribute that to our new methods of cultivation, conservation, water conservation as well, and it strikes me that under the laws as we now have them, even Public Law 480 under which we can dispose of these surpluses, we must retain a sufficient amount at home to satisfy domestic use before we ship abroad. We are protected by that law. And what a huge surplus of wheat on hand will do or a huge surplus of cotton will do, I can't for the life of me see why it is that some are advocating that we go back and place ourselves in that same position.

Now, I know that some Senators are willing to do that because of world conditions—they want to feed the world, some of them, but I don't. I don't think that we ought to use all of our land because of a few under-fed people here or there—something that has been going on since the year one. And our population is continuing to increase, and we must nourish our land; we must nurture it; we must protect it; we must do everything we can in order to protect it and preserve it for the future.

I am a firm believer in that. But for us to take that land and continue to pile up and hold a large surplus on hand is something that I don't think will do the farmer any good.

Senator McGOVERN. Mr. Chairman, on that point I think it's a question of proportion. This proposal that Mr. Twedt referred to is really not a return to the enormous surpluses of the 1950's and the early 1960's. What he is talking about is really a very modest amount of carryover, 200 or 300 million bushels, that you would put into a strategic reserve isolated from the market. We are not talking here about billions of dollars worth of commodities or the kind that piled up in the 1950's.

The CHAIRMAN. Well, if I am to read the bills that were before this committee correctly, you would have quite a few hundreds of

millions aside from the carryover. You see, our carryover today of wheat over and above our own requirements, domestic as well as exported, as well as used for Public Law 480 surplus disposal is about how much it is, but it is way up above our normal carryover. And half a billion tons—I mean bushels of wheat. Corn, I don't know we are now getting to a point where we are getting cotton in line with consumption requirements. And if we can get the farmers to plant cotton that the mills can use and do away with this seven-eighths inch and lower, I think we can make headway in producing this commodity under better conditions. And, of course, with the further provision that the farmers can get a just price for that commodity, not from the Government alone but from those who use and consume this cotton, you see.

Senator McGovern. Well, I wouldn't support legislation that I thought would return us to the surpluses we had 10 years ago. I think this is a rather modest proposal though, to give us a cushion in emergencies that we may need. I also think you can make a pretty good argument that instead of encouraging excess production, this may work in the opposite way.

One of the reasons the Secretary authorized such a large increase in wheat production last year is that we really didn't know what we would have in reserve to take care of an expected expansion of shipments overseas. If there had been a locked-up strategic reserve to draw upon, he could have set those acreage allotments a little tighter without being worried about running out of food. And actually——

The Chairman. And you would thereby reduce the farmer's income. That's what he doesn't want.

Senator McGovern. He gets the benefit on the income side from taking the excess that you have from time to time off the market and locking it up. I think the Department estimated on the Purcell bill, which is not the one that Mr. Twedt is proposing here, that even that one would result in at least a 10-cent-per-bushel increase in the price of wheat and corn. I am convinced you could use this strategic reserve in such a way as to avoid excessive production. You give the Secretary another tool that would enable him to gear those allotments more closely to what we need. He wouldn't have to allow for a margin of error on the low side because he could draw on that reserve if we had a shortage, as Mr. Twedt pointed out.

The Chairman. Well, I have the hunch—and I may be wrong—that these huge reserves are being advocated for more or less the express purpose of having food to take care of hungry people other than the United States. And here is what has happened in the past, Senator McGovern.

I have been on this committee 31 years. Any time that good old Uncle Sam has on hand a huge amount of wheat—and when I say huge, I mean over and above what the normal carryover is—of course, that's what you want, over and above your normal carryover—the tendency is for these foreign countries that need our food, they are going to use their hard cash or hard currency to buy from others and hope that they can get Uncle Sam, because he has it on hand, to sell to them and use their lousy soft currencies. We have enough—I don't know how many billions of dollars we have of that today. I know it's well over 3 billion. Any time these countries are in need

of food, they don't go to anybody but Uncle Sam, because Uncle Sam has in the past provided it. We have been very liberal about it.

Now, I am not against doing our share of it, but I will be darned if I am in favor of carrying 80 percent of the load. And that's what we have been doing in the past. And in my humble judgment these huge surpluses or these surpluses that would be provided for over and above your normal carryovers would serve the purpose in getting these people to buy, use their hard currencies from Western Europe and other places to buy what they, not exactly all they need but to supplant what they have and then with the expectancy to get Uncle Sam to produce the difference. And that's the way it has worked in the past. I know what I am talking about because I have been on this committee and seen what happened before. I have handled every piece of legislation, as you know, that pertains to Public Law 480. We heard a lot of people testify, and invariably you have a lot of people who say that we ought to provide a good deal more in the future in order to take care of these contingencies. It may be that instead of India producing 90 million tons of food, as she did the last time, or 100 million, she might produce only 70; therefore, we ought to have it on hand to protect them.

Well, I don't believe in that.

Thank you, sir.

Mr. TWEDT. Thank you.

Mr. DECHANT. Mr. Chairman, the last man we have on the program is the president of the South Dakota Farmers Union, Ben Radcliff.

STATEMENT OF BENJAMIN RADCLIFFE, PRESIDENT, SOUTH DAKOTA FARMERS UNION, HURON, S. DAK.

Mr. RADCLIFFE. Mr. Chairman.

The CHAIRMAN. All right, sir.

GENERAL

Mr. RADCLIFFE. Members of the committee, I want to discuss the family farm, protection and promotion of the family farm.

We consider the family-type farm to be the keystone in our highly successful agricultural system. We believe further that the interest and welfare of the Nation is inherent in the preservation of a family farm pattern of agriculture.

When the management of a farm is taken away from those who supply the management, labor and capital, there is loss of initiative, skill and prudent judgment which has made possible the efficiency of our family-farm agriculture and our ability to produce an abundance.

A "family farm" is an agricultural production unit, economically adquat to produce modern U.S. standards of living, using land and other capital investment, operated by one or more farm operator families, who provide the management, take the economic risk and do most of the work (peak seasons excepted) required to operate the unit.

Numerous studies have shown the family-operated farm to be more efficient than large industrial agricultural units. Family farms are at an economic disadvantage because of inadequate productive resources and bargaining power.

The continuous attacks being made on Federal farm programs often center on the fact that giant farms are receiving millions of dollars in farm program benefits and that present farm programs too often have favored the big (larger-than-family) farms. A report issued by the U.S. Department of Agriculture in mid-1967 lends credence to that charge.

Of the $3 billion plus paid out in Federal farm program benefits in 1966, over 1 billion went to farms receiving $5,000 or more. Nine farms collected over $1 million each, with two of these super farms collecting over 2 million each. Included are acreage diversion payments, price support payments, wheat certificates, wool and sugar payments as well as ACP and cropland diversion payment. Not included are price support loans or purchases.

In the broad national interests Congress is called upon to enact legislation to assure parity prices and income protection only up to a family-farm level of production. In order to determine this level as a matter of practical administration, th USDA should make a study directed to defining such farms on a county-by-county basis.

We know the arguments against such proposals in the main area that this would discourage program compliance by larger-than-family farm producers, who would stay out of the program, overplant, and thereby cripple the program.

We believe this objection can be met by a well-devised program, particularly in those commodities where the present program includes certificate and price support payments.

Using wheat for an example, with the combined certificate and payment on domestic production equaling $1.36 per bushel, the blend price to the producer who complies amounts to 54 cents per bushel on all his production.

It is hardly conceivable in this day of high-cost operation that a commercial wheat farmer of any consequence would plant acreage to wheat anticipating a price of 54 cents per bushel below the price that his neighbor would receive.

The upshot of this program would not be all-out production by big farm units, but rather encouragement of a family-type pattern of agriculture. This would not only provide more opportunities for entry into farming, it would provide greater economic stimulus to farm families and their communities that is desperately needed in rural America today. Channeling program benefits to family-type farmers would quiet the voice of the critics.

And just a comment on the sale and lease authority.

Consistent with promotion and protection of the family-type agriculture, we oppose the sale and lease of marketing quotas and acreage allotments. If this practice becomes widespread it will result in loss of many additional farm families and further economic deterioration of rural business opportunities driving more people into already overcrowded cities.

Delegates to our recent convention called for an end to "the efforts of the U.S. Department of Agriculture to win congressional approval of legislation to weaken the traditional role of ASCS committees in administering such transfer."

Adjustments of quotas or allotments should be consistent with the objective of strengthening the family farm structure of agriculture. In such adjustments, priority should be given to families entering

farming and so-called hardship cases where additional quotas or allotments are needed to make a fully sufficient family-farm unit. Protection should be afforded individual farm units from encroachment by large factory-in-the-field operations. Adjustments of quotas and allotments should be managed in such a way as to assure that they are not subject to becoming a part and parcel of vertically integrated production, processing, and marketing units.

Thank you, Mr. Chairman.

The CHAIRMAN. Any questions?

Senator McGOVERN. Mr. Chairman, I would be interested in Mr. Radcliffe's general observation about the growing tendency on the part of absentee or urban-type investors to use farms to get a tax credit. Maybe that was discussed before I came in today, but I think it is a growing problem in a good many parts of the country. I would be interested in any observations he has to make on that.

Mr. RADCLIFFE. Well, of course, it is a problem, and we have done some studies in South Dakota that show that corporations own agricultural land in our State totaling 1.6 million acres. The equivalent of five medium-sized counties in our State is in agriculture land owned by corporations. And, obviously, many of these corporations are using their agriculture investment as a tax writeoff, double cropping the land, so to speak, one crop is for sale and one crop is a tax deduction against their nonfarm income. We do support the Metcalf bill to restrict this kind of tax loss farming.

The CHAIRMAN. Well, of course, the program that we enacted here was in order to reduce acreage, reduce production——

Mr. RADCLIFFE. Right.

The CHAIRMAN (continuing). So as to give a better price. Now, whether that reduction is made by a large farm or a small farm, it doesn't make any difference. You obtain your goal.

Mr. RADCLIFFE. Yes.

The CHAIRMAN. Isn't that true?

Mr. RADCLIFFE. Sure, it's true, but I am sure you have read the Reader's Digest article written by Congressman Findley who really zeroes in and hangs his hat on the fact that millions and millions of dollars are going to big farms, much larger than family farms.

The CHAIRMAN. Well, what would be the difference? The plan, as I said, that we had here altogether was to reduce wheat acreage, to reduce cotton acreage, and in order to get this reduction, whether the reduction, as I said, is done by a corporation or the small farmer, I can't see any difference.

Now, don't misunderstand me when I say that. I believe that something ought to be done to keep the farmer on the farm.

Mr. RADCLIFFE. I appreciate that.

The CHAIRMAN. I know that. But I would like to know how. That's something that we would like to work on. It's nice to say it, yes, let's keep them there, but how will you keep them there? My fear is that subsidies would be so great that I don't think that you could possibly get a bill through Congress, particularly when you have here a situation where your minimum wage now is $1.60 in industry.

Mr. RADCLIFFE. Right.

The CHAIRMAN. Some of that is applied to the farm. And on farms where you have a lot of hand labor, my God, it would break you over-

night to have to pay even a dollar an hour for work. And I tell you it's a rather difficult problem, and I have burned a lot of midnight oil trying to figure out some way to do it, but I must confess that I haven't found any yet, and I'm still looking around. And if during these hearings anybody can suggest a plan which Congress could adopt, I would be the first to advocate it.

Mr. RADCLIFFE. Well, we will help you look.

The CHAIRMAN. OK. Thanks.

Mr. DECHANT. Mr. Chairman, you have been most generous with me and my associates this morning. I would like to suggest, if I may, that the pages 11, 12, and 13, and the tables 1, 2, and 3, be inserted in the record rather than my reading them.

The CHAIRMAN. Without objection that will be done, sir.

Mr. DECHANT. And if the record can show that in addition to the associates that I introduced, we also have with us today the following men: Bill McCarty, the vice president of the Arkansas Farmers Union; Robert Elkins, president of the Washington-Oregon Farmers Union; Carl Shisler, president of the Utah-South Idaho Farmers Union; Sidney Gross, president of the Iowa Farmers Union; Harold Wright, president of the Indiana Farmers Union, and Mr. Johnson, president of the Michigan Farmers Union.

The CHAIRMAN. Very well.

Mr. DECHANT. Mr. Chairman, the Farmers Union is very much concerned about the conditions in agriculture at the moment. We are below the 75-percent-of-parity mark. And on many occasions I have heard you say in this room that you welcomed witnesses that spoke out and asked for improvement in programs, and this we have tried to do today. Farmers Union will, I hope, never be guilty of asking for too little.

The CHAIRMAN. Well, for one thing, you're not timid.

Mr. DECHANT. Thank you very much, Mr. Chairman.

The CHAIRMAN. OK.

(The pages and tables referred to follow:)

ECONOMIC SITUATION—PRICE SUPPORT LEVELS

The adjusted parity ratio now stands at 80 (March 15, 1968).

Farmers Union's goal is *100 percent of parity price* for all commodities. We believe that the Members of this Committee will agree that farmers are entitled to returns at the full parity price level. Delegates to our recent convention adopted a policy statement which states: "*Price parity is an essential first step toward income parity.*"

Present support levels for selected commodities are as follows: Wheat (blend price) *73 percent;* corn *83.9 percent;* grain sorghum *82.6 percent;* barley *67.7 percent;* oats *71.6 percent;* rye *73.4 percent;* rice *67.8 percent;* soybeans *74.9 percent;* flaxseed *73 percent;* cottonseed *70.4 percent;* cotton *74.2 percent;* peanuts *74.7 percent;* dry beans *62.5 percent;* manufacturing milk *90 percent;* butterfat *77.6 percent;* tobacco (11–14 type) *72.0 percent* and wool *76.7 percent.*

Table I which includes these percentages is attached.

Congress has authorized price support at 90 percent of parity for the commodities listed above.

We urge Members of the Committee to carefully review the steps that are required to increase prices to the level of parity. At a very minimum, prices should be supported at the maximum levels authorized by the Congress.

I call attention to Table II which is also attached.

ECONOMIC SITUATION—FARMERS COMPARED TO OTHER GROUPS

Since 1947 *net farm income*, including inventory change is *down from $15.5 to $14.9 billion, a decrease of 3.9 percent.*

During this same period the *Gross National Product has increased by 238.1 percent.* The most shocking fact is that while net farm income has dropped since 1947 non-farm groups have shared substantially in the increase in the Nation's income growth over this period.

Interest received by creditors is up *467 percent.*

Dividends received by stockholders is up *250.8 percent.*

Business and professional income is up *119 percent.*

Rental income of landlords is up *209.2 percent.*

It is interesting to note the wide disparity between the above groups and manufacturing workers. Their increase was *91.8 percent* (1947–1967).

Again let me point out that *farmers lost income over the 20-year period* while others have *increased* their income.

We simply do not know any better comparison to make to justify our asking for improvements in the price and income levels of farm programs.

In this connection, I call your attention to Table III.

HOW MUCH WOULD IT COST IF ALL PRICE SUPPORTS WERE INCREASED TO THE MAXIMUM?

We prepared a table last year which indicates that gross *farm income could be increased by about four and one-half billion dollars if all price support levels were raised to the maximum allowable under existing law.* We calculate roughly that approximately three billion dollars of this amount would be retained by farmers as net income.

We would also point out that numerous studies show that a *cut of one dollar* in the appropriations for farm programs would result in a *two dollar loss* in net farm income. Conversely, an *increase of one dollar* in the appropriations for farm programs should result in a *two-dollar increase* in net farm income.

The conclusion we draw from these figures is that the Congress could provide farmers with *three billion dollars more* net income by adding one and one-half billion dollars to the Federal Farm Program Budget.

We think that would be a *sound investment* for our Nation to make.

Farmers are faced with *rising production costs.* Because of this, it is *ridiculous* for the Budget Bureau to go on year-after-year attempting to *hold the budget* for farm programs *at a constant level.*

Everybody else in the economy *adjusts prices to costs* so that profit can be maintained. Farmers are *not* in the position *to establish prices on their production.* Therefore, in order to get the needed increase in income, *there must be a substantial addition to the budget for commodity programs.*

TABLE I.—SUPPORT PRICES FOR FARM COMMODITIES (COMPARISONS WITH 1960 SUPPORT)

	Unit	100 percent parity price February 1968	1968 support	1968 percent of parity	1960 support	1960 percent of parity
Wheat	Bushel	$2.59	(1)	100.0	[2] $1.78	75.0
			[3] $1.25	48.3		
Corn	do	1.61	[4] 1.35	83.9	1.06	65.0
Sorghum	Hundredweight [5]	2.59	[4] 2.14	82.6	1.52	61.1
Barley	Bushel [5]	1.33	.90	67.7	.77	61.0
Oats	do [6]	.88	.63	71.6	.50	60.0
Rye	do [5]	1.39	1.02	73.4	.90	60.0
Rice	Hundredweight	6.79	4.60	67.8	4.42	75.0
Soybeans	Bushel	3.34	2.50	74.9	1.85	64.0
Flaxseed	do	3.97	2.90	73.0	2.38	62.0
Cottonseed	Ton	68.20	48.00	70.4	38.00	57.0
Cotton	Pound [7]	.438	[8] .325	74.0	.324	75.0
Peanuts	Ton	304.00	227.00	74.7	201.24	78.6
Dry beans	Hundredweight	10.20	6.37	62.5	5.35	60.5
Milk, manufacturing	do	4.76	4.28	90.0	[9] 3.22	80.0
Butterfat	Pound	.856	.66	77.6	[9] .596	80.0
Tobacco (11–14)	do	.856	.616	72.0	.555	90.0
Wool	do	.873	.67	76.7	.62	86.0

[1] Support for domestic food use—$1.25 loan rate plus 75 cents certificate and direct payment on 520 million bushels to parity price.
[2] All wheat.
[3] Support for export use—$1.25 loan rate.
[4] Includes price support payment on ½ of base acreage as follows: Corn, 30 cents; Sorghum, 53 cents; corn and grain sorghum loan rates are $1.05 and $1.61, respectively. 20-percent reduction (minimum) from feed grains base required to qualify for payment. (Barley has been dropped from the program.)
[5] No. 2 or better.
[6] No. 3.
[7] Middling 1-inch upland.
[8] Includes price support payment of 12.24 cents per pound—to qualifying producers. (Except 10-acre-or-under producers—or projected production from allotment of 3,600 pounds or under—get higher price without reduction.) Program provides: (1) basic price support loan on actual production of acres planted for harvest if effective farm allotment (EFA) is underplanted by at least 12½ percent; (2) additional price support (payments) on projected yield of acres planted within domestic farm allotment (DFA); and (3) diverison payments on acreage diverted (not less than 12½ percent or more than 35 percent).
[9] Support price for period Sept. 17, 1960 to Mar. 9, 1961. Support prior to this was $3.06 per hundredweight for milk and $0.566 a pound for butterfat.

TABLE II.—COMPARISON OF CONGRESSIONAL AUTHORIZED LEVELS OF PRICE SUPPORTS WITH CURRENT LEVEL OF USDA PRICE SUPPORT

Supported commodities	Unit	Congressional directed range of support (percent)	Current level of USDA support	
			Amount	Percent
Wheat	Bushel (domestic)	100	$2.59	100.0
	Bushel (export)	0–100	1.25	48.3
Corn	Bushel	[1] 65–90	1.35	[2] 83.9
Sorghum	Hundredweight	[1] 65–90	2.14	[2] 82.6
Barley	Bushel	[3] 65–90	.90	67.7
Oats	do	[3] 65–90	.63	71.6
Rice	Hundredweight	65–90	4.60	67.8
Soybeans	Bushel	0–90	2.50	74.9
Flaxseed	do	0–90	2.90	73.0
Cottonseed	Ton	0–90	48.00	70.4
Cotton	Pound	65–90	.325	74.2
Peanuts	Ton	75–90	227.00	74.7
Dry beans	Hundredweight	0–90	6.37	62.5
Milk (manufacturing)	do	75–90	4.28	90.0
Tobacco	Pound	(4)	.616	
Wool	do	(5)	.67	76.7

[1] If acreage diversion program is in effect.
[2] Includes price-support payment for 1967 on ½ of base acreage as follows: corn, 30 cents; sorghum, 53 cents; corn and grain sorghum loan rates are $1.05 and $1.61, respectively. 20 percent reduction (maximum) from feed grains base required to qualify for payment. (Barley has been dropped from the program.)
[3] Such level of the parity price for each as is fair and reasonable in relation to the level at which corn is supported.
[4] Adjusted annually in accordance with changes between the 1959 parity index and the average parity index for the 3 years preceding the year for which support is being determined.
[5] Adjusted annually by multiplying 62 cents by the average parity index for 3 calendar years, 1958, 1959, and 1960.

TABLE III.—FARM ECONOMIC SITUATION COMPARED WITH OTHER GROUPS

[Gross national product has increased 238.1 percent since 1947 with nonfarm groups sharing substantially in the increase in the Nation's growth—but farmers' net income has decreased by 3.9 percent since 1947]

[Dollar amounts in billions]

	1947	1961	1965	1966	1967	Percent charge 1947 to 1967
Farmers' total net income [1]	$15.5	$12.9	$14.9	$16.2	$14.9	−3.9
Farmers' total gross income	34.0	39.6	44.8	49.7	48.9	+30.5
Farmers' production expenses	16.8	27.0	30.9	33.2	34.4	+105.0
Interest received by creditors	8.2	25.0	38.4	42.4	46.5	+467.0
Dividends received by corporation stockholders	6.5	13.8	19.8	21.5	22.8	+250.8
Business and professional income	19.9	35.6	41.9	43.2	43.6	+119.1
Rental income of landlords	6.5	16.0	19.0	19.4	20.1	+209.2
Average weekly earnings of all manufacturing workers	59.92	92.34	107.53	111.92	114.90	+91.8
Gross national product	232.2	520.1	683.9	743.3	785.1	+238.1

[1] Including net inventory change.

Note: Unemployment—February 1968 (seasonally adjusted annual rate): 2,980,000; percent of labor force, 3.7.

Source: Economic Indicators, published by President's Council of Economic Advisers, March 1968.

The CHAIRMAN. All right, our next witness is Mr. Staley.

I understand Mr. Staley is not here. Let the record indicate that I called his name and he did not respond.

Mr. GRANT. Off the record.

(Discussion off the record.)

The CHAIRMAN. All right.

STATEMENT OF WILLARD J. GRANT, FIRST VICE PRESIDENT, AND PATRICK B. HEALY, ASSISTANT SECRETARY, NATIONAL MILK PRODUCERS FEDERATION

Mr. GRANT. Mr. Chairman, members of the committee, by name is Willard J. Grant, and I reside at 4532 North 112th Street in Omaha, Nebr. I am employed in the capacity of general manager of the Nebraska-Iowa Cooperative Milk Association with general offices at 319 North 72d Street in Omaha. I am also the first vice president of the National Milk Producers Federation, and I appear before this committee in behalf of its many thousands of diary farmers across the country and their farmer-owned cooperatives to present our views on legislation that the dairy farmers feel is vital to their economic welfare. I have a prepared statement that I would like to present to the committee at this time, if I may.

The CHAIRMAN. You may.

DAIRY

Mr. GRANT. The National Milk Producers Federation is a national farm commodity organization, incorporated in 1916. It represents dairy farmers and cooperative associations marketing milk, on a cost basis, throughout the United States. The cooperative associations affiliated with the federation have dairy farmer members in 49 States, and do business in all 50 States of the Union. Some of the member cooperatives sell milk to dairy processing plants. A substantial part

of the milk, however, is processed in farmer-owned plants and is marketed as fluid milk and dairy products.

Dairy farmers are among the principal users of the cooperative form of marketing. The Congress, in numerous legislative enactments, has recognized the enormous contribution to American agriculture made by farmer marketing cooperatives, and it is the policy of the Congress to encourage their development and growth.

We are pleased to have this opportunity of appearing before this committee to discuss proposals to improve the economic position of the dairy farmer. Dairymen have been plagued with low prices and rising costs for several years. They have benefited substantially from the price-support program, the Federal milk marketing order program and from other legislative enactments. However, they have been faced with milk supplies, particularly butterfat, in excess of commercial market requirements. This imbalance between supply and demand has been aggravated, on one hand, by the pressure of imports from abroad, and, on the other, by a persistent decline in butterfat consumption in fluid milk and in butter, which together provide a market for 75 percent of total butterfat in milk sold by farmers.

We will limit our testimony today to a few vital areas which we feel merit the support of this committee and of the Congress.

1. *The Dairy Import Act of 1967—S. 612.*—At this time I would like to take this opportunity to thank the members of this committee and other Senators who supported the dairy farmer with their vote on the floor of the Senate last Friday afternoon.

The CHAIRMAN. I did.

Mr. GRANT. Yes, sir; you did. We appreciate it.

We urge your support in seeking passage of the Dairy Import Act of 1967. This bill, S. 612, was introduced early in 1967 and is sponsored by 59 Senators. Similar legislation has been introduced by 200 Members of the House of Representatives.

In our opinion, it was a direct result of support for this legislation by those sponsoring the bill in both Houses of Congress that led to a Presidential proclamation, effective July 1, 1967, limiting the flow of imports of some dairy products from abroad. These imports were largely made in evasion of quotas established by the Tariff Commission under section 22 of the Agricultural Adjustment Act.

The Presidential proclamation, although helpful, did not bring imports under permanent or effective control. Even now, additional commodities are entering the United States. Commodities under quota may find entrance through modifications in container types and sizes. Imports of chocolate crumb, which is milk solids containing sugar, chocolate, and perhaps other ingredients, are increasing. Evaporated milk, which is not subject to quotas, but had been controlled by the Import Milk Act, can now be imported in unlimited quantities.

Experience in controlling imports under section 22 of the Agricultural Adjustment Act proves conclusively that new legislation is badly needed.

S. 612 would provide mandatory quotas on all dairy products imported. The quotas, in total would equal the average of imports during the 5-year period, 1961 through 1965. The amount would be subject to upward or downward adjustment in response to changes in consumption within the United States.

We should like to submit copies of our booklet entitled "Invasion by Evasion" for the convenience of the committee. The booklet describes the need for new legislation and contains a copy of S. 612. And I think all members of the committee have that.

The CHAIRMAN. Yes, file that with the committee.

Mr. GRANT. 2. *The butter-plant-payment program.*—We urge that this committee support S. 2527, a bill authorizing an additional method to maintain and enhance returns to dairy farmers, while making butter available to consumers at lower prices. The proposal is not intended to repeal, eliminate, or replace the CCC purchase method of price support for milk and butterfat.

The bill, S. 2527, was introduced by Senator Mondale, and is cosponsored by Senators McGovern, Mundt, McCarthy, Young of North Dakota, Burdick, and Carlson.

The mechanics of the program are relatively simple. It is designed to strengthen the market for dairy farmers, but, in effect, it is a consumer subsidy. Many are loathe to consider such a program on its merits on the basis that they do not approve of subsidies. But it should be recognized that subsidies exist, not only in agriculture but in many other lines of industry.

When compared to the present purchase program for price support, the proposal would be more costly insofar as Government funds are concerned. The total public outlays under the proposal, however, would be much more favorable. The public outlays include both the cost to the Government, which is paid in taxes and the amount of money spent in the market for dairy products. When the proposal is viewed from that standpoint, the butter plant payment program would not be costly because consumers would have the benefit of lower butter prices.

The CHAIRMAN. Well, have you an idea of the cost of this program in addition to what you are now spending now to assist the dairy farmer?

Mr. HEALY. Senator Ellender, there is in the passage that you have an outline——

The CHAIRMAN. Just read some of it.

Mr. HEALY. Yes, sir.

The CHAIRMAN. Just the round amount.

Mr. HEALY. Well, the round amount just at a billion pounds of civilian commercial consumption of butter, CCC spends about $185 million to buy butter. Then consumers spend a little over $800 million which puts the total cost of the utilization of butter at just about a billion dollars.

Under the program Mr. Grant is talking about right now, the payments would amount to about $270 million, whereas the civilian outlay for butter would be at about $735 million, which would also put the total outlay for butter at about a billion dollars.

The CHAIRMAN. Would that in any manner encourage the production of more milk?

Mr. HEALY. No, sir.

Mr. GRANT. No, sir.

Mr. HEALY. No, sir; because this program is not designed to increase farm income. We would keep the price of butterfat to the farmer at its current level. The only design of the program is to reduce the cost of butter to the consuming public so that more of it

would be eaten, less of it would have to be bought by Commodity Credit Corporation.

The CHAIRMAN. I notice that a table that I have before me that the total immediate expenditures for the dairy program for 1960 which includes a Public Law 480 program, and then the 1967 program cost $304.9 million which includes $66 million in Public Law 480, and during the year 1966 the cost was only $93.9 million. And you would want to make that go up to a billion now?

Mr. HEALY. No, sir.

Mr. GRANT. No, sir.

The CHAIRMAN. How much would it go up? That is what I asked you. You mentioned a billion dollars awhile ago. That is what I am wondering. How much would the overall cost be? Put it that way. I gave you the figures that are now prevalent.

Mr. HEALY. Yes, sir. The figures that I quoted to you had to do with butter only because this program would be related to butter only. The figures you quoted, which are the same ones that we have to work with, include butter and cheese and nonfat and all of the dairy commodities which CCC buys.

Now, out of that $304 million for 1967, $180 million of those dollars was spent for butter. Under the program we are proposing here, $270 million would be spent for butter or an increase of $86 million. But the program would reduce civilian costs of butter, when they go to the store and buy butter, by almost an identical amount of money.

What we are saying is that the total dollar outlay by the people who both buy butter and pay taxes would be relatively unchanged, the difference being that CCC would buy no butter; it would all go into the hands of the people who pay the taxes.

The CHAIRMAN. Well, we had the identical argument made to us in 1965 and 1961 and 1963 by the cotton people. I can see Mr. Hodges, who was then Secretary of Commerce, saying, why Senator, the benefits to the consumer would be at least $600 to $700 million a year. But instead of being a decrease it actually increased. I am not too impressed with what you expect will be spread around to the consumer. There is always some way whereby the retailer or distributor of this butter will get more out of it than you think he will.

Mr. HEALY. Senator, what we are proposing is that this be written into the law as an additional method to handle price supports for butter. The legislation which is before this committee would authorize the Secretary of Agriculture to do this and the other. And we think—when I say "we" I am talking here in representation of the people who handle about 80 percent of the butter in this country—that certainly there is enough merit in this plan that the authorization should be there and that the Secretary be authorized to try it. We are not saying amend the law and make this the absolute only law of the land. We are saying give him the authority to do it, encourage him to try it for a year or two, and I am sure, knowing these people who develop this plan, that they know enough about the butter market to warrant the slight risk that is here in giving it a try.

The CHAIRMAN. Well, with the law as it now is, there is no limitation on the production of milk and milk products. My guess is that if you would make it more a directive you would have more milk producers.

Mr. GRANT. This will not raise income to farmers as such.

The CHAIRMAN. I understand that, but it is going to raise the share that the Government is going to have to pay. In other words, it is more or less a direct subsidy.

Mr. GRANT. It is a direct subsidy. There is no question about it.

The CHAIRMAN. You may proceed.

Mr. GRANT. The federation submits copies of our brochure entitled "A Program for the Benefit of Consumers and Producers of Butter" for the convenience of the committee. The brochure fully explains the proposal, including estimates of costs and estimates of gains to consumers. In a companion effort to reverse the trend toward lower butterfat consumption in fluid milk, we are developing for consideration by the federation membership a modification of the pricing system under present law. If adopted, this pricing system could be made operative under present law.

We are calling this matter to your attention only to illustrate that dairy farmers are making efforts on their own behalf to improve the market without additional Government expense. If you desire it, we will gladly explain the pricing system; but we are not submitting it since it does not require legislation.

3. *Amendments to the Agricultural Marketing Agreement Act of 1937.*—The federation has appended to this statement drafts of proposed amendments to the Agricultural Marketing Agreement Act of 1937, as amended, for the following purposes:

(*a*) *Class I base plan.*—The authority for base plans as contained in the Food and Agriculture Act of 1965 will expire December 31, 1969. The Food and Agriculture Act of 1965, perhaps inadvertently, created some serious problems which should be corrected by further amendment of the Agriculture Marketing Agreement Act of 1937. The extension of the authority is necessary and provides an opportunity to make appropriate revisions so that the law will be in harmony with the needs of the milk markets and desires of dairy farmers.

The amendments of the class I base plan which we propose, and the reasons therefore, are as follows:

(i) The new authority should have no termination date. A termination date of authority for provisions of Federal milk marketing orders is impractical. Present procedures, for practical purposes, require a year and sometimes more to develop details for a proposal, hold public hearings, and otherwise abide by the administrative procedures necessary to make an order or a base plan effective.

(ii) Our proposal would authorize use of marketings of milk during a representative period not limitied to 1 year and not restricted to a single period of time. The 1965 act, as interpreted by the Department of Agriculture, requires the use of a single representative period of time to establish a permanent history of marketings by a dairy farmer.

If a farmer does not initially establish such history of marketing during the representative period, he is destined to participate in the market as a new producer, unless he obtains a history of marketings by transfer or purchase from another dairy farmer. This type of provision is too rigid.

(iii) The proposed amendment would authorize use of allocations of fluid milk utilization among dairy farmers on the basis of their respective histories of marketings, which allocations also would be

subject to adjustment from time to time. The 1965 act, as interpreted by the Department of Agriculture, allocates utilization among dairy farmers on the basis of their histories of marketings and for the same period of time as was used in establishing such histories of marketings. Under these conditions, all market growth each month is set aside for allocation to new producers (new dairy farmers) and for the alleviation of hardship and inequities among dairy farmers before any can accrue to the month-by-month benefit, if any, of established producers. Thus, for any given month, new producers or hardship producers can receive allocations and average prices which are higher than those obtainable by established producers.

In fairness to dairy farmers who have supplied the market, their allocations should be at least as high, on the average, as allocations to new producers or allocations made in the interest of equity among producers.

(iv) The new authority should enable the Secretary of Agriculture to provide methods of establishing histories of marketings and allocations of utilization for new producers and to make adjustments to alleviate hardship and inequity among producers, but these should not necessarily be contingent on market growth.

(v) The new authority should not preclude reduction of histories of marketings for farmers who do not deliver their allocations of the fluid milk requirements of the market. If a farmer delivers less than his allocation of the fluid milk requirements of the market, his history of marketings should be subject to reduction if provided in the order.

(vi) The new amendment should provide specific authorization for making seasonal variations in prices paid producers (dairy farmers) without regard to seasonal variations in prices charged handlers for milk in each use classification.

Cows instinctively produce more milk in the spring and early summer months than at other times of the year, but the requirements of consumers for fluid milk do not vary from season to season. Dairy farmers can be encouraged to improve herd management in a manner to result in milk production more nearly in accordance with the needs of consumers. This encouragement can best be made through a price adjustment—increasing prices during the fall and winter months of the year and decreasing prices during the spring and summer months.

For other reasons, it is desirable to maintain prices to handlers at the same level from month to month throughout the year. Under the proposed amendment, money would be accumulated during those months when milk production was at its highest level and disbursed as a means of increasing prices to farmers during months when milk is more urgently needed. Several of the orders now contain such plans under the incidental clause of the act, and we wish to provide a more specific authorization for them.

In fact, my markup has one of those provisions. The new amendment should provide individual voting by dairy farmers on referendums on base plans which allocate fluid milk utilization among producers (dairy farmers), but representative voting by cooperative associations on behalf of their members with respect to other base plans and on all other matters.

(*b*) *Advertising.*—For some years, dairy farmers and their cooperative associations have supported efforts to increase sales and improve the image of the dairy industry through organizations estab-

lished for this purpose. These efforts have been financed for the most part through voluntary contributions on the part of farmers. Nevertheless, in many areas of the country, there is a lack of participation, and particularly in some of the larger fluid milk markets.

It was for the purpose of requiring participation among all farmers supplying a Federal milk order market, if approved by two-thirds of the producers in a referendum, that the federation adopted a policy seeking amendment to the Agricultural Marketing Agreement Act of 1937 to authorize the use of producer funds for marketing research, advertising, sales promotion, and other programs designed to improve or promote the consumption of milk and its products. We support legislation to give effect to our membership resolution concerning this matter which is as follows:

The Federation will support amendments to the Agricultural Marketing Agreement Act to provide authorization to establish pool fund deductions for marketing research and development projects and advertising, sales promotion, educational and other programs designed to improve or promote the marketing and consumption of milk and its products. The monies so derived shall be expended under direction of producer representatives of a market using this program. The order amendment providming for the program should be subject to separate approval of producers in the same manner as provided for the approval of marketing orders without jeopardizing other order provisions.

(*c*) *Administrative review procedures for producers.*—In section 8(c)(15)(A) of the Agricultural Marketing Agreement Act of 1937, an administrative procedure within the USDA is established for handlers. Handlers are required to use this review procedure within the Department in challenging the application of an order provision as applied to them, or its legality, before they are privileged to seek redress in Federal courts. This review procedure has worked well, both from the standpoint of the handlers' complaints and from the standpoint of the program's operations. The Department is afforded the opportunity of considering the merits of each complaint, and at the same time, to view it from the point of view of the effects on the program as a whole. When the appeals are made to the Federal courts, the courts are thus provided with a comprehensive analysis of the problem which greatly facilitates them in their work.

Heretofore, no such procedure has been provided for producer complaints. The omission has been on the grounds that producers were not regulated by Federal milk marketing orders. As a matter of fact, the producers are directly affected by the orders and, to some degree, are regulated. An example of producer regulation is the base plan. It is a view of the Federation that the act should be amended authorizing a procedure for judicial review by the Department of Agriculture on complaints of producers and cooperative associations with respect to the application of orders provisions to producers, or with respect to their legality, before such complaints may be subject to review by the Federal courts.

(*d*) *Reimbursement for services performed by cooperative associations.*—Cooperative associations marketing milk under Federal orders perform many services which benefit all producers as well as handlers and consumers. Oftentimes, the cost of such services cannot be recovered in marketing milk. An example is the cost of balancing supplies among handlers and providing a market for milk which is in addition to the requirements of handlers. In some instances, coopera-

tives maintain milk plants to manufacture the reserve supplies, and the cost of maintaining these plants is borne by member producers when the milk is diverted to the fluid milk market to supply the requirements of handlers and consumers.

Consequently, the Federation recommends that the Agricultural Marketing Agreement Act of 1937 be amended to authorize the use of pool funds as provided by order provisions developed by the Secretary of Agriculture through hearings, to reimburse cooperatives for services performed on behalf of all producers.

(The amendments referred to are as follows:)

Base Plans

A BILL To amend the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is further amended by striking in subparagraph (B) of subsection 8c(5) all that part of said subparagraph (B) which follows the comma at the end of clause (c) and inserting in lieu thereof the following:

"(d) a further adjustment, equitably to apportion the total value of the milk purchased by any handler, or by all handlers, among producers and associations of producers, on the basis of their marketings of milk during a representative period of time, which need not be limited to one year, and further adjustments to provide for the accumulation and disbursement of a fund to encourage seasonal adjustments in the production of milk, and (e) a further adjustment, equitably to apportion the total value of the milk purchased by any handler, or by all handlers, among producers and associations of producers, on the basis of their marketings of milk during a representative period of time, which need not be limited to one year and which may be either a fixed period of one or more years, or a moving average of one or more years, as provided in the order, and which basis may be adjusted, and readjusted from time to time, to reflect the utilization of producer milk by any handler or by all handlers in any use classification or classifications. In the event a producer holding a base allocated under this clause (e) shall reduce his marketings, such reduction shall not adversely affect his history of production and marketing for the determination of future bases, or future adjustments of bases, except that an order may provide that, if a producer reduces his marketings below his base allocation in any one or more use classifications designated in the order, the amount of any such reduction shall be taken into account in determining future bases or future adjustments of bases. Bases allocated to producers under this clause (e) may be transferable under an order on such terms and conditions as may be prescribed in the order if the Secretary of Agriculture determines, in connection with such order, that transferability will be in the best interest of the public, existing producers, and prospective new producers. Provision shall be made in the order for the allocation of bases under this clause (e) to new producers and for the alleviation of hardship and inequity among producers, and prescribing terms and conditions under which new producers may earn bases. Producers holding bases so allocated or earned shall thereafter participate pro rata in the market in the same manner as other producers. In the case of any producer who during any accounting period delivers a portion of his milk to persons not fully regulated by the order, provision may be made for reducing the allocation of, or payments to be received by, any such producer under this clause (e) to compensate for any marketings of milk to such other persons for such period or periods as necessary to insure equitable participation in marketings among all producers. Notwithstanding the provisions of Section 8c(12) and the last sentence of Section 8c(19) of this Act, order provisions under this clause (e) shall not become effective in any marketing order unless separately approved by producers in a referendum in which each individual producer shall have one vote and may be terminated separately whenever the Secretary makes a determination with respect to such provisions as is provided for the termination of an order in subparagraph 8c(16)(B). Disapproval or termination of such order provisions shall not be considered disapproval of the order or of other terms of the order."

SEC. 2. Such Act is further amended (a) by adding to subsection 8c(5) the following new paragraph: "(H) Marketing orders applicable to milk and its products may be limited in application to milk used for manufacturing."; and (b) by amending subsection 8c(18) by adding after the words "marketing area" wherever they occur the words "or, in the case of orders applying only to manufacturing milk, the production area".

SEC. 3. The legal status of producer handlers of milk under the provisions of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, shall be the same subsequent to the adoption of the amendments made by this Act as it was prior thereto.

ADVERTISING

A BILL To amend the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is further amended, by adding at the end of subsection 8c(5) the following new subparagraph (I):

"(I) Establishing or providing for the establishment of marketing research and development programs, other research programs, and advertising (excluding brand advertising), sales promotion, educational, and other similar programs, designed to improve or promote the domestic marketing and consumption of milk and its products, to be financed by producers in a manner and at a rate specified in the order, on all producer milk under the order. Producer contributions under this subparagraph may be deducted from funds due producers in computing total pool value or otherwise computing total funds due producers and such deductions shall be in addition to the adjustments authorized by subparagraph (B) of subsection 8c(5). Provision may be made in the order to exempt, or allow suitable adjustments or credits in connection with, milk on which a mandatory checkoff for advertising or research is required under the authority of any state law. Such funds shall be paid to an agency organized by milk producers and producers' cooperative associations in such form and with such methods of operation as shall be specified in the order. Such agency may expend such funds for any of the purposes authorized by this subparagraph and may designate, employ, and allocate funds to persons and organizations engaged in such programs which meet the standards and qualifications specified in the order. All funds collected under this subparagraph shall be separately accounted for and shall be used only for the purposes for which they were collected. Programs authorized by this subparagraph may be either local or national in scope, or both, as provided in the order, but shall not be international. Other provisions under this subparagraph shall not become effective in any marketing order unless such provisions are approved by producers separately from other order provisions, in the same manner provided for the approval of marketing orders, and may be terminated separately whenever the Secretary makes a determination with respect to such provisions as is provided for the termination of an order in subsection 8c(16)(B). Disapproval or termination of such order provisions shall not be considered disapproval of the order or of other terms of the order."

ADMINISTRATIVE REVIEW FOR PRODUCERS

A BILL To amend the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (15) of Section 8c of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is amended to read as follows:

"(15)(A) Any handler subject to an order, and in the case of milk and its products any dairy farmer or cooperative association of dairy farmers affected by an order or any provision of an order, may file a written petition with the Secretary of Agriculture, stating that any such order or any provision of any such order or any obligation imposed in connection therewith is not in accordance with law and praying for a modification thereof or to be exempted therefrom.

He shall thereupon be given an opportunity for a hearing upon such petition, in accordance with regulations made by the Secretary of Agriculture, with the approval of the President. After such hearing, the Secretary shall make a ruling upon the prayer of such petition which shall be final, if in accordance with law.

"(B) The District Courts of the United States in any district in which such dairy farmer, cooperative association or such handler is an inhabitant, or has his principal place of business, are vested with jurisdiction in equity to review such ruling, provided a bill in equity for that purpose is filed within twenty days from the date of the entry of such ruling. Service of process in such proceedings may be had upon the Secretary by delivering to him a copy of the bill of complaint. If the court determines that such ruling is not in accordance with law, it shall remand such proceedings to the Secretary with directions either (1) to make such ruling as the court shall determine to be in accordance with law, or (2) to take such further proceedings as, in its opinion, the law requires. The pendency of proceedings instituted pursuant to this subsection (15) shall not impede, hinder, or delay the United States or the Secretary of Agriculture from obtaining relief pursuant to Section 8a(6) of this title. Any proceedings brought pursuant to Section 8a(6) of this title (except where brought by way of counterclaim in proceedings instituted pursuant to this subsection (15) shall abate whenever a final decree has been rendered in proceedings between the same parties, and covering the same subject matter, instituted pursuant to this subsection (15)."

Reimbursement for Marketwide Services

A BILL To amend the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is further amended, by adding at the end of subsection 8c(5) the following new subparagraph (I):

"(I) Establishing or providing for the establishment of programs to reimburse cooperative associations of producers, or federations thereof, for services performed on behalf of all producers and the market, including but not limited to the balancing of supplies in the market and the maintaining of plants for handling reserve and standby supplies of milk, to be financed by producers in a manner and at a rate specified in the order, on all producer milk under the order. Producer funds for use under this subparagraph may be deducted from funds due producers in computing total pool value or otherwise computing total funds due producers and such deductions shall be in addition to the adjustments authorized by subparagraph (B) of subsection 8c(5)."

FARM BARGAINING

4. *Improved Cooperative Bargaining.*—Dairy cooperatives have a long and successful history of representing the interest of dairy farmers in price negotiations and in marketing activities. Consequently, it has an interest in legislative efforts directed toward improving the bargaining position of dairy farmers.

The Federation believes that farmers need additional bargaining strength. Insofar as milk is concerned, though, such bargaining power should be achieved by strengthening cooperative marketing associations rather than through committees. The Federation believes, therefore, that any bargaining for dairy farmers under the Agricultural Marketing Agreement Act of 1937, should be through producer owned and controlled cooperative marketing associations.

The Federation has reservations about provision of S. 2973 and did not initiate the proposal. We do believe, if the Agricultural Marketing Agreement Act is amended to improve the bargaining position of farmers, the amendment should provide authorization for a qualified cooperative association or federation of qualified cooperative associa-

tions representing more than half of the dairy farmers supplying the market, to be certified by the Secretary of Agriculture to represent and perform marketing services on behalf of all dairy farmers supplying the market with milk.

The CHAIRMAN. As I understand it, you are against the Mondale and others' amendment.

Mr. GRANT. We think this is a better approach; yes, sir.

The CHAIRMAN. Well, you are not——

Mr. GRANT. We are not against the——

The CHAIRMAN. Principle.

Mr. GRANT (continuing). Principle; no, sir. We support the principle.

The CHAIRMAN. But you say you have your reservations. Have you any particular——

Mr. GRANT. With respect to elected committees. This is the thing that we are concerned about.

The CHAIRMAN. Elected committees.

Mr. GRANT. Yes.

The CHAIRMAN. Well, is there any other criticism? If you are not prepared today to do that——

Mr. GRANT. No, I am not.

The CHAIRMAN. I wish you would present for the record a statement as to your feeling on the so-called Mondale bill.

Mr. GRANT. We will certainly do this.

The CHAIRMAN. And we will see that it is put in the record——

Mr. GRANT. We will be glad to do that.

The CHAIRMAN (continuing). At the end of your remarks.

Mr. GRANT. Yes, sir; we certainly will.

Mr. HEALY. Senator, if I may, we have some comments later on in here, but they are really three in number. First, the Mondale bill makes no recognition whatsoever of the tremendous job that the dairy farmer cooperatives have done over many years in bargaining for prices for their members. And second, it amends the Marketing Act which is meant to design rules under which milk flows through the market and makes it a production control device. And third, it brings some great measure of misunderstanding as to the total ability of the Secretary of Agriculture to set prices under the Marketing Act.

Now, we make these objections only as they relate to milk. If other commodity groups want these things, fine, but we say exempt milk from the provisions of it.

The CHAIRMAN. Well, in any event, the committee, I am sure, would appreciate your general observations.

Mr. GRANT. Yes, sir. We will certainly get them to you, sir.

The CHAIRMAN. All right.

Mr. GRANT. The cooperative association or federation of cooperatives would perform the services instead of the committees specified in the bill. This would include the bargaining for price and for other terms of sale. We would suggest that any qualified cooperative associations so certified be required to offer proportionate representation to other qualified cooperative associations or federations of qualified cooperative associations who desire to participate.

It would be our position that the provisions of S. 2973 not be made applicable to milk and dairy products. Both title I and title II would

make it extremely difficult for the cooperative associations to effectively market the milk on behalf of their members, and to represent their dairy farmer members in bargaining for price and other terms of sale. Also, title I raises serious question as to the continued operation of the Federal milk marketing order program authorized by the Agricultural Marketing Agreement Act of 1937 and of the price support program authorized by the Agricultural Act of 1949. Furthermore, the bill authorizes the use or maketing allotments. The federation membership opposes the use of marketing allotments but instead supports the use of the base-excess plans under Federal milk marketing orders as already discussed.

Title II of S. 2973 appears to be an alternate to title I, rather than a supplement to it. It would seem that the two titles would provide the mechanism for regulating the same commodities. From the viewpoint of dairymen and the dairy industry, the use of marketing orders has been highly successful, even though the act should be amended to improve the effectiveness of the program.

If title II were enacted for the purpose of affording additional commodities the benefits of marketing orders, we would recommend that the provisions relating to milk not be changed. As mentioned, the federation would oppose authority for marketing allotments as applied to milk. Also, it would oppose the use of elected committees, independent of the cooperatives already marketing the milk. The committee functions would seriously hamper cooperative operations and impede their success. Also, in the event the bargaining procedure is provided, we would need assurance that the procedure would not displace minimum prices established by the Secretary of Agriculture under present procedures.

It should be emphasized that efforts to enhance farm prices through improved bargaining on the part of dairy farmers, with or without marketing allotments, will be a futile and misleading effort unless imports of the same commodities are strictly controlled. Methods of controlling imports, in our opinion, would be necessary under both titles I and II of S. 2973. For many years, the National Milk Producers Federation has advocated legislation authorizing cooperative associations, singly or in groups, to bargain in good faith with handlers, singly in groups, for prices and other terms of trade. Such authority would add bargaining strength to farmers, and should be authorized.

5. *Pesticides indemnity program.*—An important item to dairy farmers is the indemnity payment program for pesticide residues in milk. A number of dairy farmers have had their milk barred from the market because it contained minute traces of pesticide residues, even though the use of these pesticides had been recommended by the Federal Government or were caused by factors outside the control of the farmer, such as spray drift or contaminated purchased feed. The number of dairy farmers involved has been small and the expense to the Government has not been significant. However, so long as a farmer can suffer extreme economic loss after following procedures recommended by the Federal Government, it would be inequitable to discontinue this program.

Senator Ellender, this completes my testimony. Mr. Healy and I will be glad to answer any questions.

(The supplemental statement referred to above is as follows:)

NATIONAL MILK PRODUCERS FEDERATION,
Washington, D.C., April 11, 1968.

Hon. ALLEN J. ELLENDER,
Chairman, Senate Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

DEAR SENATOR ELLENDER: As requested by you following my appearance before the Committee on Agriculture and Forestry on April 3, at which I testified on dairy legislation, I am outlining briefly our objections to S. 2973, introduced February 15, 1968, by Senator Mondale.

TITLE I

1. Title I, if made effective for milk, would wrest from the cooperative associations of dairy farmers the responsibilities which they have assumed for providing a market for their own milk. Title I would turn over the function of price bargaining to a committee chosen from nominees submitted by the Agricultural Stabilization and Conservation County Committees. The committees would be empowered to bargain for prices without having any responsibility whatsoever to provide a market for the milk. The cooperatives just could not operate in an atmosphere wherein an outside committee would establish the terms of trade.

2. Title I indicates that the bargaining committee with the sanction of the Government could establish a price different than that already established by the Secretary of Agriculture under the price support program or the Federal milk marketing order program, or a combination of the two. This raises a real question as to whether or not Title I is intended to scuttle the present price support program and the Federal milk marketing order program, both of which have been invaluable to dairy farmers.

3. Recognizing that the committee could bargain for prices which would result in more production than absorbed by the market, the committee would be empowered to develop a system of marketing allotments to tailor the supply to demand. The very character of the milk market will not permit the nationwide application of marketing allotments (production quotas) due to the wide difference between the supply of milk and market requirements from area to area, season to season, differences in quality requirements and for other reasons.

If such a program were to be made for one area only, it could not work unless the regulated area were completely isolated from the balance of the country; and this is inconsistent with the present movement of dairy products throughout the United States, and the changing patterns of procurement and distribution in the milk market. Furthermore, the limiting of domestic marketings, unless accompanied by limitations on imports, would be a futile effort.

4. Title I appears to authorize regulation of the very same commodities covered by Title II. If both titles were made into law and one group of producers petitioned the National Agriculture Relations Board for a program under Title I, a second group petitioned for a procedure under Title II, and dairy farmers who are members of their own cooperatives supported a Federal milk marketing order under present procedures, nothing but complete chaos would result.

TITLE II

Although Title II is set forth as an amendment to the Agricultural Marketing Agreement Act of 1937, operations of the program under Title II would essentially be the same as those under Title I.

The cooperatives would object to any such amendment to the Agricultural Marketing Agreement Act because it would seriously interfere with the present provision of the Act under which Federal milk marketing orders have been developed and are working well, both in the interest of farmers and consumers.

The amendments proposed under Title II of S. 2973 could serve to destroy the Federal milk marketing order program and the cooperatives. They could destroy the meaning of the minimum prices now established by the Secretary of Agriculture under the Federal milk marketing order program. They could only lead to production controls which will not work in the dairy industry. Again, domestic production controls would not serve to strengthen prices to dairy farmers unless imports of dairy products were effectively controlled.

The amendments to the Agricultural Marketing Agreement Act, which have been proposed by the National Milk Producers Federation and incorporated in my statement of April 3, would serve to improve program operations and should be separately enacted. The amendments proposed by the Federation have been carefully worked out by dairy farmers themselves on the basis of their experience in operating under Federal milk marketing orders, as presently authorized by the Agricultural Marketing Agreement Act. Amendment of the Agricultural Marketing Agreement Act, as proposed by the Federation, would improve the marketing program for farmers themselves; and it involves no additional cost to the Government.

As a companion measure, we advocate passage of the Butter Plant Payment Program. This program is urgently needed for the purpose of increasing purchases of butter by consumers, while, at the same time, maintaining prices to dairy farmers. The butter market accounts for one-fourth of all milk, and there cannot be a meaningful strengthening of milk prices until the per capital consumption of butterfat is increased.

We will be pleased to answer specific questions which you may have pertaining to S. 2973 or to the proposals of the National Milk Producers Federation for improved legislation on behalf of dairy farmers.

Sincerely,

W. J. GRANT, *Vice President.*

DAIRY

The CHAIRMAN. All right. Now, I know Mr. Norton and probably you have heard me discuss before this committee the purpose of the act of 1937 in respect to milk production for direct consumption and I don't like this blending idea. And I am wondering if you could give us your views as to having the law amended so that in these marketing areas the emphasis will be put on the production of milk for direct consumption at a certain price and then treat the other milk in a different fashion.

Mr. GRANT. Yes; this is actually a class I base plan. This is what it is designed to do. When you talk about direct consumption, you are talking about milk in fluid form.

The CHAIRMAN. I am talking about milk that is produced for direct consumption under certain regulations outlined by the Government. And it was my understanding or my feeling that this bill that we enacted sometime ago——

Mr. GRANT. That was the class I base plan; yes, sir.

The CHAIRMAN (continuing). Was to be for the protection not only of the consumer of the milk, but of the farmer who produced it, giving him a good price to produce it under the conditions that he had to do it in.

Mr. GRANT. This is right. We support this type of program.

The CHAIRMAN. Now with this blend price there is no incentive. They just produce over and above what the requirements are. And in my opinion that is what has caused a little trouble in the——

Mr. GRANT. No question about it, but you still have to leave it on a voluntary basis. The dairyman's class I base plan provides that producers in a given market make the decision as to whether or not they want to market on this type of a basis.

The CHAIRMAN. Well, it would seem to me that the law could be amended—to me it was plain that the Secretary of Agriculture could do that, but he never did, do you not see?

Mr. GRANT. That is right.

Mr. HEALY. That is right.

The CHAIRMAN. And it is my hope that we can get more information on it and try to make it possible that farmers will be properly

compensated for milk that is produced under certain regulations for direct consumption.

Mr. GRANT. This is in effect the way it is working now in most markets, but what you are talking about, I believe—and if I misunderstand you, please correct me—you do not subscribe to having different class uses and then the price in fluid markets be blended down accordingly by that usage.

The CHAIRMAN. No; I do not want that.

Mr. GRANT. You say that we should have a firm quota that produces so much for the market.

The CHAIRMAN. Right. Of course, there may be some who find it feasible to produce for this direct market, that is, fluid milk, but as it is now, there is a tendency because of the blend price to produce more so that the farmers can break even. I want to try and change that, if we can.

Mr. HEALY. Mr. Chairman, we have this base plan in law now. It was passed in 1965. And it is in operation in one market.

The CHAIRMAN. Well, we want to try and make it apply generally.

Mr. HEALY. Well, it could not be applied more generally until it is changed as we suggest here, because there were some things added as it moved through the Congress which made it so that it was just not acceptable or workable.

The CHAIRMAN. Well, as I understand it, you were for the Proxmire bill in its original form, were you not?

Mr. HEALY. Oh, yes; we were its principal proponents; yes, sir.

Mr. GRANT. Of course, at that time, Senator, we probably would not have obtained producer support for that legislation if it had not been left to the discretion of producers serving a particular market. I do not know how we would fare now.

Mr. HEALY. That is right. We could not do it now.

The CHAIRMAN. Well, thank you very much.

Mr. GRANT. Yes, sir; thank you for your time.

The CHAIRMAN. And do not forget to——

Mr. GRANT. We will see that Mr. Healy gets to it you——

The CHAIRMAN. No, no; your criticism not only as to milk, but your general criticism, if you have any, of the Mondale bill.

Mr. GRANT. Fine. We will get a copy to you, sir.

The CHAIRMAN. OK.

Mr. York, please.

STATEMENT OF JOHN C. YORK, GENERAL MANAGER, EASTERN MILK PRODUCERS COOPERATIVE ASSOCIATION, SYRACUSE, N.Y.

The CHAIRMAN. All right, Mr. York, you may proceed.

Mr. YORK. My name is John C. York. I am general manager of the Eastern Milk Producers Cooperative on whose behalf I am submitting this statement. Our offices are located in Syracuse, N.Y. I might also say that I have been employed by Eastern for approximately 25 years in this capacity or as an economist for the association.

To begin with, I should like to express our thanks to the Chairman and to the members of the committee for the opportunity to appear

before you today. We have been here before and are grateful for the courtesies extended to us at all times.

Unfortunately, difficulties for milk producers have not diminished over the recent span of years. Some problems, low prices and high costs, are still with us. Now, on top of everything else, the threat of imitation milk has emerged to plague fluid milk producers, and to worsen their economic situation.

For the record I would like to say that we are a fluid-milk bargaining cooperative. We have a membership of approximately 10,000 dairy farmers, who produce milk which is approved for sale for fluid consumption. I might also say that there are approximately 25 cooperative organizations that are affiliated with Eastern Milk Producers in addition to the parent organization. Although, we have an interest in the operation of some plants, our primary function is to bargain for better prices and for more advantageous terms of sale, and to negotiate with the buyers of our milk in the solution of problems that may arise. In such of our markets as are subject to Federal Milk Marketing Orders issued under the Agricultural Marketing Agreement Act of 1937, the function of bargaining takes the form of formulating proposals for changes in such orders, testifying at the hearings which are called to consider the proposals, filing briefs and exceptions, and maintaining contact with appropriate offices of the U.S. Department of Agriculture. We are, of course, in continuous contact with our buyers. Again, there are always problems to talk about and to iron out. This is part of the function of bargaining that we perform.

It is our understanding that in these hearings, the committee is undertaking a broad review of the agricultural programs and of pending legislative proposals. My own presentation today will be limited to three matters, which fall within the purview of the committee's hearing plan.

I. One of the subjects before this committee is the continuation of the Food and Agriculture Act of 1965. The provisions of title I of that act authorized the establishment of class I base plans in markets operating under Federal Milk Marketing Orders. This authority is due to expire on December 31, 1969. The adoption of class I base plans has had a slow start, probably because milk production has been going down, thereby relieving to some extent the need for the plan. In only one market has the authority been invoked, and that is in the Puget Sound market. It is too soon to evaluate the results of the plan there.

In the New York-New Jersey marketing area, in which we are decisively involved, producers are only now beginning to consider whether to favor the adoption of a class I base plan. If it develops that producers do favor it, and if the necessary administrative steps are taken for establishing it, it is likely that the plan would not become effective before January 1, 1969. That would be only 1 year before the existing authority for class I base plans expires. There would in that case hardly be sufficient time to test the worth and efficacy of the plan. More time would be needed. Moreover, producers are reluctant to assess the plan not knowing it will be continued in the event the author-

ity is not continued. Accordingly, we feel that title I of the act of 1965 should be continued for another 4 years and for possibly an even longer period.

FARM BARGAINING

II. The second matter I should like to address myself to is the subject of the collective bargaining for agriculture. As bargaining cooperative, we would welcome any legislation that would improve our bargaining strength.

In past years, we supported legislation introduced by Senator Aiken which was designed to authorize cooperative associations of milk producers, acting singly or in groups, to bargain with purchasers, singly or in groups. The first of the bills along this line was S. 24, 87th Congress. An earlier bill, S. 753, 86th Congress, was introduced in 1959. It was approved by this committee and reported favorably to the Senate. The committee report stated that the bill would "permit farmer cooperatives and their marketing agencies (as their terms are defined in the Capper-Volstead Act) to bargain in good faith in groups for the sale of milk and milk products and—to permit purchasers from such cooperatives or agencies, at their request, to bargain in good faith in groups with them for the purchase of milk and milk products."

S. 753 passed the Senate on April 30, 1959, but did not come up in the House of Representatives; nor was it reported by the Judiciary Committee of the House to which the bill had been referred. S. 753, just as the previous similar bills and the one later bill, was an uncomplicated measure. It would have provided for across-the-table negotiations between cooperatives and buyers of milk. The bill did not provide for any of the complicated measures for referenda, producer committees, and joint settlement boards which is envisaged in current discussions of collective bargaining for agriculture.

It is unfortunate that S. 753 was not enacted, but I suppose that we have reached the stage in our civilization where doing things the hard way has become a virtue in itself. There is an old saying that a journey of 1,000 miles must begin with one small step. Having been denied the one small step, it is now proposed that farmers take a 1,000-mile leap. While we do not mind the big leap, we would like to know that we would land safely. To crystallize our position, I should like to say that we would prefer to see the enactment of legislation along the lines of S. 753, before going on with collective-bargaining legislation modeled after the National Labor Relations Act. On the other hand, we would not oppose a broader plan for collective bargaining which might emerge out of these hearings, or which the administration might propose.

As a final word on this subject, I should say that, if the President's suggestion for collective-bargaining legislation is intended to raise prices to fluid-milk producers, then, insofar as such producers are concerned, there is no need for new legislation. The authority to raise fluid-milk prices already exists in the Agricultural Marketing Agreement Act of 1937. All that is needed is the will of the Government to raise such prices. In fact, Eastern Milk Producers Cooperative is strongly urging an escalator formula that would adjust prices with changing economic conditions. And I might say market by market.

This formula calls for an increase in class I prices in our markets. On the other hand, if the proposed plan of collective bargaining is not intended to bring about higher prices, producers will conclude that the whole thing has been an exercise in futility.

Similarly, the Federal Government now has the authority to raise the support prices for manufacturing milk. However, it needs the will to do it.

Of course, what I have said applies only to fluid milk marketed under Federal Marketing orders, and to manufacturing milk. The suggested collective-bargaining program may have real merit for producers of other agricultural commodities.

The Chairman. I do not suppose you favor the Mondale bill as written.

Mr. York. I am not suggesting that we are categorically opposed to it, but we think there are better ways of achieving the same objective.

The Chairman. Well, will you give us the benefit of your views on that? You do not have to do it now, but as I stated at the start of these hearings, if we can get sufficient backing for a bill of that character we might be able to consider it before we consider the package bill next year.

Mr. York. I have considerable experience over the last 25 years in negotiating prices over and above the minimum prices under the Federal orders in the New York market. Our biggest problem in this area is that there is a question as to whether or not we can legally sit down with more than one handler to negotiate prices because of the antitrust laws. If we can get legislation that will legalize this type of a meeting with handlers to negotiate prices, this I think would be what we really need at this time.

The Chairman. Well, that is not provided for in the Mondale bill.

Mr. York. That is right. I think the original Aiken bill spelled this out so that we could have this type of an effort.

DAIRY

The third subject I want to discuss is the bill S. 2527, introduced by Senator Mondale during the first session of this Congress. S. 2527 would provide for the encouragement of the "movement of butter into commercial domestic consumption by effecting a reduction in prices to consumers by payments made at the processing level on butterfat used in butter." Payment would be made "whenever the Secretary of Agriculture finds that purchases of butter for price-support purposes will exceed for any marketing year the volume to be utilized for domestic consumption, including the school lunch program."

No indication is given in the bill of the rate at which payments would be made, but it is presumed that the rate would be at a level sufficient to move the excess supply of butter into commercial channels, a rate which may be in the neighborhood of 10 to 20 cents per pound of butterfat.

The program envisaged by S. 2527 must be judged as a partial substitute for the present price-support program for butter. That is to say, if S. 2527 is enacted, Government purchases of butter would be made only to the extent needed for the school lunch program. The remaining supply of butter would be balanced with demand by lowering the retail price of butter to consumers. The result would be an increase

in the consumption of butter by Americans in all walks of life. Under present circumstances, butter purchased by the Government in excess of school lunch needs is distributed gratis wherever an outlet can be found. While the price support program for butter involves costs of storing and transporting the butter, the subsidy program proposed in S. 2527 would not involve such costs.

As an illustration of the possible mechanics of operating the program contemplated in S. 2527, the Secretary of Agriculture would presumably decide to make an initial payment on butterfat at some specific rate, say, 12.5 cents per pound, equivalent to 10 cents per pound of butter. The rate of payment would then be raised or lowered as experience dictated in order to clear the market of all butter supplies.

Assuming an elasticity of demand for butter of 0.5, which is a commonly used figure, a payment of 12.5 cents per pound of butterfat (equivalent to 10 cents per pound of butter) would increase commercial consumption by about 6 percent, or 72 million pounds of butter per year. The cost to the Government, based on production during 1967. would be about $120 million.

This cost would exceed the cost of removing the same amount of butter from commercial channels through purchase by the Government and distribution of such butter in noncommercial channels. The higher cost would nevertheless be justifiable, because of the superior character of the program. The purchase of butter by the Government, as it is now done, and its distribution wherever it can be disposed of, is not an ideal way of balancing supplies with demand. Expenditures in recent years with respect to programs primarily to aid dairy farmers have been at moderate levels. The only program in this category is the price-support program for manufacturing milk. Net expenditures during the fiscal year ending June 30, 1967, were $238 million. Of this amount, $143.3 million was utilized with respect to butter, a substantial portion of which would be saved by the proposed program. (The data on expenditures are taken from the Dairy Situation for March 1968 which is issued by the U.S. Department of Agriculture.)

The expenditures just cited do not include the cost of the special milk program, which is not considered as a program of primary benefit to milk producers. Expenditures under this program for fiscal year 1967 are estimated at $96 million. It should be mentioned that, from our reading of S. 2527, purchases by the Government of dairy products other than butter, such as cheese and skim milk powder, would be continued as heretofore.

The program contemplated in S. 2527 is vitally necessary for two reasons: (1) Milk producers have in recent years suffered from a substantial loss of their domestic market for butter; and (2) because of the reduced consumption of milk and dairy products, American consumers have suffered a deterioration in their diets. As will be seen from table 1 attached hereto, the domestic disappearance of butter in commercial channels, computed on a per capita basis, has declined at a catastrophic rate since 1941. Disappearance in 1941 was 16.1 pounds per capita; in 1966, it was 5.7 pounds. A further drop probably occurred during 1967.

The CHAIRMAN. What do you mean by deterioration in the diets? Are you saying that the oleo is not as good as the butter? Because they

use that instead, you know. As a matter of fact, if you had the butter consumption at 5.7 pounds business what they consume in oleo, it would be greater than the 16 pounds of butter that you mentioned.

Mr. YORK. Well, I am saying that there has been an obvious disappearance, a downward trend in the consumption of butter over this period of time.

The CHAIRMAN. That is because of oleo and other substitutes for butter.

Mr. YORK. That is possible. That is one of the reasons.

The CHAIRMAN. Well, is that not it, though?

Mr. YORK. Well, there is another reason, and that is there is a cheaper source of fat in terms of vegetable fat as opposed to butterfat.

Concomitant with the drop in the domestic consumption of butter has been a decline in the output of milk as well as the output of butter in the United States. This is shown in table II.

The CHAIRMAN. Your tables referred to will be put in the record.

Mr. YORK. Yes, please. The total milk production in the United States has gone down from 125.7 billion pounds in 1961 to 119.3 billion pounds in 1967—a drop of 4.1 percent. At the same time, butter production has gone down from 1,484 million pounds in 1961 to 1,233 million pounds in 1967—a drop of 2 percent. The population increase between those years was 8 percent. Hence the problem of the dairy industry is not one of overproduction—far from it—but rather the shrinking of the domestic market.

Ordinarily, a shrinking demand would call for adjustments by the industry itself. In the present instance, however, the public welfare is deeply involved, and for this reason, Government intervention is called for. A decline in milk production has caused an exodus of farmers from dairying. According to the U.S. Department of Agriculture, there was a drop of 7.3 percent in the number of farmers selling milk and cream between 1959 and 1964. After 1964 the decline accelerated reaching possibly 10 percent in 1965 and 1966.

In some regions, dairy farmers have turned to other farm enterprises, but in the Northeast, they have left the land altogether, and have gone to the cities. Farm population in the Northeast has gone down by 56,000 from 1956 to 1966. The exodus from dairy farming and the migration to the cities is a double tragedy for the Nation. On the one hand, the nonfarm rural economy has ben hard hit. On the other hand, the cities, alreay plagued by a host of problems, are further squeezed by the influx of newcomers, ill prepared for urban life. For consumers, the decline in the consumption of butter has had unfavorable effects on people's health. A recent study of food consumption in the United States' households released by the U.S. Department of Agriculture last month, showed a deterioration in the diet of the American families during the years between 1955 and 1965. Summarizing the situation, the Secretary of Agriculture said as follows:

> Over the ten year period from 1955 to 1965 the number of Americans having good diets dropped from 60 percent to 50 percent. Decreased use of milk and milk products was one of the principal reasons for this 10 percent drop.

From what has been said, it is evident that a rise in the consumption of butter, as well as of milk and other milk products, is essential for the economic welfare of dairy farmers and for the health of the

American people. The enactment of S. 2527 would be the indicated solution for the problem. While manufacturing milk producers would be the primary group to gain from the payment of a subsidy on butterfat, and hence on butter, fluid milk producers would also benefit. In the New York-New Jersey milkshed, 7.6 percent of the output of milk in 1966 was utilized to make butter.

Accordingly, we urge this committee to act favorably on S. 2527 and to seek an early enactment of the bill by the Congress. Before concluding, Mr. Chairman, I should like to mention one additional matter, and that is, that we continue to support Senator Proxmire's bill, S. 612, providing for the restriction of imports of dairy products, and should like to see it enacted at an early date. On May 18, 1967, we presented to this committee a lengthy statement in support of that bill. Because of the possible threat of imports of new products containing ingredients in hitherto unknown combinations, or of old products containing dairy ingredients, never before imported in significant amounts, the administrative procedures under section 22 are inappropriate or inadequate to deal with the situation. For this reason, the enactment of the new legislation is of urgent necessity.

In conclusion, may I again thank the committee for the opportunity to appear here today and to present this statement. I thank you kindly.

The CHAIRMAN. Yes, sir; you are welcome, sir. Glad to have had you.

(The tables referred to follow:)

TABLE 1.—DOMESTIC PER CAPITA DISAPPEARANCE OF BUTTER, 1941-61

Year	Disappearance (pounds)	Year	Disappearance (pounds)
1941	16.1	1954	8.9
1942	15.9	1955	9.0
1943	11.8	1956	8.7
1944	11.9	1957	8.3
1945	10.9	1958	8.3
1946	10.5	1959	7.9
1947	11.2	1960	7.5
1948	10.0	1961	7.4
1949	10.5	1962	7.3
1950	10.7	1963	6.9
1951	9.6	1964	6.8
1952	8.6	1965	6.4
1953	8.5	1966	5.7

Source: U.S. Department of Agriculture, Dairy Statistics, June 1963 and May 1967.

TABLE 2.—U.S. POPULATION, TOTAL U.S. MILK PRODUCTION, AND TOTAL U.S. BUTTER PRODUCTION, 1961-67

	U.S. population (millions)	Total U.S. milk production (billion pounds)	Total U.S. butter production (million pounds)
1961	183.8	125.7	1,484
1962	186.7	126.3	1,537
1963	189.4	125.2	1,420
1964	192.1	127.0	1,442
1965	194.6	124.2	1,325
1966	196.9	119.9	1,112
1967	199.1	119.3	1,233
Percent change, 1961 to 1967	+8.0	−4.1	−2.0

Source: Population from Economic Report of the President, 1968. Milk and butter production from Dairy Situation, U.S. Department of Agriculture, March 1968.

STATEMENT OF L. C. CARPENTER, VICE PRESIDENT, MIDCONTINENT FARMERS ASSOCIATION, COLUMBIA, MO.

The CHAIRMAN. All right, Mr. Carpenter.

Mr. CARPENTER. Mr. Chairman, with your permission, I will paraphrase a little of this if the statement might be included in total.

The CHAIRMAN. All right. We will put the whole statement in the record and you may highlight it, if that is what you want to do.

GENERAL

Mr. CARPENTER. Mr. Chairman and members of the committee, my name is L. C. (Clell) Carpenter, and I am vice president of the Midcontinent Farmers Association with headquarters at Columbia, Mo. Membership of Midcontinent Farmers Association is over 157,000 with membership in the State of Missouri and a large number of members in Illinois, Iowa, Nebraska, Kansas, Arkansas, and surrounding States. I want to commend you and your committee on taking this timely action in holding these hearings which will undoubtedly lay the groundwork for future farm legislation before the expiration of the Agriculture Act of 1965. Inasmuch as the hearings today do not pertain to any particular bills, I would like the privilege to address my remarks to general legislation, which we believe should be enacted for the benefit of farmers and the consumers of the Nation; however, when specific legislation is considered under a particular bill, we will be pleased to have the opportunity to suggest specific recommendations which we believe might serve to improve existing programs.

The CHAIRMAN. Well, up to now, as I said a moment ago, we have heard no criticism of the act of 1965, and so I am assuming it is a pretty fair act. The only thing that most people are advocating is higher prices.

Mr. CARPENTER. Some improvement, yes. My statement would be entirely too lengthy if you tried to put in all the detail, Mr. Chairma. May I also say that I was indeed happy to hear you say this morning that you did not hear criticism of this and that you were willing to consider this act for this year and the possibility of its extension, sir.

The CHAIRMAN. All right, fine.

Mr. CARPENTER. I am here today to urge the extension this year of the Food and Agriculture Act of 1965. The legislation as now in effect covers the crops through 1969, but I would remind you gentlemen that planting the next year's wheat crop will be starting in some sections of the United States as early as July 1969.

The CHAIRMAN. Mr. Carpenter, you may have misunderstood me a while ago. I said that we have a bill here by Mr. Mondale——

Mr. CARPENTER. Right.

The CHAIRMAN (continuing). In respect to giving the farmer the bargaining authority. That is the bill that I said, if we have sufficient evidence and there is sufficient testimony for, I mean enough farmers who desire it, we might consider that, but insofar as the 1965 act is concerned we do not propose to take that up until early next year.

Mr. CARPENTER. I see. Well, I would like to present our views on it.

The CHAIRMAN. All right, you may proceed.

Mr. CARPENTER. And I am sure there is some merit to it. If the extension of the 1965 act were delayed until the 91st session of the Congress, time would indeed be short to pass such legislation and, more particularly, to pass it in time for farmers to adjust their cropping plans accordingly. Farming today is big business—which requires planning, programing, and financing well in advance of the immediate crop year.

Tracing the history of the enactment of the act of 1965, facts reveal that long, extensive hearings were held, and it was not actually enacted into law until November 3 of that year. With a new Congress, come January 1, 1969, it is most likely that legislation providing for the extension or reenactment of the Agriculture Act of 1965 might have a similar timetable and by so doing, farmers would find themselves in a state of utter confusion. U.S. farm action programs have been an acceptable way of operating the Nation's agriculture for nearly 35 years, and just as agriculture is the Nation's basic industry, so are farm programs a basic foundation in which to build a sound farm economy. Farm programs benefit not only the farmers for whom they are designed. The abundance, stability, conservation, and security they assure are of immeasurable benefits to all consumers and to the Nation as a whole. Out of those dark days of the depression in the early thirties were born the first action programs of farm assistance, and these have been revised and supplemented throughout the subsequent years as the need arose. Although we changed these programs to keep pace with the existing conditions of the times, we would be the first to admit that none of the programs have furnished a complete solution to all farm problems but out of much hard work on the part of you and your committee and with the patience and actions of Congress the Nation over the years has evolved what we believe is the best farm program to date.

So I would like to join the others in saying that the Agriculture Act of 1965 has been an effective and a desirable piece of legislation.

The CHAIRMAN. Well, you see what we are trying to do now is to get criticism of that act, if there is any, and any changes that may make it better. And it is my belief that since we have laid the foundation for 3 years to put in an act, that when we meet in the early part of next year, there will not be much delay in reenacting the act for another period of time.

Mr. CARPENTER. I think that it is highly desirable that you are holding hearings now.

The CHAIRMAN. And that is what we are doing, you see. We are trying to find out—as a matter of fact, we did that for the prior acts that we enacted back in 1937.

Mr. CARPENTER. Right.

The CHAIRMAN. Every 10 years, we went around and instead of having the farmers or the people interested come to Washington, we went out in the country.

Mr. CARPENTER. Very good.

The CHAIRMAN. But the chances are we may not have time to do that, and that is why I chose to do it early this year, so that we could use the hearings we are now conducting as a basis for future consideration of the present law.

Mr. CARPENTER. Very good, we respect your judgment.

To drop to the bottom of page 3. In urging extension of the Food and Agriculture Act of 1965, I am not speaking only of our own association's opinion. In February of this year, an informal organization of some 350 farm leaders met in Kansas City, Mo. Attending were farmers from most of the States in the United States, as well as one farm leader from Canada. There participants represented all of the major farm organizations, and many of our major commodities, including wheat, corn, grain sorghum, milk, cotton, wool, and soybeans. This organization of farm leaders was inaugurated in 1962 prior to the enactment of the Agriculture Act of 1962. The group meets whenever the need arises and conditions seem desirable for participants to get together.

Mr. Heinkel, president of the Missouri Farmers Association and Midcontinent Farmers Association, has served as chairman of this informal group since its first meeting. The February 8th meeting of this year was held to secure a bipartisan expression of opinion that would be representative of the United States as a whole, regarding legislative recommendations and administrative actions which would be helpful in improving net farm income for the future. You will find attached hereto a copy of the program in which I think you will agree the meeting was not only bipartisan, but did have program participants from over a wide area of the United States. And I attach that here so you can see there was representation from many, many States on the committees that were involved there.

The CHAIRMAN. That program will be made a part of the record.

(The program is as follows:)

FARM LEADERS CONFERENCE

President Hotel, Kansas City, Missouri, February 8, 1968

General Chairman: F. V. Heinkel

9:25 a.m. Call to Order.
9:30 a.m. Welcome—Mayor Illus Davis, Mayor of Kansas City.
9:40 a.m. "Why We Are Meeting Today"—F. V. Heinkel.
10:10 a.m. Address: "Agriculture 1968 and Beyond," Honorable Orville Freeman, Secretary of Agriculture.
11:00 a.m. Coffee Break.
11:15 a.m. Address: "The City Congressman's Responsibility in the Future of American Agriculture," Honorable Richard Bolling—Dem.-Missouri, Member of Congress.
11:45 a.m. Lunch—Compliments of Midcontinent Farmers Association.
1:00 p.m. Address: "The Rural Congressman's Responsibility in the Future of American Agriculture," Honorable Mark Andrews—Rep.-North Dakota, Member of Congress.
1:30 p.m. "Birds-eye View of 1968 Program Applicable to the 1965 Agricultural Act"—Ed Jaenke, Assoc. Administrator, ASCS.
1:45 p.m. Panel Discussion: "Value of Supply Management Programs; and, What Action is Necessary To Keep These Programs and, If Necessary, Improve Them."
James Dean—Kansas—Wheat.
Henry Van Tuyle—Illinois—Corn.
D. G. "Bill" Nelson—Texas—Grain Sorghum.
Lloyd Godley—Arkansas—Cotton.
Laurel Meade—Indiana—Soybeans.
Smith Broadbent, Jr.—Kentucky—Tobacco.
James Reeves—Missouri—Milk.
2:30 p.m. "Importance of Farm Export-Import Politics As They Affect American Agriculture"—Lauren Soth, Managing Editor, *Des Moines Register Tribune*.

3:00 p.m. Report Resolutions Committee—Fred Ludwig, Chairman—Iowa.
John W. Curry—Illinois.
Roy Davis—Texas.
Harold O. Edwards—Washington.
Harry Graham—Washington, D.C.
E. L. "Shug" Hatcher—Colorado.
Don Hill—Missouri.
Herbert Hughes—Nebraska.
Albert Matlock—New Mexico.
Thomas Mezger—California.
H. J. Shaw—Oklahoma.
Reuben Johnson—N. Carolina.
W. W. Beckett—Columbia, Mo., Secretary.
3:15 p.m. Concluding Remarks—"Let's Accept Our Responsibility and Go to Work"—F. V. Heinkel.

Mr. CARPENTER. I think it would be of interest to you to review briefly the resolutions that were passed unanimously at this meeting. I made the statement that all farm organizations, regular farm organizations were present. I will say that one farm organization removed itself from the meeting prior to the final adoption of the resolutions.

The group takes the strong position that adequate prices for farm products cannot be obtained without some reasonable management of the supplies of farm commodities and I believe you agree on that. Therefore, all farmers were urged to support and participate in 1968 programs for wheat, feed grains, cotton, rice, and tobacco. To safeguard the national interest and provide for available adequate supplies of food and fiber in the event of a national emergency, the group urges passage of legislation providing for a strategic reserve of agriculture commodities utilizing the principles of extended loans, purchased stocks by Commodity Credit Corporation and farmer-contracted storage, and released only at 100 percent of parity less certificates and payments, but available to consumers in the event of a national emergency.

The group supports the extension of the Agricultural Act of 1965 by this session of the U.S. Congress for a period of not less than 4 years.

The continuation of the principle of nonrecourse loans is considered vital to the success of farm programs, and the group expresses a determination to strongly resist any and all efforts to change this concept.

The question was raised regarding the stand of any organization or individual in trying to abolish all farm programs, and the group suggests that the stated positions of such organizations or individuals are not representative of the views of working farmers in America.

The group urges the ratification by the U.S. Senate of the Trade Expansion Act, including particularly the International Grains Arrangement. For farm commodities used in international aid programs, the group urges that farmers receive not less than 100 percent parity prices adjusted by the amount of any certificates and payments.

In recognizing that the preservation of the family farm is essential to the American way of life, the group points out the necessity of restricting large, moneyed business corporations in their use of losses from farming operations to offset gains from other operations. Further, the group urges both Congress and the Internal Revenue Service to institute an immediate study of the adverse effect of these practices upon the operations of bona fide farmers. Strict enforcement of the

tax laws relating to "hobby" farming is likewise urged. To supplement existing farm programs, the group urges consideration of legislation to insure the right of farmers to organize and thereby be able to market their products more effectively.

These resolutions, as enumearted above, were unanimously adopted by this bipartisan group of farmers from all parts of the country. As we look back on the accomplishments of this informal organization, we note that prior to the enactment of major farm legislation, this group has considered such proposals and have adopted resolutions in their support.

We sincerely hope that you will again take their views into consideration when you make final determination on future legislation affecting farmers. I apologize for taking so much time referring to the Kansas City meeting, but I did want to point out that this makes out a pretty good consensus of opinion, Mr. Chairman.

FARM BARGAINING

The CHAIRMAN. Well, has your organization considered the so-called Mondale bill that we mentioned?

Mr. CARPENTER. Yes, sir.

The CHAIRMAN. And what is your attitude on that one?

Mr. CARPENTER. We would like to make some specific recommendations a little later. I am not properly prepared today to make accurate statements, but we would be pleased to make those recommendations.

The CHAIRMAN. Well, it is my hope to hold these hearings open for probably 3 or 4 weeks after we conclude our hearings, and I am asking witnesses to supply statements criticizing the bill or adding something that may make it more palatable.

Mr. CARPENTER. We shall be pleased to have that opportunity, sir, and we will do so.

The CHAIRMAN. I wish you would do that.

Mr. CARPENTER. Thank you, sir.

(The statement is as follows:)

COLUMBIA, MO., *May 13, 1968.*

Senator ALLEN J. ELLENDER,
Senate Office Building,
Washington, D.C.

DEAR SENATOR ELLENDER: When I appeared before your committee on Agriculture and Forestry on April 3, our testimony pertained more specifically to the extension of the Agricultural Act of 1965 and the necessity for a strategic food reserve rather than dwelling on the merits or demerits of Senator Mondale's bill, No. S. 2973, to provide for the orderly marketing of agricultural commodities. During the interrogation following my printed testimony, you made inquiry as to the views of the Midcontinent Farmers Association on the so-called "collective bargaining bill". I advised you that we had not at that time made a careful study of this proposed legislation; and, as a result, I was unable at that time to provide you specific information on that subject. You requested that I provide you our views at as early a date as possible. In compliance with this request, we have the following to offer.

Admittedly, the words "collective bargaining" have been quite intriguing to the average farmer. Some visualize collective bargaining as the panacea to all farm problems. We only wish that it were. Listed below is our evaluation of this proposed legislation:

(1) We are convinced for any agricultural program to be effective we must have some form of price support coupled with supply management, and it is our opinion that the continuation or extension of the Agriculutral Act of 1965 is the best legislation now available to meet this need.

(2) The purpose and intent of S. 2973 is indeed meritorious and worthy of serious consideration.

(3) Title 1 of this bill is a completely new and daring approach to farm marketing. To our knowledge this is a complete new concept as written, and we have no pattern of performance to which to turn to to evaluate its true effectiveness.

(4) Title 2 is a tried and proven process of marketing orders which has demonstrated its effectiveness as a marketing device for milk, citrus fruits, nuts, and other specific commodities. We must point out, however, that a very careful study and certain pertinent revisions will need to be made in this section before it is enacted into law if existing marketing organizations, cooperatives and others are to be able to participate in this marketing program to the benefit of their producer members.

(5) Title 3 entitled "Agricultural Fair Practices" has already been enacted into law and signed by the President. In our opinion, the provisions of Title 3 as set out in S. 2973 would be superior to the law that was enacted. Only time will tell how the recently enacted law will serve producers.

SUMMARY

Mr. Chairman, we favor the enactment of legislation for the orderly marketing of commodities by the producers. We believe that if "collective bargaining" is to be an effective tool for farmers in improving the prices of farm commodities that a bargaining base is essential. Such base can be provided by price support programs, supply management programs, base or minimum price programs or provided by federal order or a combination thereof. Our organization has always been considering a forward-thinking group of farmers, ready and willing to develop new innovations and to support new programs which would appear to be to the best interest of the producer and the public in general.

As forestated, we believe that Senator Mondale's bill does have merit; however, it will require a tremendous amount of research, evaluation, and study to be able to incorporate more specific and detailed provisions with relation to how much power will be placed in the hands of the producer, under what condition and what safeguards will be afforded the public by federal government participation, how will farmers existing facilities in which multi-billion dollars are now invested be effectively utilized in the marketing process.

We will be glad to join you, your committee, your staff, and other progressive farm organizations in the attainment of these objectives. However, we do not favor delaying favorable action on the extension of the Agricultural Act of 1965 pending such comprehensive study and perfection of these "collective bargaining" proposals.

Yours very truly,

L. C. (CLELL) CARPENTER,
Vice President, Midcontinent Farmers Association.

The CHAIRMAN. Because if there is a possibility of considering that bill today by having sufficient backing, the chances are that we might be able to consider it this year instead of waiting until next year to have it in the form of a package bill with other legislation.

Mr. CARPENTER. It has some merit, sir.

The CHAIRMAN. All right.

Mr. CARPENTER. Some portions of it. The organizations with which I am associated, Midcontinent Farmers Association, has always attempted to adopt a positive and forward-thinking policy. However, we are not unconscious to the fact that there are a number of "antifarm bills" pending before this Congress which seek to eliminate all of the grain programs, and also, the cotton and tobacco programs.

GENERAL

Mr. Chairman, we have worked too long and too hard to reach present degree of agricultural stability under our existing farm action programs to permit unthinking and selfish interests to do away with pro-

grams, which, in effect, underwrite the economic welfare and health of our Nation. Every thinking farmer in the United States is today deeply concerned and disturbed by even the possibility of such reckless action coming to pass.

Economists of recognized standing, both in and out of Government agree that if the Agriculture Act of 1965 is not continued, net farm income will decline drastically with most predictions indicating a decline of 35 to 50 percent if no farm programs are available.

Mr. Chairman, I cannot stress too strongly the importance of enacting—now—permanent legislation similar to the Food and Agriculture Act of 1965. This act, as you know, grew out of the feed grains program first enacted in 1961, and the wheat program enacted for the 1962 crop. Both of these programs were highly successful. There should, therefore, be no hesitation or fear in making the 1965 act permanent. Four years' experience has proven that the legislation is highly flexible, farmer participation is entirely voluntary, annual adjustments can be made easily, and furthermore, effective administrative decisions can be carried out particularly if a strategic commodity reserve is made companion legislation. The Agriculture Act of 1965 had a number of important objectives, and I am sure, Mr. Chairman, you have heard those a number of times, and I am not reiterating those.

This legislation, in the middle of page 8, has at least helped to maintain farm income and under proper administration can and will improve farm income. Gross annual returns have increased; however, I would be the first to admit that the increased cost of production has clearly reduced the farmers' returns, but farm programs cannot be held accountable for production cost. Notwithstanding this fact, additional immediate action is needed to increase the net income of farmers. These programs generally have been quite popular with farmers. As you know, the programs provided by the 1965 legislation are entirely voluntary and the participation of farmers is a definite indication of their popularity.

Latest reports on the 1968 program signups show nearly 1.5 million farmers signed up for the feed grain program, for an intended diversion of around 34.4 million acres from the production of corn and grain sorghums preliminary figures also indicate 837,000 farms signed up in the wheat program, representing about 85 percent of the national wheat acreage allotment and almost 465,000 cotton farms signed up for the diversion of approximately 3.3 million acres of upland cotton production. This type of voluntary signup would not occur unless farmers felt they would benefit therefrom.

I made comment here of what we would have to look forward to in the event this act was not reenacted or extended. Then I am sure, Mr. Chairman, with your many years here in this Senate committee you know full well what it would revert to—the old outmoded type of legislation which we think would be in effect disasterous to farmers, so I will leave this in the record and not go further on that.

I do not want to make this point, however. The U.S. farmers today are caught between depressed prices for their production and soaring production costs. If they had no Federal farm programs to help cushion this squeeze, their plight would be infinitely worse. Realized net farm income of the U.S. farmers in 1967 was 12 percent less than 1966. Net income per farm declined almost $500. The outlook for 1968

at this time appears no better, but this situation is not hopeless providing the present programs with certain modifications and improvements are kept in operation and wisely administered to maintain and improve farm income.

As recommended by the farm leaders conference and by Mid-continent Farmers Association, we would like to see this legislation enacted this year with a few supplements and adjustments to improve and strengthen the programs made available by the Agriculture Act of 1965. We would like to see the programs more nearly designed to permit farmers to receive prices at or near parity for farm commodities used domestically and for Public Law 480 exports. We would like to see companion legislation enacted, providing for a national commodity reserve. This is of utmost importance if any supply management-price support program is to be administered effectively. We would like to see enabling legislation to permit farmer owned and operated cooperatives to bargain more effectively for higher farm prices for farm commodities.

That is what I think the previous experts were mentioning. With these additions to the 1965 act, farmers would have a solid foundation for building a healthy agricultural economy.

Agriculture's future can be bright if our production matches instead of outruns the demand.

President Johnson in his message to the Congress relating to agriculture strongly recommended this legislation be enacted. President Johnson has been a friend to the farmer and the consumer alike and, with his announcement on last Sunday night of his future intentions, may we respectfully suggest that this legislation be enacted as our display of confidence in his good judgment as a friend of the farmer. The farmers of America have a huge responsibility and a big stake in our economy. The Nation has a big stake in a sound agriculture. As a special representative of all the people, I know you are all conscious of your responsibility in providing effective assistance to farmers in working toward a stable and properous agriculture and Nation. It is our belief that our future depends upon your action in extending and supplementing the farm programs of today.

Thank you very much, Mr. Chairman, for the opportunity of appearing.

(Mr. Carpenter's prepared statement is as follows:)

Mr. Chairman and Members of the Committee, my name is L. C. (Clell) Carpenter, and I am Vice President of the Midcontinent Farmers Association with headquarters at Columbia, Missouri. Membership of Midcontinent Farmers Association is over 157,000 with membership in the state of Missouri and a large number of members in Illinois, Iowa, Nebraska, Kansas, Arkansas and surrounding states.

Mr. Chairman, I want to commend you and your committee on taking this timely action in holding these hearings which will undoubtedly lay the groundwork for future farm legislation before the expiration of the Agriculture Act of 1965. Inasmuch as the hearings today do not pertain to any particular bills, I would like the privilege to address my remarks to general legislation, which we believe should be enacted for the benefit of farmers and the consumers of the nation; however, when specific legislation is considered under a particular bill, we will be pleased to have the opportunity to suggest specific recommendations which we believe might serve to improve existing programs.

Although you indicated in your letter of February 16, these hearings would likely result in legislation in 1969 by the 91st Congress, we would like to respectfully suggest, and, hope that we might prove our point, that this legislation should be enacted by the 90th Congress during this legislative session.

Mr. Chairman, I am here today to urge the extension—this year—of the Food and Agriculture Act of 1965. The legislation as now in effect covers the crops through 1969, but I would remind you gentlemen that planting the next year's wheat crop will be starting in some sections of the United States as early as July, 1969. If the extension of the 1965 Act were delayed until the 91st Session of the Congress, time would indeed be short to pass such legislation and, more particularly, to pass it in time for farmers to adjust their cropping plans accordingly. Farming today is big business—which requires planning, programing, and financing well in advance of the immediate crop year.

Tracing the history of the enactment of the Act of 1965, facts reveal that long extensive hearings were held, and it was not actually enacted into law until November 3rd of that year. With a new Congress, come January 1, 1969, it is most likely that legislation providing for the extension or re-enactment of the Agriculture Act of 1965 might have a similar timetable and by so doing, farmers would find themselves in a state of utter confusion. United States farm action programs have been an acceptable way of operating the nation's agriculture for nearly 35 years and just as agriculture is the nation's basic industry, so are farm programs a basic foundation in which to build a sound farm economy.

Farm programs benefit not only the farmers for whom they are designed. The abundance, stability, conservation and security they assure are of immeasurable benefits to all consumers and to the nation as a whole.

Out of those dark days of the depression in the early thirties were born the first action programs of farm assistance, and these have been revised and supplemented throughout the subsequent years as the need arose. Although we changed these programs to keep pace with the existing conditions of the times, we would be the first to admit that none of the programs have furnished a complete solution to all farm problems but out of much hard work on the part of you and your committee and with the patience and actions of Congress, the Nation over the years have evolved what we believe is the best farm program to date.

The Food and Agriculture Act of 1965 provided a 4-year base for planning by farmers. It has also offered a good measure of security, price stability, flexibility, and at the same time, affording freedom of decision by the individual family farmer. It has unquestionably been a major factor in enabling many thousands of farmers to remain on the land.

It has provided for abundant production of food and fiber for our own people at the lowest cost to them of any place in the world, and it has insured ample supply of farm products for world export, including donations for needy and underdeveloped countries.

Although the costs of these programs has been substantial, more of the benefits have been paid to the farmers in direct benefits.

Agriculture has contributed greatly to maintaining our balance of payments which was possible largely because of enlightened policies authorized and directed by the provisions contained in the Agriculture Act of 1965. United States' agriculture export earnings have risen so markedly during the 1960's that its net balance of trade contribution—the earnings of agricultural exports minus the value of agricultural imports—is greater than that of any other sector of the economy.

In urging extension of the Food and Agriculture Act of 1965, I am not speaking only of our own association's opinion. In February of this year, an informal organization of some 350 farm leaders met in Kansas City, Missouri. Attending were farmers from most of the states of the United States, as well as one farm leader from Canada. These participants represented all of the major farm organizations, and many of our major commodities, including wheat, corn, grain sorghum, milk, cotton, wool, and soybeans.

This organization of farm leaders was inaugurated in 1962 prior to the enactment of the Agriculture Act of 1962. The group meets whenever the need arises and conditions seem desirable for participants to get together.

Mr. Heinkel, President of the Missouri Farmers Association and Midcontinent Farmers Association, has served as Chairman of this informal group since its first meeting. The February 8th meeting of this year was held to secure a bipartisan expression of opinion that would be representative of the United States as a whole, regarding legislative recommendations and administrative actions which would be helpful in improving net farm income for the future.

You will find attached hereto a copy of the program in which I think you you will agree the meeting was not only bipartisan, but did have program participants from over a wide area of the United States.

Mr. Chairman, I think it will be of interest to you and members of this comcittee to review the resolutions that were adopted unanimously at this meeting.

1. The group takes a strong position that adequate prices for farm products cannot be obtained without some reasonable management of the supplies of farm commodities. *Therefore, all farmers were urged to support and participate in 1968 programs for wheat, feed grains, cotton, rice, and tobacco.*

2. To safeguard the national interest and provide for available adequate supplies for food and fiber in the event of a national emergency, the *group urges passage of legislation providing for a strategic reserve of agricultural commodities, utilizing the principles of extended loans, purchased stocks by Commodity Credit Corporation and farmer-contracted storage, and released only at 100 percent of parity less certificates and payments, but available to consumers in the event of a national emergency.*

3. *The group supports the extension of the Agricultural Act of 1965 by this session of the United States Congress for a period of not less than four years.*

4. *The continuation of the principle of non-recourse loans is considered vital to the success of farm programs, and the group expresses a determination to strongly resist any and all efforts to change this concept.*

5. *The question was raised regarding the stand of any organization or individual in trying to abolish all farm programs, and the group suggests that the stated positions of such organizations or individuals are not representative of the views of working farmers in America.*

6. The group urges the *ratification by the United States Senate of the Trade Expansion Act, including particularly the International Grains Arrangement.*

7. For farm commodities used in international aid programs, *the group urges that farmers receive not less than 100-percent-of-parity prices adjusted by the amount of any certificates and payments.*

8. In recognizing that the preservation of the family farm is essential to the American way of life, *the group points out the necessity of restricting large, moneyed business corporations in their use of losses from farming operations to offset gains from other operations. Further, the group urges both Congress and the Internal Revenue Service to institute an immediate study of the adverse effect of these practices upon the operations of bona fide farmers. Strict enforcement of the tax laws relating to "hobby" farming is likewise urged.*

9. To supplement existing farm programs, *the group urges consideration of legislation to insure the right of farmers to organize and thereby be able to market their products more effectively.*

These resolutions, as enumerated above, were unanimously adopted by this bipartisan group of farmers from all parts of the country. As we look back on the accomplishments of this informal organization, we note that prior to the enactment of major farm legislation, this group has considered such proposals and have adopted resolutions in their support.

We sincerely hope that you will again take their views into consideration when you make final determination on future legislation affecting farmers.

I apologize for taking so much time referring to the Kansas City meeting; however, we feel sure that you gentlemen are interested in knowing the feeling of farm leaders from all over the United States.

The organization with which I am associated, Midcontinent Farmers Association, has always attempted to adopt a positive and forward thinking policy. However, we are not unconscious to the fact that there are a number of "anti-farm bills" pending before this Congress which seek to eliminate all of the grain programs and, also, the cotton and tobacco programs.

Mr. Chairman, we have worked too long and too hard to reach the present degree of agricultural stability under our existing farm action programs to permit unthinking and selfish interests to do away with programs which in effect underwrite the economic welfare and health of our nation.

Every thinking farmer in the United States is today deeply concerned and disturbed by even the possibility of such reckless action coming to pass.

Economists of recognized standing, both in and out of Government, agree that if the Agriculture Act of 1965 is not continued, net farm income will decline drastically with most predictions indicating a decline of 35 to 50 percent if no farm programs are available.

Mr. Chairman, I cannot stress too strongly the importance of enacting—now—permanent legislation similar to the Food and Agriculture Act of 1965. This Act as you know grew out of the feed grains program first enacted in 1961, and the wheat program enacted for the 1962 crop. Both of these programs were highly successful. There should, therefore, be no hesitation or fear in

making the 1965 Act permanent. Four years experience has proven that the legislation is highly flexible, farmer participation is entirely voluntary, annual adjustments can be made easily, and, furthermore, effectively administrative decisions can be carried out particularly if a strategic commodity reserve is made companion legislation.

The Agriculture Act of 1965 had a number of important objectives and most of these it has clearly accomplished.

1. It has cut extremely burdensome supplies of farm commodities. Wheat stocks have been reduced by more than 60 percent below the enormous stocks of 1.4 billion bushels on hand in 1961. These stocks required large sums to pay storage costs as well as the interest on the Government's investment in the inventory.

2. Feed grain oversupplies by 1961 had "piled up" to 85 million tons. These today have been cut by over 50 percent.

3. Cotton stocks, at a peak carryover of 17.5 million bales in 1966, have been reduced nearly 60 percent through a faster rate because of program participation, coupled with unwelcomed abnormal weather and insect infestation.

Another factor of tremendous importance largely because of policies provided by the 1965 legislation, our exports have expanded by virtue of prices kept competitive in the world markets. Wheat prices are supported at 100 percent of parity for the domestic food use portion of our wheat production; the balance of the crop is supported at the loan level, which is near the world price with an export subsidy to adjust to competition as necessary. Feed grains are at competitive world prices.

This legislation has at least helped to maintain farm income and under proper administration can and will improve farm income. Gross annual returns have increased; however, I would be the first to admit that the increased cost of production has clearly reduced the farmers' returns, but farm programs cannot be held accountable for production cost. Notwithstanding this fact, additional immediate action is needed to increase the net income of farmers. These programs generally have been quite popular with farmers. As you know, the programs provided by the 1965 legislation are entirely voluntary and the participation of farmers is a definite indication of their popularity.

Latest reports on the 1968 program signups show nearly 1.5 million farmers signed up for the feed grains program, for an intended diversion of around 34.4 million acres from the production of corn and grain sorghums; preliminary figures also indicate 837,000 farms signed up in the wheat program, representing about 85 percent of the national wheat acreage allotment; and, almost 465,000 cotton farms signed up for the diversion of approximately 3.3 million acres of upland cotton production. This type of a voluntary signup would not occur unless farmers felt they would benefit therefrom.

Let's turn to the dark side of this picture for a moment and consider the farmer's plight if the Act of 1965, or legislation similar thereto, was not extended. In this event, the old out-moded legislation would automatically take effect. America's greatest single resource is agriculture, and agriculture's suffering would be compounded to such a degree that it would be felt by every business sector of the Nation.

For wheat, the 1965 Act eliminated the necessity for the Secretary of Agriculture to proclaim marketing quotas through 1969, but this requirement would be reinstated by prior legislation. If two-thirds of the farmers voting in referendum approved the wheat quotas, they would go into effect; land-use penalties would apply for failure to make mandatory diversion; wheat marketing certificates would be in effect, but with loan value which could not be less than 65 nor more than 90 percent of parity and processors would have to pay the full value of domestic certificates.

If wheat quotas were rejected, and they have been once before, there would be no marketing quotas, no land-use penalties, no wheat certificates, no diversion payments, and price support at 50 percent of parity would be available only to producers who complied with their allotments.

For feed grains, no diversion or price support payments are provided by the old legislation. The whole program for corn would be the price-support loan, at from 50 to 90 percent of parity, with the level being set at that point where it would not result in increasing Commodity Credit Corporation's stocks of corn. Support level for other feed grains would be at whatever was fair and reasonable in relation to the level for corn.

For cotton, marketing quotas would continue to be proclaimed and in effect when approved by two-thirds of the producers voting, but there would be no

diversion or price-support payments. Price supports would be from 65 to 90 percent of parity as determined by the Secretary. There would be no authority to make cotton available to domestic mills at the world market prices, if such prices were lower than the legal minimum price for unrestricted use.

If cotton quotas were disapproved, there would be no quotas, but price support would be available at only 50 percent of parity, and only to those farmers who complied with their allotments.

United States farmers today are caught between depressed prices for their production and soaring production costs. If they had no Federal farm programs to help cushion this squeeze, their plight would be infinitely worse.

Realized net farm income of United States farmers in 1967 was 12 percent less than 1966. Net income per farm declined almost $500. The outlook for 1968 at this time appears no better, but this situation is not hopeless providing the present programs with certain modifications and improvements are kept in operation and wisely administered to maintain and improve farm income.

As recommended by the farm leaders conference and by Midcontinent Farmers Association, we would like to see this legislation enacted this year with a few supplements and adjustments to improve and strengthen the programs made available by the Agriculture Act of 1965.

We would like to see the programs more nearly designed to permit farmers to receive prices at or near parity for farm commodities used domestically and for P.L. 480 exports.

We would like to see companion legislation enacted, providing for a national commodity reserve. This is of utmost importance if any supply management-price support program is to be administered effectively.

We would like to see enabling legislation to permit farmer-owned and operated cooperatives to bargain more effectively for higher farm prices for farm commodities.

With these additions to the 1965 Act, farmers would have a solid foundation for building a healthy agricultural economy.

Agriculture's future can be bright if our production matches—instead of outruns—the demand.

President Johnson in his message to the Congress relating to agriculture strongly recommended this legislation be enacted. President Johnson has been a friend to the farmer and the consumer alike and, with his announcement on last Sunday night of his future intentions, may we respectfully suggest that this legislation be enacted as our display of confidence in his good judgment as a friend of the farmer.

The farmers of America have a huge responsibility and a big stake in our economy. The nation has a big stake in a sound agriculture. As a special representative of all the people, I know you are all conscious of your responsibility in providing effective assistance to farmers in working toward a stable and prosperous agriculture and nation.

It is our belief that our future depends upon your action in extending and supplementing the farm programs of today. We ask you to extend the Food and Agriculture Act of 1965 during this session of the 90th Congress.

Thank you very much for the opportunity to appear here today.

COMMODITY RESERVE

The CHAIRMAN. Now, Mr. Carpenter, you mentioned that you favor production in order to have a sufficient amount aside in case something may happen. It is not a fact that the reason why that is advocated now is because it will give the farmer the opportunity to produce more?

Mr. CARPENTER. Mr. Chairman, we have not looked at it that way. The reason we are advocating this is clear—Secretary Freeman, prior to announcing the last two increases in wheat allotments last year called and talked with us at some length as to the advisability and his fearfulness that maybe there would be a shortage of wheat.

The CHAIRMAN. Well, that is because we did not then know what the foreign production was.

Mr. CARPENTER. Right.

The CHAIRMAN. It is just—this thing may happen once in 5 or 10 years.

Mr. CARPENTER. I think that is probably right.

The CHAIRMAN. And it strikes me that if we produce in addition to our needs just to create this reserve, that the moment that reserve is completed—that is, the amount is completed—you then revert to the same amount of production you are now having, and you would have this reserve there dangling over the market and depressing your prices, and the reason in 1961 as well as in 1965 we put this act on the status books was to get rid of that, and we got rid of all the cotton. We now have a reserve which is in keeping with requirements. We have a little more wheat than we need, but it will be because of this 20-percent additional acreage.

Mr. CARPENTER. Right.

The CHAIRMAN. But it strikes me that under the 1965 act with the flexibility that this act provides for utilization by the Secretary of Agriculture, that we can well provide ample commodities for our own use and for export.

Mr. CARPENTER. I think it is possible to do that. We recommend the reserve as we had not thought in terms at all of additional production for this. We had thought in terms of existing supplies being used to isolate—a sufficient amount to meet our needs.

The CHAIRMAN. But it will mean more production because you are now—let us take in the case of cotton. You are now about even up.

Mr. CARPENTER. Right.

The CHAIRMAN. You have got just about—you have on hand an amount sufficient for normal carryover. Now, if you try to build this bank that you speak of, or reserve, it will mean more production of wheat, and more production of other commodities. And what gave us the difficulty, or the trouble 4 or 5 years ago was the fact that we were burdened with so much surplus.

And I want to repeat that good old Uncle Sam with his bins full of commodities, you understand, invites these nations across the seas like in Asia to buy where they can some of their supplies and then expect Uncle Sam to say, well, here, we are going to let you have this we have got on hand.

Mr. CARPENTER. I am sure you are correct on this.

The CHAIRMAN. I am sure I am. I have been all over this world and I know how they think and talk. And what we tried to do in the revision of Public Law 480 was for us to turn a just share of what we ought to do, because as I said this is a humanitary problem, and I do not want Uncle Sam to shoulder 80 percent of it. I want the rich Europeans to put up as much money as we do or else let them go by the wayside.

Mr. CARPENTER. I think if we adopt that theory, then probably the strategic reserve is not of as much importance because I do know before there was much worry whether or not we could supply our needy neighbors across the sea.

The CHAIRMAN. In my humble judgment, we could use the great factory that was built—when I say factory, I mean farming factory, because we produce more now than any nation on earth.

Mr. CARPENTER. Right.

The CHAIRMAN. We could use that to try and balance our payments. We are in bad shape now, and I would rather have that food produced

so that we can dispose of it for hard currency rather than have a lot on hand and then have to dispose of it for these soft currencies.

Mr. CARPENTER. I had the pleasure of being a member of the Japan trade mission this year. I was indeed pleased to see the tremendous sales for hard cash.

The CHAIRMAN. And let us continue that.

Mr. CARPENTER. Very good.

The CHAIRMAN. When you have the bins full, the tendency is to overlook it. You know, you have got bighearted people at the State Department who would give away the Capitol dome if you would let them. And by golly if they had followed the suggestion I made 15 or 16 years ago we would not be in the shape we are in now.

Mr. CARPENTER. Thank you. I will give you the recommendations.

The CHAIRMAN. All right. If you just do that 3 to 4 weeks after we are completed, we will incorporate them in the record. And be sure that you have enough facts to make a decent change, if it is necessary.

Mr. CARPENTER. Thank you.

The CHAIRMAN. Off the record.

(Discussion off the record.)

STATEMENT OF JAMES H. GILFOIL III, LAKE PROVIDENCE, LA.

The CHAIRMAN. All right. Mr. Gilfoil.

Mr. GILFOIL. Thanks, Mr. Chairman.

I wish to express my thanks to you and the distinguished members of this committee for your efforts over the years in behalf of agriculture. I deeply appreciate it.

The CHAIRMAN. Thank you, sir.

Mr. GILFOIL. And then I want——

The CHAIRMAN. You know he is from Louisiana, by the way.

Mr. GILFOIL. I would like to make a comment about the popularity of the Food and Agriculture Act of 1965. I would say I have had 30 years' experience in farming, and to my knowledge in that period of time there has been no act which has had the general popularity among the turn row cotton farmers than has the act of 1965.

COTTON

My statement is as follows: Mr. Chairman and gentlemen of the committee, my name is James H. Gilfoil III, cotton farmer from Lake Providence, East Carroll Parish, La. I appear here today as an individual producer and not as a representative of any organization. We, in the cotton industry, face a radically changed situation from the one which prevailed at the time of the enactment of the Food and Agriculture Act of 1965. The supply situation has changed from one of very burdensome surplus to one where some staples and qualities are in short supply. This drastic reduction in supply has not been an entirely unmixed blessing. Last fall, when it became increasingly apparent that the crop would be short, the price of the more desirable grades and staples increased sharply. This price increase was attributable in part to speculation, but the greater influence, by far, was that of supply. While the short-term effect of this price increase was to put more money into the pockets of some producers, the long-term effect was very bad for the whole industry. It has contributed to a

loss of confidence in the future of cotton by many of our best customers. This attitude, on the part of many mill people, is influenced more by the dependability of the supply than it is by price. As a consequence, we can anticipate greater inroads by synthetics into our traditional markets.

Competition from synthetics is not our only problem; other growths are a continuing problem. They have virtually taken our export market and threaten our domestic market with imported goods. This has been made possible because we have been holding a price umbrella over our own competition. In turn, this has led to the spectacle of seeing some U.S. producers go to Guatemala, Mexico, and other countries to produce cotton. There, they have multiple advantages: cheap labor, unlimited production, equal technological know-how, and the previously mentioned price umbrella. In addition, we are confronted continually with increasing costs of those things we must buy in order to produce.

Having enumerated some of the problems we cotton producers face, I move on now to what I regard as essential needs if we are to have a healthy cotton economy. I do not mean to imply that these are the only needs, but that those listed are basic and indispensable: (1) an ample and stable supply of desirable qualities of cotton; (2) a relatively stable price at levels fair to producer and consumer; (3) an expanded and maintained export market; and (4) full implementation of authorized research programs to reduce costs of production and develop new end uses.

I would like to digress just a moment here to say I know that you remember that a bill was enacted some several years ago which provided for what was termed a crash research program, and in spite of the urgency of need for that type of thing to date only about, I think, one-third of the appropriations necessary to implement the program have been made.

The CHAIRMAN. I recall that.

Mr. GILFOIL. And I urge that it be fully implmented.

How do we go about fulfilling these needs? Basically the act of 1965, with some changes provides the means of accomplishing the sought for results. The retention of the 16 million acre minimum national allotment is absolutely essential in order to assure our users, foreign and domestic, of ample and stable supply. To do otherwise would be to signal foreign growers and producers of synthetics that we were abandoning our fight for expanded markets. A further step that should be taken is to change the diversion section of the 1965 act so as to provide that anytime the carryover declines to a certain figure, say 7 million bales, there would be no voluntary diversion payments. Also, the method of relating the nonrecourse loan level to world price should be clearly spelled out so as to eliminate, insofar as this is possible, political manipulation of this figure. These steps would go a long way toward restoring confidence among our domestic users and toward keeping foreign countries from expanding production at our expense; coupled with a fully funded and implemented research program, they would do much to solve our most pressing problems.

Much is heard about the necessity of reducing costs of various programs. The familiar outcry for the imposition of payment limitations

is again heard. I can asure you that there is no more certain road leading to the destruction of the cotton industry than limitation of payments. And, I do not believe this Nation can afford to see this industry destroyed. There are steps which could and should be considered in devising ways to reduce the cost of the cotton program. One I have already mentioned is the elimination of voluntary diversion payments when carryover is reduced to a certain level; another would be to tie the domestic allotment payment to the spot market average rather than to the loan as it is at present. Timing is very important for the future welfare of the cotton industry. In order to restore confidence and to promote well being, I suggest that the act of 1965, with needed changes be extended at the earliest practicable time.

The CHAIRMAN. I notice you made a suggestion as to quite a change there, about basing your support instead of on your loan on the spot market. Have you worked out any figures to indicate the difference in the cost to the Government of that, Mr. Gilfoil?

Mr. GILFOIL. Yes; we have. We spent quite a bit of time yesterday at the Department asking them to see what the differences in costs would have been had this provision been in effect during the time of this act's working.

The CHAIRMAN. Now, over what period of years did you——

Mr. GILFOIL. That is 1966, 1967, and we made a projection for 1968.

The CHAIRMAN. Now, what did that show?

Mr. GILFOIL. Now, in connection with this, let me first say that in order to do this you would have to remove the 9-cent minimum payment that is provided for in the law. In 1966 the reduction in total costs of the cotton program would have been $125,900,000. In 1967, the reduction in costs would have been $217,700,000. And the projected reduction costs—the reason I say projected is that we had to use only those months that we had, and we used the months from August 1, 1967 to date in computing our spot market average—and with that figure the reduction of costs in 1968 would have been $390 million.

The CHAIRMAN. Now, would you be a little more specific as to how this would work in contrast to what is now in the law?

Mr. GILFOIL. Yes, sir. Well, I think that the basic problem is at the time of enactment of the 1965 act nobody foresaw that the price, market price for cotton would get much above the loan level. So in fixing the domestic allotment price payments they tied these payments to the loan rather than to the market average since it was a more stable figure and one that they could determine at an early date in the year.

Now we did not foresee that we would have as much participation in the diversion program as we had in those first 2 years, nor did we foresee that we would have very bad weather conditions over large sections of the belt leading to a very severe reduction in the production of cotton. And those things coupled together led to, along with some other factors, this price increase that we had this past year. So that there was a great disparity between the loan figure and the actual return to the farmer for what he sold. And we think that it should be related, that the payments should be related to the amount actually received.

And that——

The CHAIRMAN. When you say actually received——

Mr. GILFOIL. Yes.

The CHAIRMAN (continuing). Payments to the farmer?

Mr. GILFOIL. No, sir. I am talking about what he got for the cotton.

The CHAIRMAN. That is what I am saying, what he got for his cotton.

Mr. GILFOIL. The payment should be related to that rather than to the loan. In other words, if the price under the present act, the way it is written now, if the spot market price should go to 50 cents a pound, we would still receive the full amount of payment, and I think that is completely ridiculous. And while it would put money in my pocket, I do not think it is fair. I do not think we can fairly ask for it. And I think most cotton producers are responsible people; they want some protection, but they are not asking for the world with a wire fence around it.

The CHAIRMAN. Well, I recall that when this act first went into effect there was quite a lot of complaints from abroad that our loan price was so low that it had the tendency of depressing the price of cotton.

Mr. GILFOIL. Yes, sir.

The CHAIRMAN. Now, if you should relegate this to a spot market, would that do away with that situation?

Mr. GILFOIL. No, sir; not with the loan at all. The spot market would simply operate as it is operating right now.

The CHAIRMAN. You would still have the loan program?

Mr. GILFOIL. Yes, sir; you would have the loan program.

The CHAIRMAN. Well, on what basis?

Mr. GILFOIL. On the same basis as we have now, except as I indicated in this statement, I think that you should try to tie it down a little more firmly as to how it is going to relate to the world price, because that is open to manipulation. I mean a future President or a future Secretary of Agriculture could set the loan so low as to make it a very bad thing. On the other hand, he could set it at an unreasonably high figure.

The CHAIRMAN. Well, he would have to provide for greater payments because the idea is to make sure——

Mr. GILFOIL. Well, if the payments are tied to the spot market average, that would not be so, sir.

The CHAIRMAN. Well, we are going to have our economist work on that and see what can come out of it. It is such ideas as this that we would like to get from various witnesses in an effort to try and improve this program.

Mr. GILFOIL. Well, I appreciate that, Mr. Chairman. And I would like to say that what we are trying to do is reduce the cost of the program and still keep a good program. And frankly, we think that the cost of the present program has been such that we cannot keep it unless we provide some means of reducing the cost, and that is what is behind this idea, and I think it is ultimately fair, and I believe it would be a great help.

The CHAIRMAN. All right, sir. Thank you very much.

Mr. GILFOIL. Yes, sir. And thank you very much, Mr. Chairman. As always, I appreciate the opportunity to be here.

The CHAIRMAN. All right. The committee will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, the committee was recessed until 10 o'clock Thursday, April 4, 1968.)

(The information submitted by the Chairman is as follows:)

LOAN AND PAYMENT RATES FOR SELECTED COMMODITIES

Commodity	Crop year 1963–64	1964–65	1965–66	1966–67	1967–68	1968–69
Cotton M inch average location:						
Loan level	32.47	30.00	29.00	21.00	20.25	20.25
Payment rate		[1] 3.50	[2] 4.35	9.42	11.53	12.24
Corn:						
Loan level	1.07	1.10	1.05	1.00	1.05	1.05
Payment rate	.18	.15	.20	.30	.30	.30
Wheat:						
Loan level	1.82	1.30	1.25	1.25	1.25	1.25
Payment rate	.18	.70	.75	1.32	1.36	(3)
Rice: Support price	4.71	4.71	4.50	4.50	4.55	4.60
Dairy products: Support price:						
Butterfat	.581	.58	.594	.68	.68	.66
Manufactured milk	3.14	3.15	3.24	4.00	4.00	4.28
Soybeans: Support price	2.25	2.25	2.25	2.50	2.50	2.05

[1] Additional payment to trade of 6.5 cents per pound began April 1964.
[2] Additional payment to trade of 5.75 cents per pound for 1965–66 marketing year.
[3] Not available.

Source: USDA.

COTTON, UPLAND—ACREAGE, PRODUCTION, UTILIZATION, CARRYOVER, 1961–67

[In millions]

Year beginning Aug. 1	Acreage planted (acres)	Acreage harvested (acres)	Production (bales)	Utilization: Domestic (bales)	Export (bales)	Total (bales)	Carryover (bales)
1961	16.6	15.6	14.3	8.8	4.9	13.7	7.1
1962	16.3	15.6	14.7	8.3	3.3	11.6	7.7
1963	14.8	14.2	15.0	8.5	5.7	14.2	11.0
1964	14.8	14.1	15.1	9.0	4.0	13.0	12.1
1965	14.2	13.6	14.7	9.4	2.9	12.3	14.0
1966	10.3	9.6	9.7	9.4	4.7	14.0	16.6
1967	9.5	8.1	7.5	9.0	4.3	13.3	12.3
1968							6.5

Source: USDA.

DOMESTIC CONSUMPTION OF FIBERS

Year beginning Jan. 1	Total fibers used (million pounds)	Cotton (percent of total fibers)	Rayon and acetate (percent of total fibers)	Manmade (percent of total fibers)	Wool (percent of total fibers)
1950	6,596.6	67.7	19.8	2.0	10.5
1961	6,581.4	61.5	17.1	13.3	8.1
1962	7,206.5	59.4	17.5	15.2	7.9
1963	7,422.4	55.8	19.4	17.3	7.5
1964	7,938.0	54.6	19.2	20.0	6.2
1965	8,758.9	53.2	17.9	22.8	6.0
1966	9,425.3	52.5	17.1	25.1	5.3
1967	9,333.5	50.1	16.3	29.1	4.5

Source: P. 36, Cotton Situation, March 1968.

PRICES OF UNFINISHED CLOTH (20 CONSTRUCTION), PRICE OF RAW COTTON, AND MILL MARGINS, 1961–67

Year beginning Aug. 1	Unfinished cloth prices	Price of raw cotton	Mill margins
1961	60.61	35.71	24.90
1962	60.52	35.61	24.91
1963	61.54	35.46	26.18
1964	62.98	27.23	35.75
1965	65.15	26.49	38.66
1966 [1]	66.18	25.56	40.62
1967 [1 2]	67.64	32.28	35.36

[1] Expanded series.
[2] 1967–68 February 1968.

Source: USDA.

EXPORTS AND IMPORTS OF COTTON MANUFACTURES ON BALE EQUIVALENT BASIS

[Raw cotton equivalent]

Year	Imports	Percent of total U.S. use	Exports	Percent of total U.S. use
1961	393.5	4.7	498.3	5.9
1962	645.5	7.2	459.0	5.2
1963	634.0	7.4	432.9	5.0
1964	625.3	6.9	444.2	4.9
1965	751.2	7.7	362.1	3.7
1966	1,056.2	10.2	395.0	3.8
1967	913.5	9.4	392.6	4.0

Source: USDA.

WHEAT

Year beginning July 1	Acreage planted (million acres)	Acreage harvested (million acres)	Production (billion bushels)	Utilization			Carryover (million bushels)
				Domestic (million bushels)	Export (million bushels)	Total (billion bushels)	
1961	55.7	51.6	1.2	608	713	1.3	1,411
1962	49.3	43.7	1.1	580	644	1.2	1,322
1963	53.4	45.5	1.2	588	856	1.4	1,195
1964	55.7	49.8	1.3	644	725	1.4	901
1965	57.4	49.6	1.3	732	867	1.6	817
1966	54.4	49.9	1.3	697	742	1.4	535
1967	68.0	59.0	1.5	694	750	1.4	426
1968							

Source: USDA.

SOYBEANS

[In millions]

Year beginning Sept. 1	Acreage planted (acres)	Acreage harvested (acres)	Production (bushels)	Utilization			Carryover (bushels)
				Domestic (bushels)	Export (bushels)	Total (bushels)	
1961	27.8	27.0	678.6	478.0	149.4	627.4	27.1
1962	28.4	27.6	669.2	521.0	180.5	701.5	78.3
1963	29.5	28.6	699.2	490.7	187.2	677.9	46.0
1964	31.6	30.8	700.9	526.3	212.2	738.5	67.3
1965	35.2	34.4	845.6	589.1	250.6	839.7	29.7
1966	37.3	36.5	928.5	612.4	261.6	874.0	35.6
1967	40.7	39.7	972.7	644.0	280.0	924.0	90.1
1968	41.8						

Source: USDA.

RICE—ROUGH RICE BASIS

Year beginning Aug. 1	Acreage planted (1,000 acres)	Acreage harvested (1,000 acres)	Production (million hundred-weight)	Utilization			Carryover (million hundred-weight)
				Domestic (million hundred-weight)	Export (million hundred-weight)	Total (million hundred-weight)	
1961	1,618	1,589	54.2	29.6	29.2	58.8	10.1
1962	1,789	1,773	66.1	27.9	35.5	63.4	5.3
1963	1,785	1,771	70.3	27.8	41.8	70.6	7.7
1964	1,797	1,786	73.2	31.1	42.5	73.6	7.5
1965	1,804	1,793	76.9	30.8	43.3	74.1	7.7
1966	1,980	1,967	85.0	31.5	52.0	83.5	8.2
1967	1,982	1,970	89.7				

Source: USDA.

TOTAL FEED GRAINS

[In millions]

Marketing year [1]	Acreage planted Acres	Acreage harvested Acres	Production Tons	Utilization: Domestic Tons	Utilization: Export Tons	Utilization: Total Tons	Carryover Tons
1961	128.2	105.3	140.6	136.7	17.3	154.0	84.7
1962	124.0	101.9	142.9	135.0	16.8	151.8	71.8
1963	127.8	105.1	153.8	130.5	18.8	149.3	64.4
1964	119.9	97.1	134.2	127.5	21.6	149.1	69.3
1965	116.3	96.0	157.4	141.3	29.1	170.4	54.8
1966	117.1	97.8	157.2	140.6	22.0	162.6	42.1
1967	120.8	100.7	176.0	147.8	22.5	170.3	37.0
1968							43.0

[1] Marketing year beginning Oct. 1 for corn and grain sorghum; July 1 for oats and barley.

Source: USDA.

CORN

Year beginning Oct. 1	Acreage planted (million acres)	Acreage harvested (million acres)	Production (billion bushels)	Utilization: Domestic (billion bushels)	Utilization: Export (million bushels)	Utilization: Total (billion bushels)	Carryover (billion bushels)
1961	65.9	57.6	3.5	3.5	435	3.9	2.0
1962	65.0	55.7	3.6	3.5	416	3.9	1.6
1963	68.8	59.2	4.0	3.3	500	3.8	1.4
1964	65.8	55.4	3.5	3.3	570	3.9	1.5
1965	65.1	55.3	4.1	3.7	687	4.4	1.1
1966	66.3	56.9	4.1	3.6	488	4.1	.840
1967	70.9	60.4	4.7	3.9	550	4.5	.817
1968							1.050

Source: USDA.

SORGHUM GRAIN

[In millions]

Year beginning Oct. 1	Acreage planted (acres)	Acreage harvested (acres)	Production (bushels)	Utilization: Domestic (bushels)	Utilization: Export (bushels)	Utilization: Total (bushels)	Carryover (bushels)
1961	14.3	11.0	480	422	99	521	702
1962	15.1	11.6	510	403	113	516	661
1963	17.5	13.3	585	484	107	591	655
1964	16.8	11.7	490	425	148	573	649
1965	17.1	13.0	673	582	266	848	566
1966	16.4	12.8	720	618	248	866	391
1967	19.2	15.1	789	594	200	794	245
1968							240

Source: USDA.

COMMODITY CREDIT CORPORATION

NET BUDGET EXPENDITURES—SUMMARY OF ALL COMMODITIES AND PROGRAMS

[In millions of dollars]

CCC operations	1961 actual	1962 actual	1963 actual	1964 actual	1965 actual	1966 actual	1967 actual	1968 estimate	1969 estimate
Price supports and related programs:									
Acreage diversion, price support, export, and equalization payments	622.1	1,112.2	1,123.9	1,497.0	1,813.7	2,025.0	2,348.2	1,898.2	2,236.0
Loans and purchases less loan repayments	2,972.2	2,650.5	3,030.1	2,470.0	1,687.2	1,260.9	788.9	1,515.3	887.2
Wheat certificates issued less certificates sold					+106.7	+160.0	275.7	346.0	360.0
Storage and other outlays	1,594.4	1,420.4	1,382.3	1,558.6	1,399.4	1,205.0	806.0	613.7	610.8
Total	5,188.7	5,183.1	5,536.3	5,525.6	4,793.6	4,330.9	4,218.8	4,373.2	4,094.0
Receipts:									
Sales proceeds	3,146.4	2,533.6	2,194.3	2,130.4	2,048.2	2,098.85	2,248.4	1,191.5	744.2
Other receipts	711.7	598.0	224.6	219.9	97.7	696.6	287.2	475.8	574.4
Total	3,858.1	3,131.6	2,418.9	2,350.3	2,145.9	2,795.1	2,535.6	1,667.3	1,318.6
Total net price support and related expenditures	1,330.6	2,051.5	3,117.4	3,175.3	2,647.7	1,535.8	1,683.2	2,705.9	2,775.4
Public Law 480	1,827.2	1,961.5	2,039.5	2,049.2	1,851.8	1,784.5	1,451.7	1,315.0	1,444.4
International Wheat Agreement	76.5	90.1	74.2	125.8	34.8	10.2			
Bartered materials	200.5	193.3	99.7	37.7	40.6	25.8	32.5	25.3	1.2
Other [1]	145.7	169.2	68.0	57.6	33.7	38.7	305.8	34.2	83.2
Total net expenditures [2]	3,580.5	4,465.6	5,398.8	5,445.6	4,608.6	3,395.0	3,473.2	4,080.4	4,304.2

WHEAT AND PRODUCTS—NET BUDGET EXPENDITURES

CCC operations	1961 actual	1962 actual	1963 actual	1964 actual	1965 actual	1966 actual	1967 actual	1968 estimate	1969 estimate
Price support and related expenditures:									
Acreage diversion, price support, and export repayments	74.3	121.9	294.9	290.6	43.6	197.9	134.9	40.0	38.0
Loans and purchases less loan repayments	629.7	293.5	561.5	266.4	298.1	151.1	107.7	289.8	252.6
Certificates issued less sales of certificates					+106.7	+160.0	275.7	346.0	360.0
Storage and other outlays	313.5	347.8	282.4	301.3	185.9	184.5	101.9	42.2	65.5
Total	1,017.5	763.2	1,138.8	858.3	420.9	373.5	620.2	718.0	716.1
Receipts:									
Commodity sales	647.9	797.7	676.0	945.1	566.1	789.5	544.9	171.5	238.8
Other receipts	7.2	120.5	40.4	10.9	5.2	15.0	18.2	7.0	7.0
Total	655.1	918.2	716.4	956.0	571.3	804.5	573.1	178.5	245.8
Total net price support and related expenditures	362.4	+155.0	422.4	+97.7	+150.4	+431.0	47.1	539.5	470.3
Public Law 480	1,045.1	1,198.3	1,312.4	1,227.6	1,186.1	1,270.5	671.1		
International Wheat Agreement	76.5	90.0	74.2	125.8	34.8	10.2			
Total	1,058.5	1,211.0	1,306.1	1,261.7	1,141.5	1,204.8	647.5	748.2	746.8
Total net expenditures [3]	1,484.0	1,133.3	1,809.0	1,255.7	1,070.5	849.7	718.2	1,287.7	1,217.1

RICE—NET BUDGET EXPENDITURES

Price supports and related programs:									
Export payments	18.6	30.1	24.1	38.3	38.3	42.4	22.0	2.0	
Loans and purchases less loan repayments	40.3	20.5	19.3	17.4	16.5	14.2	10.2	11.8	15.9
Storage and other outlays	4.3	3.4	1.6	1.8	1.2	1.2	.5	.4	.6
Total	63.2	54.0	45.0	58.0	56.0	57.8	32.7	14.2	16.5
Receipts:									
Sales proceeds	33.5	26.3	.9	5.5	6.1	6.2	3.1	1.5	4.2
Other receipts	.2			.1	.2		.1		
Total	33.7	26.3	.9	5.6	6.3	6.2	3.2	1.5	4.2
Total net price support and related expenditures	29.5	27.7	44.1	52.4	49.7	51.6	29.5	12.7	12.3
Public Law 480	117.8	83.0	122.7	116.7	95.2	60.5	140.2	128.9	187.0
Total net expenditures [2]	147.3	110.7	156.8	169.1	144.9	112.1	169.7	141.6	199.3

UPLAND COTTON AND PRODUCTS—NET BUDGET EXPENDITURES

Price supports and related expenditures:									
Acreage diversion, price support, export and equalization payments	191.9	174.3	121.1	102.6	490.6	506.2	813.0	865.0	755.0
Loans and purchases less loan repayments	1,229.9	577.5	708.7	978.5	689.5	701.7	138.5	89.0	72.0
Storage and other outlays	25.1	8.1	37.1	53.7	58.0	66.3	60.6	25.0	18.0
Total	1,446.9	759.9	866.9	1,134.8	1,238.1	1,274.2	1,012.1	979.0	845.0
Receipts:									
Commodity sales	1,644.4	77.8	70.2	563.5	485.3	342.3	794.8	645.0	85.0
Other receipts	.3	.1	.5	1.7	.7	1.8	.8		
Total	1,644.7	77.9	70.7	565.2	486.0	344.1	795.6	645.0	85.0
Total net price support and related expenditures	+197.8	682.0	769.2	569.6	752.1	930.1	216.5	334.0	760.0
Public Law 480	222.4	200.9	212.6	170.1	150.4	97.3	140.8	122.1	138.0
Total net expenditures [2]	24.6	882.9	1,008.8	739.7	902.5	1,027.4	357.3	456.1	898.0

Footnotes on p. 100.

COMMODITY CREDIT CORPORATION—Continued

DAIRY PRODUCTS—NET BUDGET EXPENDITURES

[In millions of dollars]

CCC operations	1961 actual	1962 actual	1963 actual	1964 actual	1965 actual	1966 actual	1967 actual	1968 estimate	1969 estimate
Price supports and related expenditures:									
Export payments			6.7	36.5	44.7	3.8			
Purchases	286.5	604.2	461.8	374.5	324.7	103.4	296.2	397.7	305.2
Storage and other outlays	14.4	26.6	46.1	33.4	16.5	10.4	6.6	14.5	16.2
Total	300.9	630.8	514.6	444.4	385.9	117.6	302.8	412.2	321.4
Receipts:									
Commodity sales	105.4	75.2	42.8	89.2	162.1	101.6	64.3	115.2	75.9
Other receipts	.1	.3	.6	.2	.3	.6	.5		
Total	105.5	75.5	43.4	89.4	162.4	102.2	64.8	115.2	75.9
Total price supports and related expenditures	195.4	555.3	471.2	355.0	223.5	15.4	238.0	297.0	245.5
Public Law 480	82.0	109.1	159.9	261.3	95.4	78.4	66.9	107.5	88.0
Total net expenditures [2]	277.4	664.4	631.1	616.3	318.9	93.8	304.9	404.5	333.5

FEED GRAINS AND PRODUCTS—NET BUDGET EXPENDITURES

CCC operations	1961 actual	1962 actual	1963 actual	1964 actual	1965 actual	1966 actual	1967 actual	1968 estimate	1969 estimate
Price support and related activities:									
Acreage diversion, price support, and export payments	351.8	809.5	677.1	1,028.5	1,196.1	1,272.4	1,340.2	960.5	1,415.0
Loans and purchases less loan repayments	738.7	889.4	968.4	401.4	97.9	136.2	+26.2	444.6	232.1
Storage and other outlays	422.6	397.1	394.0	337.1	305.1	261.1	181.3	85.8	98.3
Total	1,513.1	2,096.0	2,039.5	1,767.0	1,599.1	1,669.7	1,495.3	1,490.9	1,745.4
Receipts:									
Commodity sales	415.1	1,306.7	1,106.4	423.1	648.0	730.9	659.5	83.7	384.4
Other receipts	7.3	15.3	15.8	6.1	4.4	7.9	6.9		
Total	422.4	1,322.0	1,122.2	429.2	652.4	738.8	666.4	83.7	384.4
Total price support and related activities	1,090.7	774.0	917.3	1,337.8	946.7	930.9	828.9	1,407.2	1,361.0
Public Law 480	149.9	156.1	95.3	100.4	82.9	125.7	305.6	133.5	129.8
Total net expenditures [2]	1,240.6	930.1	1,012.6	1,438.2	1,029.6	1,056.6	1,134.5	1,540.7	1,490.8

[1] National Wool Act, other miscellaneous programs, et cetera.
[2] Not adjusted for comparability; Sec. 416, 1961–67.

Source: USDA.

FARM PROGRAM AND FARM BARGAINING

THURSDAY, APRIL 4, 1968

U.S. Senate,
Committee on Agriculture and Forestry,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding

Present: Senators Ellender, Talmadge, McGovern, Mondale, Aiken, Young of North Dakota, and Miller.

The Chairman. The committee will please come to order.

Yesterday we started hearings on a farm bill that we hope to present to the Congress early next year. Instead of waiting for a bill to be sent to us from the Department, we thought that this committee was capable of holding hearings and doing its own job of writing up a bill. I want to say at the outset that I was surprised that yesterday there was very little criticism lodged against the administration's operation of the law as we now have it; that is, the act of 1965. And, of course, the purpose of these hearings is for us to find better ways and means of administering this law or adding to it or subtracting from it so that we can do more for the farmers. And I am very hopeful that the witnesses will bear in mind our objective, and that is if you find faults with it, do not hesitate, do not be timid in telling us about it.

Now, we are fortunate today in having as a first witness Mr. Charles H. Shuman, who is president of the American Farm Bureau Federation.

Senator Aiken. May I add something right there, Mr. Chairman?

The Chairman. Yes.

Senator Aiken. I want to support you in your proposal to hold hearings this year with the goal of early action next year. Legislation would probably not be in order until next year because it appears we are going to have a new administration in the executive branch no matter what. Every administration wants to set up its own program, and if we should put through a program this year, just as sure as preaching, the next administration, whoever it might be, would want to change it. So I think we are just saving ourselves work if we wait until next year and get the recommendations of the new administration before taking definite action.

The Chairman. Well, I am sure the new Democratic administration will follow the line that we are now proposing here.

Senator Aiken. Well, now, all right, I will accept that statement if you will tell me what is a Democrat.

The Chairman. I would like to get the same answer from you about a good Republican.

Senator AIKEN. The same answer, you would get the same answer probably.

The CHAIRMAN. All right, Mr. Shuman, you have appeared before this committee quite often. We are glad to have you.

Mr. SHUMAN. Thank you.

The CHAIRMAN. I notice you have a written statement. And I presume you want to read it.

Mr. SHUMAN. Brief it.

The CHAIRMAN. Brief it. All right. Well the whole statement will be placed in the record.

Mr. SHUMAN. I appreciate that.

The CHAIRMAN. Before you start your testimony, Mr. Shuman, I have a statement here from Senator Burdick, and without objection, we will have the statement placed in the record at this point.

(Senator Burdick's statement is as follows:)

GENERAL

STATEMENT OF HON. QUENTIN N. BURDICK, A U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Mr. Chairman, agriculture is North Dakota's largest and most important industry—producing nearly 80 per cent of our new wealth. The extension of the Food and Agriculture Act and the development of farmer bargaining legislation are vital to North Dakota farmers and to the Nation.

Economic justice requires that the farm policies of the government assist the farmer in achieving prices which are fair and equitable. I want to stress the point of economic justice—we cannot do justice to a commodity nor to an industry; only to people. Our farm policies must be people centered, not price centered.

The paradox of American agriculture is that the chronic economic difficulties are, to a large extent, the result of its technological successes. The rise of agricultural productivity, which is the foundation for the wealth and power of our society, causes difficulties for the farmers.

In social and economic terms the agriculture policies have not done enough to ease the burden of the small farmers. The forced migration from rural America continues—and the stream to crowded urban America continues creating even greater urban problems.

Progress has been made in farm income, in helping small farmers acquire additional income-producing resources, and in helping rural families secure decent housing, and this committee has been diligent in its efforts.

But, great problems still exist. Calculations indicate that the per capita income of persons on farms has rarely exceeded half of the per capita income of persons not on farms. And, unfortunately, the farm program of the government has frequently been "sold" to the urban populace in terms of charity. The policies and programs to support the agricultural segment of our economy must not be based on a concept of charity but on the basis of national self-interest and justice.

The Food and Agriculture Act, particularly if wheat export certificates are included, can provide the basis for logical programs. Additionally, the development of bargaining legislation, which will help mitigate speculative price fluctuations, is essential.

The fact, is the American farmer has traditionally operated closer to the ideal of a free market than other segments of the economy. His technological advances have lead toward lower relative prices for food and fiber—a boon to the Nation but not necessarily to the farmer.

During the 20 year span from 1947 to 1967, the hourly earning of industrial workers increased by 123 per cent, corporate dividends went up 232 per cent, but the average of prices received dropped by 11 per cent.

Unless we develop ways to pay fair prices for the production of food, our whole food supply could be endangered. Bankrupt farmers cannot continue to produce in abundance, much less increase production to meet future demand.

I think there should be a note of urgency to these hearings today. Although

it may seem that next year is far off, the present farm program will expire very soon. I hope that you gentlemen will give serious consideration to reenacting—with some improvements—farm legislation before the hour grows late, and the "problem" becomes a "crisis."

Mr. Chairman, I ask unanimous consent that a statement of Raymond Muhs, Langdon, North Dakota, attached hereto be made a part of the record.

(The statement is as follows:)

FARM BARGAINING

STATEMENT OF RAYMOND MUHS, LANGDON, N. DAK.

Mr. Chairman, and Members of the Committee, for more than twenty years, the productivity of the farmer has been increasing at a rate which permitted him to be the major shock absorber in maintaining relative stability in this nation's cost of living. The farmer has patiently watched other segments of the economy enjoy the profits made from the fruit of his labor and investments.

The American farmer now comes to Congress to ask that a law be passed giving him the authority and machinery to bargain for a fair price for his products. I firmly believe that Senate Bill 2973 is the kind of bill that would allow the farmer to bargain in good faith, I therefore support this Bill. This Bill, along with the extension of the Agricultural Farm Act of 1965 will allow the farmer a chance for his rightful place in the economy of this great Nation. I urge the Congress to take action on these important measures this year.

I believe you will agree that we have been patient, in fact so patient that we now number only 3 million farmers. How long must we wait? Each year we see about 1000 farmers leave the state of North Dakota, only to move to the city and compete for the jobs of the city resident. Cities can ill afford this invasion of unemployed people. I appeal to the Representatives of cities, that one of the ways to ease the problems of the city, is to reverse this trend, make is possible for the farmer to stay on the land. Make it possible for young farmers to get started in farming. Reverse this trend to giant farms.

Thank you.

The CHAIRMAN. Now, you may proceed.

STATEMENT OF CHARLES H. SHUMAN, PRESIDENT, AMERICAN FARM BUREAU FEDERATION

Mr. SHUMAN. Mr. Chairman, Mr. James Graugnard, the president of the Louisiana Farm Bureau and a member of our board of directors is with me, if it is all right, I would like for him to share this seat with me.

The CHAIRMAN. Surely. Anybody else?

Mr. SHUMAN. Well, I think the others may have to help us with some of the statistics but we will not call on them now.

The CHAIRMAN. I was going to say that you can have your bureaucrats stand around, but I do not think you have bureaucrats in the Farm Bureau.

Mr. SHUMAN. Well, some people call them that.

The CHAIRMAN. All right.

GENERAL

Mr. SHUMAN. Mr. Chairman, members of the committee, we do appreciate the opportunity to present our views on experiences under the Food and Agriculture Act of 1965. I am not going to read this entire statement. The first few pages we will, and then we will brief some of the others.

As the committee knows, the Farm Bureau is a general farm organization with over 1,753,000 member families in the 49 States and

Puerto Rico. A large percentage of our members produce commodities which are directly affected by the act of 1965. Others produce commodities which are indirectly affected by this act because programs for individual commodities often affect other commodities. For example, the feed grain and cotton programs have affected the acreage planted in soybeans; and the feed grain and wheat programs have affected the production of livestock, poultry, and dairy products.

Farm Bureau vigorously opposed the major provisions of the 1965 act. Our members are even more convinced today that the programs authorized by this act are not in the longtime interests of producers, consumers, or taxpayers.

Briefly, our principal reasons for opposing these programs are as follows: (1) Government supply-management has not worked, (2) Government-owned stocks are bad for farmers, (3) The operation of Government supply-management programs depends on political decisions, (4) These programs make farmers dependent on Government payments for a substantial part of their net incomes, and (5) Government supply-management programs create pressures for international commodity agreements. We will discuss each of these points briefly.

(1) Government supply-management has not worked. The act of 1965 has not corrected the basic inbalance between prices farmers receive and the prices they must pay—commonly referred to as the cost-price squeeze. On the contrary, the index of prices paid has continued to rise faster than the index of prices received. The index of prices received by farmers rose 14 points from 238 in 1960 to 252 in 1967. In the same period the index of prices paid, interest, taxes, and wage rates, rose 42 points from 300 to 342.

The following table shows that there has been a rather steady decline in the parity ratio over the past 17 years and that the ratio was 74 in 1967. To find a lower parity ratio on an annual basis, it is necessary to go clear back to the depression year of 1933. We do not think it appropriate to include Government payments in figuring the parity ratio as this destroys the usefulness of the parity concept as a measure of the relationship between farm prices and farm costs; however, if one looks at the adjusted ratio in the following table he also finds a steady decline. Even on an adjusted basis, it is necessary to go back to 1933 to find an annual figure lower than that reported for 1967.

Then follows the table that gives that documentation.

Although the average parity ratio for all commodities is the lowest it has been on an annual basis since the depression, the picture is even more dismal for the commodities that are subject to price support payments under the act of 1965.

The CHAIRMAN. Now, Mr. Shuman, do you mind interruption?

Mr. SHUMAN. No.

The CHAIRMAN. You have raised a point here that has been bothering this committee ever since I have been on it, and that is the cost-price squeeze.

Mr. SHUMAN. Yes.

The CHAIRMAN. There is a bill that we will consider and probably others will be submitted in order to have farmers bargain for the sale of their goods.

Now, you know that we cannot legislate here to prevent the rise of the cost of a plow or the cost of a tractor, and as you say here that is one of our difficulties.

Now, what is your prescription to cure this?

Mr. SHUMAN. Well, our recommendations are spelled out a little later on. I am not going to go into detail on them, but I will list them. But basically there are two general directions in which we say we must go.

One general direction is to, as rapidly as we can, eliminate these control programs which have complicated the picture, and secondly, facilitate the farmers and their organizations to do the things which need to be done themselves.

The CHAIRMAN. Well, you have been preaching that now to my knowledge for quite some time, but the point I am trying to make is, or ask is how can we stop this cost-price squeeze? The cost of the machines that the farmers use and other things that he buys goes up, and there seems to be no way to stop that unless you have some kind of controls, and that seems to be your main reason for an imbalance.

Mr. SHUMAN. Yes; the cost price squeezes.

The CHAIRMAN. And I am just wondering if we could in some way regulate it so that Jimmy someway would not have to pay $15,000 for a tractor that he could buy 15 years ago for $5,000 or maybe $2,000.

If we could ever do that, we could help the farmer a good deal. And to me that is the question. It is easy to say what the problem is but how shall we solve it. Because to me that is one of the main reasons why there is this imbalance between the producers and those from whom they purchase their needs.

Mr. SHUMAN. Well, Mr. Chairman, I think in order to get at the cost price squeeze you must go back to the cause of the increased cost and the cause of lower prices, and the cause of lower prices in large measure, as we have been pointing out for some time, is Government farm programs themselves. And one of the major causes—well, the major cause of increased costs, which is the other side of this cost price squeeze, the major cause of increased cost is inflation which is the result of Government policies. And any control of prices such as was tried in World War I and World War II periods is bound to fail, because if you put a ceiling price on a tractor or other machinery or other supplies you immediately cause the producers of that to change to something where they can make a profit.

I think the only way to control costs is to check inflation, and that can be done if we are determined to cut down on the wild spending programs of the Federal Government.

Senator AIKEN. Mr. Chairman, I would like to tell you how some of them are reducing costs. They are moving out of the country where they can buy a tractor and other supplies for half what it costs here and hire the labor for perhaps 25 percent of what it costs in the United States; then they get the State Department to direct the Food and Drug Administration to issue orders that will permit uninspected products to come into this country where they can sell on our high-priced market.

Mr. SHUMAN. Well, we had some of that in agriculture, too, because under the Department of Labor and other rules we have had labor shut out of California and other places from Mexico. The result has been that the production of strawberries has largely moved to Mexico, and they are shipping them into and selling in our market at a lower cost than we can produce strawberries.

The CHAIRMAN. Well, that was caused by labor getting so much——

Mr. SHUMAN. Yes.

The CHAIRMAN. And how could you correct that?

Mr. SHUMAN. Well, I think that we—I think that the thing we need to do is——

The CHAIRMAN. Clamp down on labor.

Mr. SHULMAN. No; permit the use of these folks as long as we cannot have labor supplies adequate for agriculture in this country, then who not let them come in to help with the surplus.

The CHAIRMAN. Well, we tried that, you know, and we failed. I, as you know, fostered the bill.

Mr. SHUMAN. Yes.

The CHAIRMAN. It was extended from year to year over a period of maybe 7 or 8 years, but at last we were stymied and we could not get enough votes.

Mr. SHUMAN. That is right. I appreciate that.

The CHAIRMAN. So what are you going to do. You know, there is too much politics maybe in this.

Mr. SHUMAN. That is right.

Senator AIKEN. May I point out that the State Department and Justice Department have forced the Food and Drug Administration to admit into this country canned milk which is not subject to the sanitary inspection requirements that the producer in this country has to meet, and that is simply one example.

Mr. SHUMAN. Well, just to pick this up on page 3 there, actually the table there of market prices and parity prices of commodities for which prices support payments are made shows that the individual commodities are far away from a parity position and many of them—in fact, the price of corn is such that if you discount the deflation, or the inflation and depreciation of the value of money, the price of corn today is lower than it was in 1934 and 1935 when it was considerably better than it is today in purchasing power.

Senator YOUNG. Mr. Chairman, I wonder if I could ask a question at this point.

The CHAIRMAN. Surely.

Senator YOUNG. Does the Farm Bureau advocate abolishing all price supports or lowering them?

Mr. SHUMAN. We favor the elimination as quickly as possible of the price supports and controls for feed grains and wheat and soybeans, and we favor moving as rapidly as we can to eliminate all of them; yes, sir.

Senator YOUNG. Mr. Chairman, let me read into the record the price support levels for the past 20 years for wheat and the corresponding cash price received by farmers. You will note when I read these that the cash price, with the exception of 1 or 2 years follows the support price very closely. My point is that if you abolish price supports or lower them still more, you may well have still lower prices.

Now, in 1948 the national average loan level was $2 a bushel. The cash price was—this is the average price received by farmers—$1.98. In 1949, the support price was $1.95 and the average farm price, $1.88. In 1950, the loan rate was $1.99; cash price, $2. In 1951, the loan rate was $2.18; the cash price was $2.11. In 1952, the loan rate was $2.20, and the cash price was $2.09. In 1953, the loan rate was $2.21 and the

cash price was $2.04. In 1954, the loan rate was $2.24 and the cash price was $2.12. In 1955, the loan rate was $2.08 and the cash price to farmers was $1.98. In 1956, the loan rate was $2, and the cash price was $1.97. In 1957, the loan rate was $2, and the cash price was $1.93.

I hope I am not boring you with these figures because they are tremendously important to people raising wheat. In 1958, the loan rate was $1.82, and the cash price was $1.75. In 1959, the loan rate was $1.81; cash price, $1.76. In 1960, the loan rate, $1.78, and the cash price, $1.74. In 1961, the loan rate, $1.79, and the cash price $1.83. In 1962 the loan price was $2, and the cash price, $2.04. In 1963, the loan price was $1.82 and the cash price, $1.85. In 1964, it dropped, the loan price was $1.30 and prices to farmers dropped to $1.37 a bushel. In 1965 the loan price was $1.25, the cash price was $1.35. In 1966, the loan price was $1.25, and the cash price, $1.63. This was the year we exported a tremendous amount of wheat and everyone thought we were going to run out of wheat when we were not.

Now, in 1967, the loan price is $1.25 and the estimated cash price to farmers will be $1.41 a bushel.

Mr. Shuman, looking over this record and having farmed all my life, I just cannot go along with you. I believe that to follow a policy of abolishing price supports would completely wreck farmers and the farm economy. In my State right now, in the Red River Valley area, and there is no richer farmland in the world, no more fertile soil, black soil going down 12 feet, there is farm sale after sale after sale. I do agree with you however on the cost of the things the farmers have to buy.

Mr. Shuman. Well, Senator, I think if you are having this kind of trouble after 35 years of price supports and with them in full effect and with the administration that is determined to make them work, it is pretty good evidence that price supports are not working.

Now, I am glad that you presented this table, and we would gladly put it in ours except we had so many other tables, because it proves the point that we are trying to make, and that is that price supports become a ceiling as well as a floor. And the prices that you quoted are not adequate. It is proven by the fact that the parity ratio on wheat is only 54 cents. We would have had far better prices if we had not had these ceilings, and the administration—as you pointed out the administration of these farm programs for the last several years has been such as to make the price support a ceiling, and the only time it escaped, the only time that the price escaped was when they misjudged and exported more than they intended to.

Senator Young. Well, Mr. Shuman, I probably farmed long before you did. I have some experience from back in the twenties when we had no price supports and cash wheat got down to as low as 27 cents a bushel. We had no program at all then. I fear this is what would happen again, and this is what the average farmer thinks, too.

Senator Mondale. Would the Senator yield there?

As you recall, back in 1948, the Legislative Reference Service prepared a report in response to your inquiry and that of Senators McGovern and McCarthy about what would happen if we pursued what, in effect, is being recommended by the Farm Bureau this morning. And on page 2, Mr. Wilcox and others, well respected in Congress, said, it is estimated in the absence of price supports and acreage diversion programs, net farm income in these 3 years, 1961–63, instead of

averaging $12.8 billion a year as it did would have averaged about $6 billion. In other words, without these price-support programs and acreage diversion programs, income to the American farmer would drop in half. And I think this is the opinion of virtually every responsible farm economist in the country. And I think the recommendations of the Farm Bureau here would be disaster to my family farmers, and I am opposed to it.

Mr. SHUMAN. Mr. Chairman, might I comment on Senator Young's observation. I started farming in 1929, Senator.

Senator YOUNG. I started farming about 12 years ahead of you.

Mr. SHUMAN. I knew that you had, but 1929 was not exactly a good year to start farming——

Senator YOUNG. No, I know.

Mr. SHUMAN (continuing). Because things got worse. The problem that we had in the twenties of low prices was not a problem of a free market but rather a problem of the discrimination against farmers under the tariff structure that was adopted after World War I. It shut us out of our foreign markets. And we are having some of the same effect today, as the EEC and others recognize that government farm programs with their subsidized production payments are in effect a protectionist measure, and they are setting up barriers against us.

Now, with respect to these projections, I am glad the Senator brought this in, because we have had the opportunity to review these projections from time to time. I have known Dr. Wilcox for many years. With the all due respect to these folks who deal in projections, let me say that I have not seen one in agriculture that is worth the paper it is written on. No projection is any better than the assumptions that are made to start with. And if you are in favor of controlled agriculture, as Dr. Wilcox is, of course, you put in assumptions that get results you want. I can do the same thing any other economist can. And economists are divided as to what the effect would be; they are not all of the same opinion.

Senator YOUNG. Would you yield there, Mr. Shuman?

Mr. SHUMAN. Yes, sir.

Senator YOUNG. As you know, we have to export about two-thirds of our wheat. Do you think wheat farmers in the United States could exist on the world price we have for wheat when all of the countries of Europe and many others have a price support almost twice as high as ours is?

Mr. SHUMAN. Nobody knows, Senator, what the world price of wheat would be if we and the other countries were not producing under production subsidy plans, as our production has been stimulated by the direct payments and the assurance of a certain price. And the other nations of the world, many of them have tended to copy us. France, for instance, has a considerable subsidy, production subsidy.

Now, if we were determined to go to the market system and went with that kind of determination to the EEC, and the other nations, I have confidence that you could negotiate the reduction or perhaps even the elimination of production subsidy payments. And where the world price of wheat would go in the market without these, I do not know. It might be as much as 50 percent higher.

Senator YOUNG. Well, you know we are shut out of most of the dollar markets. I am not advocating we sell wheat to Red China, but this is a big dollar market that Canada has. Canada sells to every country in the world, as do other wheat exporting countries. We are very limited in our market.

Mr. SHUMAN. That is true. Well, I think that the world market has been—for wheat and other crops—has been tremendously depressed because of our subsidized production. I don't know what our total production would be if we were producing——

Senator YOUNG. What do you mean?

Senator McGOVERN. Would you yield at this point?

Senator YOUNG. We are having more farm auction sales right now. Farmers in the richest farming areas in the world are going broke trying to raise wheat at current prices. Do you want the price to go lower yet? Do you think that will solve the problem?

Mr. SHUMAN. No, no. What I am saying is without the farm program, the price of wheat will go up—it cannot help but go up.

Senator YOUNG. How would it go up?

Mr. SHUMAN. Because under the kind of program we have now we are subsidizing excessive production.

Senator YOUNG. We have to export two-thirds of our wheat production. Do you think the world prices are going to go up if we abandon the price support here and all the rest of the nations have high-price supports?

Mr. SHUMAN. No, I think that the world price will go up when you discontinue in this country, the subsidized production of feed grain wheat, cotton, et cetera. Now, when we were in the GATT session last summer—and I have been over there to check this out, and this is the report we get everywhere—the reason that they would not agree to bind the maximum variable duties is because we were subsidizing our production, and they said specifically and plainly, and it is in the record over there. They said to us, if you will limit or eliminate the direct payments to your farmers, we will consider taking off some of the subsidy payments and variable fees.

Senator YOUNG. They did not say they would do it, though.

Mr. SHUMAN. Oh, yes, they did—they proposed this.

Senator YOUNG. You mean these countries with these high price supports—and they have a price support around $3 a bushel or better—you mean they would drop those down to the world price?

Mr. SHUMAN. No, they did not say where they would drop them. But they said they would negotiate. And when we would not agree to eliminate the subsidy payments, then the negotiations broke off.

Senator YOUNG. Do you mind if we do not argue any more. We totally disagree.

Senator McGOVERN. Will you yield at that point?

Senator YOUNG. I am all through.

Senator McGOVERN. You make a point that I want to make with Mr. Shuman.

What makes you think if we take off our subsidies they would take of theirs. Theirs is twice as high as ours.

Mr. SHUMAN. I do not know that it would be automatic, but I do know there is no use to try to get concessions on variable duties or concessions on these subsidies that are used in their production as long

as we have ours, and if we were prepared to go to them to negotiate I think we would get results.

Senator McGovern. They are doing the same thing on a long bit of agricultural commodities, with rebates and export subsidies on commodities that are not price supported. Subsidies are a built-in part of their trade mechanism, whereas our subsidies relate only to basic agricultural products.

Mr. Shuman. Under the present situation we are in no position whatsoever to negotiate. I think that this country's agriculture depends upon foreign markets. We are going to continue to have depressed conditions until we can increase our export sales. In my judgment there is not the slightest chance in the world for increased agriculture export sales, except by the extremely high cost of subsidized exports, except as we can go to them and say that we are ready to start to scale down the subsidized production that we have in this country if you will do likewise. And I think there is a good chance of this kind of negotiations succeeding. Without that, there is no chance in the world except we are going to continue to have low prices and high subsidy costs for government in this country. I think the alternative is——

The Chairman. Well, now, Mr. Shuman, as I stated, what we are trying to do at the moment is to get valid criticism of the bill, I mean the law that is now on the statute books, and that is the act of 1965. And as I understand it, your organization was against that act.

Mr. Shuman. That is right.

The Chairman. And I presume you are still against it.

Mr. Shuman. There were some parts of the act that we were for, but most of it we were opposed to and we are still opposed to.

The Chairman. Well, will you in the course of your prepared statement tell us the good parts and the bad parts and how to remedy it?

Mr. Shuman. Yes, sir. Shall I proceed?

The Chairman. Good. That is what we want to hear.

Senator Miller. Mr. Chairman, could I interpose here?

I think with all deference to the witness, I ought to state that my understanding is that the main thrust of his criticism is twofold. The cost side of it is that inflation is boosting up the cost of production and it has been getting worse, so from that standpoint the cost-price squeeze has been aggravated. And on the price side when we look and see that wheat is at 54 percent of parity, that whatever we are doing, whether you call it the administration's farm program or whether you call it anything else, it certainly is not getting the job done, and has not been getting the job done for some time.

Senator Young. Will you yield there?

I agree with you a hundred percent, but we are lowering the price support, and we are lowering the cash price.

Senator Miller. Well, the point is that prices are just no good, and whatever we are doing is not working. I understand further that, if I detected the answer correctly, Mr. Shuman is not, and his organization is not advocating doing away with price supports overnight.

Mr. Shuman. That is right.

Senator MILLER. Nor is he just advocating that we do away with farm programs and throw everything on the free market, which is the impression some people may have.

I do not frankly know of anybody who is saying just scrap the farm programs, put the farmers on the open market and let them go. I am very familiar with these studies that have been made by Dr. Wilcox and also by Iowa State University. And as I recall Iowa State University with its very excellent economic staff and its computer projected out many different programs. Three or four of them were programs that the Farm Bureau had been recommending. And there was nothing that I can recall that indicated a drop of prices by about 50 percent, or net farm income by 50 percent, if these farm programs that the Bureau had been recommending had been adopted.

It is true that if the farm programs were done away with, there would be a drop of maybe 50 percent of net farm income, but I do not know of anybody, including the Farm Bureau and Mr. Shuman, who is advocating doing away with the farm programs period.

What they are saying is that what we have now is just no good. It has come out to 54 percent of parity for wheat; corn, 65 percent, depression era prices, and they have a better mousetrap and that is what they want us to consider. Am I correct, Mr. Shuman?

Mr. SHUMAN. That is correct, Senator. And thank you for——

Senator YOUNG. Mr. Chairman, could I ask another question at this point? The Farm Bureau does support the bills introduced by Congressman Curtis and Senator Ribicoff. What would those bills do?

Mr. SHUMAN. The Ribicoff bill I am not completely familiar with. They are not the same. There are a number of these bills introduced, and I will touch on that in the statement if I might, Senator, which is to the effect of getting rid of rather quickly the price support and controls on feed grains, wheat, and soybeans. But it does, as the Senator pointed out, it does propose ways in which action by the Congress could be used so that there would not be any unfavorable effect on farmers.

Senator YOUNG. I hope you are right.

The CHAIRMAN. Proceed, Mr. Shuman.

Mr. SHUMAN. All right, the middle of page 3 is where I am.

The parity ratios shown above in this table would be even lower if it were not for the fact that Government supply-management programs are reducing the adjusted parity base prices for most of these commodities. Then there is a table showing the adjusted parity base prices of commodities for which price support payments were made under the act of 1965.

If the adjusted base price of wheat had not been reduced from 1964 to 1968, the January 1968 parity price of wheat would have been $2.79 per bushel—22 cents more than the official parity price of $2.57.

Since the relationship between farm returns—including payments and farms costs has continued to deteriorate, people have continued to move out of agriculture in search of better opportunities. And this is what is going on. As a matter of fact, the rate of outmigration was higher in 1966 and 1967 than in 1964 and 1965, with farm programs in full force and effect. The following table shows a drop in farm population of more than 4.6 million since 1960—a drop of nearly 30 percent in only 7 years. The statistics are there.

Senator MILLER. Would you yield at that point? My recollection is that the drop in farm population during the previous 7 years was something in the neighborhood of 24 percent; is that correct, or do you——

Mr. SHUMAN. I do not remember the exact figures, but that sounds approximately right, Senator. And all this, of course, has taken place with these Government farm programs. Farm debt has increased in relation to farm assets throughout the postwar period; however, the rate of increase has accelerated under the Government supply-management programs of recent years. And there it gives in the next table the farm debt in relation to farm assets for these selected years.

The act of 1965 is an outgrowth of earlier Government supply-management programs, the first of which was the feed grain program of 1961. For this reason, in evaluating the effects of Government supply-management, it is appropriate to pay particular attention to what has happened since 1960 as well as to what has happened under the act of 1965.

Net income per farm has increased substantially since 1960; however, the bulk of this increase resulted from the combined effects of a decline in the number of farms and an increase in Government payments to farmers. And then this next table points that out very dramatically, that actually the only reason there is a net income increase per farm is because we have been foreclosing out, a lot of these folks have been retiring, and the payments added to it.

Net realized income per farm rose $1,661 from $2,952 in 1960 to an estimated $4,613 in 1967. If the number of farms had remained constant, and there had been no increase in Government payments, net income per farm for 1967 would have been $3,063 ($14,491 million net farm income minus the $2,378 million increase in Government payments, or $12,113 million divided by 3,954,500 farms).

Thus, the combined effects of the decline in the number of farms and the increase in Government payments boosted net income per farm from $3,063 to $4,613. This means that these factors account for $1,550 (93.3 percent) of the $1,661 by which net income per farm increased between 1960 and 1967. The remaining $111 of the total increase per farm is due to other factors.

The value of the dollar has declined since 1960 and farmers who have remained on the farm have had to increase their investments substantially. As a result, a much higher net income is needed today to provide a return on increased capital investments and offset the lower value of the dollar.

Actually, even if you consider these increases in net income as having been earned, the depreciation of money makes the final result even less than it would have been.

We doubt that the promoters of the 1965 act want to take credit for increases in farm income that have been brought about by a decline in the numbers of farmers. The unsatisfactory nature of programs which force farmers to depend on Government payments for a substantial part of their income will be discussed at a later point in our statement.

While carryover stocks of feed grains, wheat, and cotton have been reduced rather sharply in recent years, we need to examine the causes of these reductions and the costs that have been incurred in achieving them.

The 1965 act has contributed to the reduction of cotton stocks, although at a very high cost. Bad weather was also a factor. In the case of wheat and feed grains reductions in carryover stocks have been due to expanded markets—not reduced production. Grain production actually has been higher under Government supply-management programs than in the immediately preceding 5 years. While a substantial acreage of land has been diverted under current programs, much of this land would have produced little or no grain in the absence of these programs.

Senator YOUNG. Would you yield at that point, Mr. Shuman?

Mr. SHUMAN. Yes, sir.

Senator YOUNG. As you know, for the 1967 crop year, the Secretary of Agriculture increased the wheat allotment by about 32 percent, and immediately we got a big increase in production, even though there was a rather poor crop in much of the winter wheat area. The increased acreage was solely responsible for the increase in production. If you turn production loose and abolish allotments entirely, I think the situation is going to be even worse yet.

Mr. SHUMAN. No; I think the increase in production in 1967 was largely due to practically a promise to the farmers—what they considered a promise—that they would get good prices and all the wheat was needed that could be produced.

Now, it is true, of course, you have to have more acres—there was more acres brought in, but the point that we make is that if there was not a control program, the decision on acres would be up to the farmers, and they would not be as apt to bring in more acres and to apply more fertilizer as they would be when they had been promised, as they were in 1967, that the world needed their production, that the price was going to be good.

Senator YOUNG. Mr. Shuman, I will tell you an interesting story about how I got into politics. Back in the days when we were broke and we had no farm programs, Congressman Haugen, of Iowa, chairman of the House Agriculture Committee, and Senator McNary, chairman of this committee, sponsored the McNary-Haugen bill. I got into politics, arguing for better farm prices. Most of the traveling men who would come through my town, and others would say: "Why do you not diversify your farm operation?" That wouldn't have helped. The price on everything else was way down.

This is interesting, but this is how I got into politics.

Mr. SHUMAN. Well, I think it is still politics. It has been a long time.

Picking up again, furthermore, the diversion programs have had offsetting effects. It is well known that payments received for diversion are often used to finance yield-increasing practices, especially higher fertilization rates, on land remaining in production. It is also well known that noncompliers not only sought to improve yields but also increased grain acreages in the expectation that reductions by compliers would strengthen markets. Thus, while acreages have been cut by diversion programs, wheat and feed grain output has been higher than before they became operative. This is evidenced by the following comparisons of acreages and output of these grains during the years preceding and following adoption of the Government supply-managements approach.

This table is very interesting here which shows that the actual production under the program was greater than it was before. And you will note particularly from the above that during the years after Government supply-management type programs became operative corn acreage averaged 10.3 million acres less, but corn production averaged 376 million bushels more, and corn utilization averaged 745 million bushels more than during the 1956–60 period. Wheat acreage averaged 2 million acres less, but wheat production averaged 52 million bushels more, and wheat utilization averaged 287 million bushels more than in the 1956–60 period.

The fact is that feed grain and wheat stocks have been reduced by market growth—not by production control under Government supply-management programs. Furthermore, carryover stocks are being increased this year due to overproduction in 1967 when corn production reached 4.7 billion bushels and wheat production totaled 1.5 billion bushels—both alltime highs.

Supply-management programs have resulted in substantial increases in the annual losses realized by the Commodity Credit Corporation. CCC's realized net operating losses, which do not include the cost of the Public Law 480 program, more than doubled from fiscal 1960 to fiscal 1967.

You will see that detailed year by year. And some of the press releases seem to try to make it appear that they are not losing money, but here are the facts.

The CHAIRMAN. Well, Mr. Shuman, since the corn program as well as the wheat program has been on a voluntary basis, why is it that the farmers chose to go along with controlled acres?

Mr. SHUMAN. Well, the——

The CHAIRMAN. They could have done what you say there, just planted their own. They did not have to join the program.

Mr. SHUMAN. Under the wheat control program, for all practical purposes, the wheat control program is compulsory because if you depend on a sizable portion of your income from wheat the price discrimination as a result of the use tax is so great that you are almost legislated out of the business of producing wheat. The Government program depresses the market price of wheat so low in this country that you almost are forced to go in.

Now, in the feed grain program this is different. In the feed grain program they pay sufficiently less payments as compared to wheat so that the farmer figures that he will make more money not complying than he would by going in. And there has not been a year yet where as many as half of the farmers signed up in the feed grain program that were eligible. I do not know what the percentage this year would be. It is somewhat better than last year because of the sweetening up effect of the very lush payments. The offers for acres laid out are tremendous. In the corn area they run as high as from $85 to $90 an acre, and that is a lot of money. So they bought compliance. That is what I am saying.

Senator YOUNG. Mr. Shuman, could I ask another question. In your table indicating the cost of farm programs to CCC for 1955 to 1967, in the later years, this data also includes the diversion payments for reducing acres, does it not?

Mr. SHUMAN. Yes.

Senator YOUNG. The Farm Bureau does support a land retirement program, does it not?

Mr. SHUMAN. Yes, sir. It would cost some money.

Senator YOUNG. I think your plan of retiring acres would be cheaper than this one year diversion.

Mr. SHUMAN. We think so.

Senator YOUNG. Yes; I agree with that.

Mr. SHUMAN. Quite a bit less. And of course the Commodity Credit Corporation is in real bad financial shape at the present time. Their capital is impaired by $3.5 billion, and it has not been restored. While factors other than Government programs were responsible for most of the reductions in commodity stocks, let us assume for the sake of discussion that the programs were responsible and then look at the fantastic per unit costs of these reductions. If we include only the cost of price support and diversion payments, the estimated reduction in the cotton carryover from August 1, 1965, to August 1, 1968, has cost an average of $168 per bale.

On a similar basis the cost of reducing the wheat carryover since the certificate plan went into effect with the 1964 crop has been $6.57 per bushel. The cost of reducing the feed grain carryover since the feed grain program went into effect in 1961 has been $167 per ton, or $4.68 per bushel of corn equivalent.

And this is spelled out on page 11, there and also over on page 12 you find the figures on carryover and what the change was from year to year. It points up the fact that this carryover is largely the result of increased utilization and not the program.

The second reason we believe the act of 1965 should be changed materially, that it is not satisfactory to continue, is that Government owned stocks are bad for farmers.

Under the act of 1965, and earlier, Government-supply programs the USDA has been authorized to sell CCC stocks to hold down market prices to benefit consumers and penalize producers who do not cooperate with the feed grain and wheat programs. Actually, low market prices penalize cooperators as well as noncooperators. Low grain prices also lead to overproduction and low prices in the livestock, dairy and poultry industries. We should constantly keep in mind the fact that livestock, dairy and poultry products account for roughly 60 percent of U.S. cash farm receipts. We need to make sure that programs for other commodities do not adversely affect this large and important area of our agricultural economy.

Government sales obviously have been costly to grain farmers in terms of reduced market prices. Look at what happened in 1964: Corn production fell to the lowest level in several years due to poor crop conditions, but the upward thrust in prices normally generated by a short crop was almost entirely offset by CCC sales.

Although the 1964 crop was 535 million bushels smaller than the 1963 crop, corn prices went up only 6 cents per bushel. By way of contrast, an 808-million-bushel drop in production in 1947 brought forth a 63-cent rise in corn prices, and a 743-million-bushel drop brought forth a 40-cent increase in prices in the depression year of 1936.

The 1936 marketing year also provides an informative contrast to 1964. Although the corn crop was slightly larger in 1966 than in 1965, CCC sales were reduced, and the farm price of corn averaged 8 cents

per bushel higher in the marketing year 1966–67 than in the preceding year.

Experience with wheat has been much the same. While the 1966 wheat crop was only 4 million bushels smaller than the 1965 crop, CCC sales were reduced by 232 million bushels and the average farm price of wheat was 28 cents per bushel higher in the 1966 marketing year than in 1965.

From the standpoint of producers, Government reserves of agricultural commodities constitute a device to manipulate markets politically, to coerce participation in Government supply-management programs, and to impose price ceilings on farm products. Yet USDA officials have testified that they consider legislation to establish a Government grain reserve to be a needed addition to the programs authorized by the act of 1965.

Farm Bureau vigorously opposed proposals for a Government-controlled grain reserve at hearings held by the Senate Subcommittee on Agricultural Production, Marketing, and Stabilization on January 31, 1968. The subcommittee very wisely has not acted on these grain reserve bills.

And then on page 15 there is a table which shows the sales of Commodity Credit feed grain in relation to the utilization, and a table on the sales of wheat in relation to utilization.

Our third reason for being opposed to an extention of the act of 1965 is that the operation of Government supply-management programs depend on political decisions.

This places farmers at a disadvantage since nonfarm consumers outnumber farm people by 94 to 6. Political decisions must necessarily please the majority rather than the minority, and the vast majority of our citizens are nonfarm consumers. If we continue Government supply-management it is to be expected that agriculture will become a public utility; that is, an industry that is regulated for the benefit of consumers. Another reason for avoiding reliance on political decisions is the fact that it is very easy for a single authority to make a serious mistake.

Then we point out here that the administration has had three chances to prove the value of centralized planning, but it struck out all three times.

Senator Miller. Would you yield at that point, please?

Mr. Shuman. Yes, sir.

Senator Miller. You state that nonfarm consumers outnumber farm people by 94 to 6. Do you have a ratio of percentages between those in agribusiness and nonagribusiness?

Mr. Shuman. No. Just roughly, I think that it has been estimated that about something around 30 percent of the business in the country is related to agriculture.

Senator Miller. So looking at it from the standpoint of economics, and the necessity to have a good healthy farm economy, upward of 30 percent of the business of this country is affected, is it not?

Mr. Shuman. That is true. However, when it comes to the price of food, 94 percent are going to be on the side of getting the food as cheap as they can get it.

Senator Miller. Well, Mr. Shuman, I think that those whose business depends upon the viability of the agricultural economy would be

less interested in those prices than those who are not dependent upon it.

Mr. SHUMAN. This could have some effect. However, the food price decisions are made by the wife in most cases, and the man may be the one involved in the agribusiness. I am not sure that they are compatible. I am sure that when the wives go to the retail market they are interested in lower prices.

Senator MILLER. Well, I am sure they are, but I would think that if their livelihood through their breadwinner depends upon a healthy viable agriculture, and those prices in the market are going to cause them to have less income to buy in the market that they would be much more inclined to support fair prices in the marketplace than those who have no interest in agribusiness.

Mr. SHUMAN. Well, I think that is true, and that is why I believe that once the Government is out of the business of establishing the prices we would not have too much difficulty from anyone, including consumers, if prices went up. But as long as the Government's in, then the consumer has a place to go to legislate lower prices, and so the protest marches get immediate results.

Senator MILLER. Well, one further question. Is it not true that the consumer who may be paying these lower prices in the marketplace now is at least indirectly paying higher prices through the tax program.

Mr. SHUMAN. There is no doubt about that. It costs them more in total, but as long as they have a chance to influence politicians to put lower prices on, they will.

Senator MILLER. Well, do we not have an opportunity to influence politicians with respect to the taxes they are paying.

Mr. SHUMAN. Yes.

Senator MILLER. It is a matter then of informing them of the fact that their taxes are going to make up for these lower prices, is that not so?

Mr. SHUMAN. That is undoubtedly true, and I am sure this is part of the reason that Senator Ribicoff introduced this bill, because he is responsible—his electorate is very highly concentrated consumer and taxpayer oriented people.

Senator MILLER. Thank you.

Senator YOUNG. Mr. Chairman, Senator Ribicoff very ably represents the consuming public of his State and I think he is a smart operator in that respect. He, like you, wants to repeal these programs. He thinks he can get cheaper food. You think you will get higher farm prices. Somebody must be wrong.

Mr. SHUMAN. I have never talked to Senator Ribicoff. I am not sure that he expects to get cheaper food, but I think he is after money, tax money.

Senator YOUNG. Mr. Chairman, all of us on the Military Appropriations Subcommittee have to meet at 11 o'clock on the reprograming of half a billion dollars for Vietnam.

Mr. SHUMAN. Glad to see you, Senator.

Senator MILLER. May I be excused, too. I am sorry I have to leave.

Could I make one point before I have to leave, Mr. Chairman. I intended to do this earlier in Mr. Shuman's statement. You have in here the chart on the farm debt and farm assets on page 5.

Mr. SHUMAN. Yes, sir.

Senator MILLER. Now, if I read this chart correctly, looking at 1968, you have total assets of $281.2 billion. If we should subtract from that the $48,000 million on farm debt, we would have $232.6 billion of net farm equity.

Mr. SHUMAN. Yes, sir.

Senator MILLER. If we applied a 6-percent rate of return on that type of an investment, we would come out with $15 billion of net farm income.

Mr. SHUMAN. Yes.

Senator MILLER. As I understand it, we had a net farm income of $14.5 billion in 1967. And so we would have this result—that is, if the farmers received a fair or a somewhat comparable rate of return on their net farm investment comparable to what one might receive in another business—that they would come out about, with the net farm income about what they should receive on their investment with nothing whatsoever for their labor or their managerial skills. Do you read that chart?

Mr. SHUMAN. Yes, sir. I am sure that this does not include managerial skills. I am not sure—I do not think it has taken account of the labor.

Senator MILLER. Well, the 6-percent rate of return, Mr. Shuman, on the net farm equity would be merely an investment term and would have nothing to do with farm labor. My point is it looks like farmers are receiving nothing for their farm labor or their managerial skills.

Mr. SHUMAN. That is essentially correct with today's going rate of interest.

Senator MILLER. Thank you.

Mr. SHUMAN. All right, Mr. Chairman, picking up again, a sharp acreage cut was ordered in cotton to reduce the surplus, but an unfavorable season brought the crop down to less than 8 million bales, and a serious shortage of the better grades developed. As a consequence, cotton is suffering a further loss of markets which producers can ill afford.

Then we point out that opposite results were experienced with wheat and feed grains. And we go ahead and explain the three chances that the Secretary of Agriculture had to prove in 1967 that supply-management by Government was practical and all three of them failed. Over on page 17, proponents of the 1965 act argue that 1967 grain crops would have been ever larger if it had not been for the wheat and feed grain programs, but this argument will not stand careful analysis. In 1967 farmers were encouraged to expand grain production by price-support loans, direct payments, and the knowledge that the Government wanted a bigger crop to feed a hungry world. In the absence of Government acreage programs, price supports, and direct payments, farmers would have been far more cautious and far less likely to expand production in advance of effective market demand.

The fourth reason we are opposed to the act of 1965 is that these programs make farmers dependent on Government payments for a substantial part of their net incomes. Government payments amounted to approximately 20 percent of net farm income and in 1966 and 21 percent in 1967. Considerably more than 20 percent of net income from production of feed grains, wheat, cotton, and wool now comes from Government payments. In fact, well over 20 percent of the total

receipts received by farmers from these commodities in 1966 came from payments.

And there is the table that details that. And then by separate commodities on page 18, the promoters of direct payments—I am on page 19—on cotton argued that payments would benefit consumers by reducing the retail prices of cotton goods. The promised savings to consumers did not materialize. Instead of lowering prices to consumers payments resulted in higher mill margins.

The average mill margin on 20 constructions rose from 24.91 cents per pound in the crop year 1962–63, the last full year before payments, to 38.82 cents in the crop year 1966–67, the last full year for which comparable data were available. Current information on cotton margins is not entirely comparable with the above data as U.S. Department of Agriculture has increased the number of constructions used in computing margin statistics. Recent data indicate that mill margins have been reduced somewhat by the increase in cotton prices which resulted from the short 1967 crop; however, it appears that margins are still well above the prepayment level.

And this shows here that the major benefit of the cotton program has been to give, make a pretty lush deal for the cotton mills.

The CHAIRMAN. Well, that was my argument and I opposed that.

Mr. SHUMAN. Sure. I remember quite well when you made that point.

Government payments are unreliable basis for the income that is necessary for a healthy agriculture because they can be cut or limited at any time. Cotton payments made direct to farmers from the Federal Treasury totaled $932 million in 1967. This is more than the total value of all upland cotton produced in 1967 figured at the loan rate for cotton. It should be obvious with Federal deficits running as they are, that payments of this magnitude cannot possibly continue; and every effort must be made to find a different approach to the cotton problem.

The payment approach reflects a cheap food philosophy. These payments are not net additions to farm income. Basically they are compensation for Government actions—such as the sale of CCC stocks and the Secretary's decision to increase grain production in 1967—which reduce farm prices. The termination of such actions would make possible higher market prices. In the case of wheat and feed grains the increase in prices necessary to offset the payments is not nearly as great as has been commonly assumed. The payment rates are substantial—particularly in the case of wheat—but they do not apply to the entire crop. Wheat certificate payments averaged only 50 cents per bushel when spread over the entire 1966 wheat crop. Cooperators received the payment of $1.32 per bushel on 45 percent of the projected yield of their allotted acreage.

This goes ahead and spells out the point that the payment program has been a definite factor in holding down farm prices of wheat. The average farm price of wheat fell 37 cents per bushel from July 1966 to July 1967. This was due, at least in part, to the Secretary's decision to encourage increased production in 1967.

The CHAIRMAN. Was that not due, though, to an overproduction in Russia and other countries?

Mr. SHUMAN. Well, there was no question but what the Secretary

made a tremendous mistake. He admitted such several times recently. But I do not—I think it is the fault of the system and not the Secretary. How could the Secretary of Agriculture on January 1 of 1967, or in the fall when he made his decision on the wheat program, how could he have envisioned that the wheat production throughout the world would be higher? This is the fault of the program. We ought not to put any appointed or elected person in the position of having to decide how much wheat should be produced. This should be only a decision of the farmers.

The CHAIRMAN. Suppose the Secretary of Agriculture had followed through in 1962, the same as he did in 1966 and not ordered that 20 percent. What do you think the price of wheat would be today?

Mr. SHUMAN. Well, it probably would have been considerably better than it is.

The CHAIRMAN. Exactly. And the fear that there would be a shortage is what prompted him to provide for that 32 percent increase. And it is something nobody can foretell.

Mr. SHUMAN. That is right.

The CHAIRMAN. I think that the lower prices and greater cost was due to the fact that this 32 percent increase was made in anticipation of that—I mean to assist the farmer and in anticipation that there would be a shortage of wheat.

Mr. SHUMAN. There is no question about what he made his decision in good faith——

The CHAIRMAN. I know.

Mr. SHUMAN. Sincerely thinking that this was the problem and the situation, but this points up the fact that no living being is smart enough to replace the market system. And they will make more mistakes when they are operating under political pressures than the farmers which will go to the market.

The CHAIRMAN. Well, Mr. Shuman, I have been in the farming business quite some time, long before you were.

Mr. SHUMAN. That is correct.

The CHAIRMAN. Maybe before you were born for all I know, back in, oh, 1917, and it is rather difficult for farmers to get together and plant just enough of this, that, or the other to meet the market demands, as a rule. If a neighboring farmer notes that a big profit is being made on one particular crop, the next year why all will go in and plant those things, and it is pretty difficult to gage.

Mr. SHUMAN. It is very difficult, and that is why it is very difficult for the Secretary of Agriculture to keep from making mistakes.

The CHAIRMAN. That is right. That is right.

Mr. SHUMAN. Compensatory payments have been a much smaller factor in the average per-bushel returns for feed grains. They added only 11 cents per bushel to average 1966 returns from corn. This low figure reflects substantial nonparticipation and the fact that payments are not made on participants' total production. In most recent years CCC sales have depressed corn prices more than 11 cents per bushel. It is, therefore, clear that present programs are reducing market prices for wheat and feed grains and that the direct payments are not a net addition to farm income. And this, I think, is a very important point. Actually we kid ourselves when we believe that any Government price-support program will be run over any long period of time with the idea of holding farm prices high, because with 94 percent con-

sumers and 6 percent farmers, and even if you include agribusiness people, it is inconceivable that the Government which must be run by politicians—and I say that in the good sense of the word—it is inconceivable that Government will hold prices at a satisfactory level for farmers, because the effect of the voters, the pressure of the voters is always going to be on the side of limiting payments or limiting the price.

The No. 5 reason: Government supply-management programs create pressures for international commodity agreements. Commodity agreements are the international counterpart of domestic Government supply-management—a means of getting international sanction for domestic programs which interfere with international trade by subsidizing exports in some cases and restricting imports in others. It is, therefore, to be expected that such agreements will be proposed from time to time as long as we have domestic Government supply-management programs.

Then we discuss the fact that the international commodity agreements set agricultural trade aside from trade in industrial products, and that these agreements divide the world market up, allocate it; that the proposed International Wheat Trade Convention, which is now before the Senate, is an illustration of this fact. It does not liberalize trade; it restricts the export opportunities to the United States. If it is ratified, the United States would be required to do one of two things in order to comply with the minimum price indicator—either we would have to cut back on wheat production so that the production will not exceed the total domestic disappearance and a conservative estimate of export possibilities, or we need to apply an export tax to raise export prices above the domestic level. We are strongly opposed to the ratification of this proposed International Wheat Trade Convention. It will further shut us out of export markets and further reduce the net income of wheat producers.

And then we point out that an export tax is actually authorized under the provisions of the act of 1965; however, the imposition of such a tax would be contrary both to the interest of wheat farmers and the national interest in improving our balance of payments.

And then we point out that in the International Wheat Trade Convention is a part of a so-called International Grains Arrangement. Although this arrangement is now confined to wheat, it originally was intended to apply to all grains. The U.S. Under Secretary of Agriculture made this clear during the negotiations when he said: "The United States is actively striving to achieve a meaningful and effective international arrangement for grains, including wheat." Commodity agreements have also been discussed for dairy products, meat, rice, soybeans, fats and oils, and cotton.

The best way to avoid international arrangements which would limit our ability to expand exports is to discontinue Government supply-management programs here at home. Our goal is to increase exports of agricultural commodities to $10 billion per year. This is a good way both to increase farm income and to help to deal with our national balance-of-payments problem.

Now, the next few pages I am just going to pick a point or two out of. How to improve farmers' income.

The CHAIRMAN. Well, let me ask you this now. To what extent does your new proposal compare with your past recommendations? Are they the same?

Mr. SHUMAN. They are very—our recommendations are directed in very much the same direction.

Now, we have not spelled out—we have not spelled out specific legislation because we are opposed to the extension of the act of 1965, and so we are not here proposing——

The CHAIRMAN. Well, in essence, your program, as I understand it, simply provides that if the Government will pay a sufficient sum of money to keep land out of cultivation and the farmers accept that, that on the rest of the land let the farmers plant whatever they desire and that will improve the farm income and improve the prices and everything else.

Mr. SHUMAN. This is part of our proposal.

The CHAIRMAN. That is the same thing I have been hearing from you for 20 years——

Mr. SHUMAN. Yes.

The CHAIRMAN (continuing). Almost.

Mr. SHUMAN. That is part of it.

How to improve farmers' income. The first sentence, "Farm Bureau is dedicated to increasing farmers' net incomes."

Then we point out—a couple of sentences down, that net farm income is really the product of a formula, and that the individual farmer's net income is the volume he produces times the price he gets, minus costs, and that equals his net income.

All of these factors are important, the volume that he produces— and that is where control programs cut back on his net form income—the price he gets, and the costs he has, as you pointed out earlier, Senator.

The CHAIRMAN. Well now, Mr. Shuman, to what extent do you think that these programs have been instrumental in making farms more productive?

I can well remember when I first came to Washington that it required 42 million acres of land to produce cotton you can now grow on 16 million acres. And in the case of corn, I don't know whether you were surprised or not—maybe you weren't—but I understand that this past season the average production per acre of corn in Illinois was 100 bushels. And you can grow as much tobacco today on 1 acre as you could on 3 acres before.

And it has been my contention that these programs wherein the farmers were assigned so much land to plant, that they went to work and produced all they could on that acreage, and in some time to come that is going to be very beneficial to all of our people, because with increased population and less acres being available for farming, it will be a good thing.

Now, take my good friend Jim Graugnard here. He has got so much sugar on hand that he doesn't know what to do with it. And the reason for it is—and I am sure he will tell you—that the amount of cane that he has been able to produce per acre has been greater than at any time in the past.

I know of a farmer in West Baton Rouge Parish who has around 1,800 acres of land and produced an average of about 37 tons per acre. That is unprecedented.

I have a hunch that the fact that the acreage was reduced, that the farmers used those acres and made them produce more and more commodities, and in the long run that is something that is going to assist us.

Mr. SHUMAN. Mr. Chairman, there is no question but what your hunch is more than a hunch; it is a fact, that the limitation of these programs has resulted in tremendous increases in production——

The CHAIRMAN. Right.

Mr. SHUMAN (continuing). Under forced draft. However, there has been another side of this thing which illustrates that Government intervention in the market cuts both ways. Stimulation in production was many times production that we didn't need and it has hurt farmers. Maybe some day they will be needed, but not today.

And there has been another effect of these programs, and that is to keep some production in existence that wouldn't have otherwise been. There are certain kinds, quantities and grades of cotton, of grain, that are continued to be produced that the market would have given no incentive to. And we have had the pileup of these commodities in the Commodity Credit stocks, so you have had both: wasteful production on one hand and some that was stimulated——

The CHAIRMAN. Well, that was partly due to the fact that it was difficult to change the law.

Now, the seven-eighths cotton, which was the yardstick, you paid more for cotton that was longer than seven-eighths, and lower for cotton produced less than seven-eighths inch, or that measured less than seven-eighths inch. And it strikes me that the Agriculture Department has been on the right road in recent years in discouraging the production of this—that the price to produce is so low that we are now getting to the point where we will produce more cotton to fulfill the demands of the mills.

Mr. SHUMAN. The trouble with the program, Senator, is that the administration, regardless of who it is, discovers things far later than the market would discover them, and so the mistake compounds and it gets so bad that the damage has been done before they make the changes.

Well, just to point to a few more points here, down about the fourth or fifth paragraph, prices are important but the cost-price squeeze is more so. Then, I am reading. This, of course, brings us to the question of inflation.

The CHAIRMAN. Well, let me ask you this. You talk about price squeeze again. Wouldn't that have happened the same under your program which you are advocating as that which was put into effect by the Congress?

Mr. SHUMAN. No, I don't think so.

The CHAIRMAN. Why not?

Mr. SHUMAN. Because, under our proposal, the price that farmers would have received would have gone up along with other prices. We would have had the benefit of inflation. But under the Government farm programs these price supports have become ceilings, and we have been held down while the rest of the prices went up.

I can't go with this idea that without the farm program prices would have been lower; they would have been higher.

The CHAIRMAN. Well, you would depend, under your program you would depend almost entirely on supply and demand.

In other words, it is your theory, the theory of your organization, that farmers would plant just about what the market required for domestic uses.

Mr. SHUMAN. And they will make the adjustments. They will make the adjustments.

The CHAIRMAN. I know they will.

Mr. SHUMAN. They will make the adjustments much more quickly than the Secretary of Agriculture will make them.

The CHAIRMAN. Well, long before we ever had such a program as this, there was no possibility of doing that among farmers.

Mr. SHUMAN. Well, I think that there, of course, have been some changes in the last 40 years that we don't recognize. That is why some of these projections are absolutely worthless, because they are based on information of a horse agriculture and hand-labor agriculture, and today costs are such that farmers adjust very quickly. But inflation, of course, is the thing that caused the cost to go up so much. This is one of the few inflations in this country where farm prices didn't go up at least as fast or more rapidly than the price of other things.

And we have been held down because these programs have acted as a ceiling. But inflation can only be caused by Government. I point that out.

Over on page 25, the second paragraph, whether or not we continue to have galloping inflation in this country will be decided by the executive branch and the Congress.

Then, I want to mention that we have itemized and specified to the Congress, to the executive branch, to the Government, our recommendations for budget cuts of an amount of $7.35 billion, which would result in an expenditure reduction of $6 billion.

I am confident the members of this committee realize that Government spending policy will have more to do with farmers' opportunities to earn good incomes in the future than will any and all decisions in the area of Government farm programs.

A similar point can be made with respect to the importance of policies affecting international trade. We are convinced that the International Wheat Trade Convention which is before the Senate for ratification would reduce the volume of wheat to be moved in exports, and we vigorously oppose its ratification.

Over on page 26, down at the middle of the page, we spell out some of our recommendations, and we have itemized already the reasons why the act of 1965 should not be continued.

The CHAIRMAN. Well, is there any part of the act that you want to tell us—do you see any good at all in any part of the act?

Mr. SHUMAN. I suppose there are some parts of it that can be used as parts of a new law. Mr. McLain points out to me that the cropland retirement part——

The CHAIRMAN. What?

Mr. SHUMAN. The cropland retirement section could be utilized in a new law—yes; there are some things.

The CHAIRMAN. Well, you would apply—that would be the only gadget that you would have in order to guide the farmers.

Mr. SHUMAN. No. We have several suggestions which, in fact, we will enumerate right here. I will not read all of them, but I will point out what they are.

On the basis of the record, it is clear this act is not solving farm programs. A dramatic change in the direction of Government farm policy is long overdue and should not be delayed beyond the present expiration of the act.

COTTON

Then we have recommendations on cotton here.

The long-range objective of new cotton legislation must be to reorient cotton to the market system.

The following guidelines should be observed in developing such legislation, and this is what we propose be writen in the bill: It must encourage production for use rather than Government storage.

The CHAIRMAN. I think the Government is doing it now, doing its best. How would you do that?

Mr. SHUMAN. We would do it by phasing out the acreage control program. We haven't yet had the chance to sit down and spell out, and write a bill, but we would expect to do that when the next session of Congress meets.

Second, this program must assure adequate supplies of all qualities to meet the market demands; in other words, let price determine the amount of supplies.

It must be sufficiently flexible to meet changing conditions.

It must lower Government program costs.

It must allow for price differentials, based on quality.

The proposed transition to the market system must allow producers adequate time to adjust.

The CHAIRMAN. Most of that the law now provides.

Mr. SHUMAN. Except that it is not directed toward getting rid of the control program, and that is what we want to do.

The CHAIRMAN. And you would do it how?

Mr. SHUMAN. Well, as I said——

The CHAIRMAN. Let the farmer plant what he wants. Let him judge what the market will require, and if his guess is good, he will be all right; if it isn't he is going to have to go back——

Mr. SHUMAN. Well, you have had disaster under the present system, so some change is necessary. I can't conceive of any other change that can be made in the existing legislation except some way to move away from so much control and price differentiation.

CROPLAND ADJUSTMENT

The CHAIRMAN. Well, what you would ultimately do, though, is to permit under your plan land to be taken out of cultivation.

Mr. SHUMAN. Yes.

The CHAIRMAN. And as I recall, at one time you suggested around 80 million acres. What is it now?

Mr. SHUMAN. We have no position on the amount to be retired under our cropland retirement plan. We would want to take enough out to do the job.

The CHAIRMAN. But your theory is, though, if we have in cultivation today, say, 300 million acres of land, your objective would be, or your plan would be, to, say, lop off 50 million acres or 75 million, whatever it will take, and let the farmer produce whatever he desires on the rest of his acreage.

Mr. SHUMAN. Yes.

The CHAIRMAN. That will be the judgment.

Mr. SHUMAN. This is the way we operate in two-thirds of American agriculture now quite successfully. It is only the third where we are trying to tell the farmer what to do where we are in serious trouble.

The CHAIRMAN. Well, if it weren't for your corn program, where do you think the cost of your hogs would be, and your chickens, and your——

Mr. SHUMAN. Well, on this point, I think the effect of the corn and feed grain program on livestock has been very damaging. I think that one of the reasons we get in recurring troubles in surplus production of these commodities is because of the fact that the feed grain program unduly cheapens the price of feed grain and stimulates excess production.

I don't think the effect of the control programs in agriculture has been good on any other segment of agriculture.

The CHAIRMAN. Well, I repeat that this corn program is voluntary. The farmers didn't have to do it unless they wanted to.

Mr. SHUMAN. Yes, but $1.2 to $1.4 billion almost makes compliance compulsory.

The CHAIRMAN. Yes, but yours would be around $2.5 to $3 billion, probably, if you are depending on the number of acres you take out of cultivation.

Mr. SHUMAN. No, I think it would be less costly to take it out on a cropland basis. Much cheaper.

The CHAIRMAN. Well, what do you think you could get land out of cultivation for? On what would you base it?

Mr. SHUMAN. On a competitive bid basis.

The CHAIRMAN. Competitive bid?

Mr. SHUMAN. Yes.

The CHAIRMAN. In other words, go in a certain area and the farmer who bids, I will take my land out for $10 an acre, and a fellow says, "I will do it for $8"——

Mr. SHUMAN. Take the $8 on a productive basis. The bids would be accepted on the basis of most production out for the money.

The CHAIRMAN. Take the $8. Suppose the man with $8 says, "No, I want $10."

Mr. SHUMAN. If his is low, he is——

The CHAIRMAN. Would you compel him to do it?

Mr. SHUMAN. No, no.

The CHAIRMAN. It would just be voluntary.

Mr. SHUMAN. Yes.

The CHAIRMAN. Well, God bless you.

Mr. SHUMAN. Thank you. I need these blessings.

The CHAIRMAN. I know.

COTTON

Mr. SHUMAN. The existing research on cotton should be expanded and the Federal, State, and private research should be coordinated to insure the effective use of available funds.

The imbalance between imports and exports of cotton and cotton products should be corrected.

Farmers should not have to compete with CCC stocks. The release price for unrestricted sales of CCC stocks should be high enough to permit the market to function.

And this is a very important part in our program, is to prohibit the Secretary of Agriculture from using Government-held stocks to depress prices.

Steps should be taken to terminate the provisions of present programs that permit a producer to collect full price-support payments and receive crop insurance benefits on cotton land that is to be replanted to soy beans or other crops for harvest.

Direct payments to farmers must be phased out as rapidly as possible, as a step toward a sounder cotton economy and to avoid the disastrous effects which would result from limitations on payments to individuals.

Now, Mr. Chairman, I wonder if I might call on Mr. Graugnard to comment on any other ideas that he has on these statements that we have made, together with anything he would want to say about sugar, because you mentioned the sugar situation.

The CHAIRMAN. Well, sugar is a different commodity.

Mr. SHUMAN. Yes, I know it is a different act, but he might want to comment generally.

The CHAIRMAN. But that's all right. I will be glad to hear from Jimmy.

STATEMENT OF JAMES D. GRAUGNARD, PRESIDENT, LOUISIANA FARM BUREAU FEDERATION, BATON ROUGE, LA.

Mr. GRAUGNARD. Mr. Chairman, the recommendations, the statement here and the recommendations from Louisiana to the American Farm Bureau are really the same, and we are talking about a new cotton program; for example, you say do away with price supports.

Our efforts, as the Senator said here earlier, were to work in the direction of doing away with them. We don't talk about doing away with them next year. But, for example, payments with some of our farmers in Louisiana tell me they got as high as 50 percent of their total income by payments on cotton.

Well, many of these farmers who rent land, the land renters, took some of the payment away from them, and so they didn't get all of the payments themselves.

But let cite you an example that is pretty close to home. I was in an airport and I met a young man from Clarksdale, Miss. He was a cotton farmer. And I got to talking with him, and I said, "Where are you going?"

He said, "I am going to Mexico." I said, "What are you going for, a visit?"

He said, "No. I farm in Mexico." He said, "I have been farming in Mexico for 3 years." He said, "I used to * * * I tried to farm in Mississippi, but I couldn't make it, so I went to Mexico."

He told me where he was 3 years ago there were 30 cotton gins—he tells me today—and I didn't go there to see ——

Now, he tells me, when he went to visit his home, there used to be 30 cotton gins and now there are two. So I think we have seen what happens under these kinds of programs.

The CHAIRMAN. Well, are you advocating the cotton program that Mr. Shuman has just been talking about?

Mr. GRAUGNARD. We are advocating the cotton program, including these recommendations, Senator, moving in the direction of getting away from the payments, moving in the direction of less Government.

The CHAIRMAN. Well, it was the feeling—it was my feeling, as well as that of many who supported the 1965 act—that it was a step in the right direction in that we were trying to bring production in line with consumption, both domestic and foreign.

Mr. GRAUGNARD. We opposed, Louisiana opposed, the 1965 act. We asked—we supported your amendment to the act, that we think did more good for it than anything, which is now called the Ellender amendment. But our Louisiana program is very similar to Mr. Shuman's statement. All the things included in the Louisiana program are included in the statement here today.

Now, in the area of soybeans and feed grains, we always, in Louisiana, have been opposed to Government programs. We are not for the Government programs. And I know that sugar is a different problem, Senator, and doesn't come under here, but as you said awhile ago, we are in trouble in that area—in technology and over-production—which, thank God, doesn't come under this act at this time.

I would love to worry about it in this act. But I wanted to mention for the farmers that I represent in Louisiana, after we went to the American Farm Bureau convention and came back home, we went back to the policies voted on by the delegates of the American Farm Bureau and checked back with the State—and for many years—this is the first year that I can report that Louisiana has no objections to the American Farm Bureau policy.

This has not been each year, but this year I can say this, and this is official, that we do support this testimony.

The CHAIRMAN. You mean, on cotton?

Mr. GRAUGNARD. Cotton—on cotton and feed grains and price, and everything else.

The CHAIRMAN. Well, we didn't hear that. We didn't hear that.

Mr. GRAUGNARD. Yes, we will get to that. And I would certainly—you see, how we operate in the Farm Bureau, the farmers come to the counties and then to the State to make policies. These State policies that are on a national basis are recommended by the national delegates at the American Farm Bureau convention. Then, after it is over, we come back to the States for them to look over what was passed at the full convention, and then if any State takes objection to any part they will officially announce it to the Farm Bureau.

And as I say here, I repeat, we have no objections this year in the Louisiana Farm Bureau to what was passed at the American Farm Bureau convention. And this is really a copy of it.

The CHAIRMAN. Well now, do I understand that the cotton farmers of Louisiana are following the Farm Bureau in the cotton program and will be against the cotton program that is now in the act of 1965?

Mr. GRAUGNARD. We are not for reenacting or extending the act of 1965 after its final end. It ends in another year from now. We are not for extending it any further.

The CHAIRMAN. In cotton.

Mr. GRAUGNARD. Yes.

The CHAIRMAN. And you folks are going to come up with a good program.

Mr. GRAUGNARD. We hope so.

The CHAIRMAN. Not merely say this: It must encourage production for use, rathert han Government storage. Tell us how to do that?

Then, it must assure adequate supplies, adequate supplies of all qualities to meet market demands.

Suppose you don't have the amount or the quality? What are you going to do with the cotton?

Mr. GRAUGNARD. If we don't have the quality?

The CHAIRMAN. Yes. You know rain can hurt.

Mr. GRAUGNARD. Yes.

The CHAIRMAN. And then the other—it must be sufficiently flexible to meet changing conditions—what, the law?

Mr. GRAUGNARD. That is correct.

The CHAIRMAN. It must lower Government program costs.

Mr. GRAUGNARD. That is correct. Senator, we know that we can't continue to get 30, 40, 50 percent of our income from the Government program. We can't defend it. It is impossible to defend. I admit that the farmer may like to get the check, but he knows it can't continue. And it is not the right kind of program, and we are looking for the overall long program, not for the immediate, today or tomorrow.

Mr. SHUMAN. Mr. Chairman, we will come before this committee with specific recommendations sometime in the next session of the Congress on cotton legislation.

The CHAIRMAN. Well, I thought you would do that now, Mr. Shuman. I will tell you why: You can blame me for promoting these hearings in the hope that we could get sufficient evidence for us to make a determination in early 1969 as to whether or not the present program is bad or good, so that we could start early, because when we meet here in January of 1969, it is my hope that with the testimony that we are going to get during the next, these 2 weeks, this week and next week, that we can get our staffs ready to proceed and prepare legislation for next year.

And I was really hopeful that all organizations would come in here and give their views and follow through with suggestions as to how to amend the act, or if they are against it altogether, give their own version by way of a bill, because all of these slogans that we read here —I call them slogans—you want to do this; you want to get the Government out of it—how do you do it? How do you do it?

Your plan won't, because you are going to pay farmers to keep land out of cultivation on a bid basis, and whether you can succeed in doing that or not, I don't know. I think that since the 1965 act will expire in December of next year, that it is incumbent on this committee to have a bill ready for early next year so that there won't be any lapse, so that we can enact it and the farmers will know far in advance as to what that program is going to be.

Mr. SHUMAN. Mr. Chairman, we do have specific recommendations on feed grains, wheat, and soybean legislation. We are sorry that we do not have the specific recommendations on the cotton legislation. We did not anticipate these hearings in 1968—at the time of our convention last December—we didn't anticipate hearings would be held

on the new legislation until the following year, and so we haven't the specifics on cotton.

We do have the specifics on feedgrain, wheat, and soybeans, and those are spelled out in these following pages: on page 28, you will see the objectives of the proposals.

The CHAIRMAN. Well, would it be possible for the farm bureau to submit to us, not as you have on page 27, but how to reach the objectives you spell out on page 27 by way of the law?

Mr. SHUMAN. Well——

The CHAIRMAN. So that when we consider this, I want Mr. Graugnard and the people of Louisiana to come in here and say, "This is what we want."

Mr. SHUMAN. That is right. We will. Unfortunately, we aren't prepared to do it at this moment, but we will at a later time.

The CHAIRMAN. Yes.

GENERAL

Mr. SHUMAN. But if you look on page 28, you will see the objectives of our proposal as far as feed grains, wheat, and soybeans.

No. 1 is to repeal authority for wheat allotments, marketing quotas, marketing certificates, diversion payments, and price-support payments; and repeal the authority for feed grain bases, diversion payments and price-support payments.

The CHAIRMAN. Well, that is just killing the whole bill.

Mr. SHUMAN. It kills the feed grain, wheat, and soybean parts of the legislation. And then we go ahead and spell out what we would substitute for it.

The CHAIRMAN. Where do you start on that, now?

Mr. SHUMAN. No. 2: Permit each producer to plan his wheat, feedgrain, and soybean production so as to make the best use of his resources in light of the market outlook.

The CHAIRMAN. Well, that's in the hope that all of the farmers will cut their acreage down to the point you think is necessary so that production on the rest of the acres will meet a crop sufficient to meet the demand. Is that it, in a nutshell?

Mr. SHUMAN. It is the expectation——

The CHAIRMAN. Oh, I know it is your expectation, but how many acres will, you know, you want out of cultivation. Who will decide that?

Mr. SHUMAN. This will be decided by the farmers the way they do now for the two-thirds not covered by Government programs. Nobody tells them how many sows to breed or how many cows to breed.

The CHAIRMAN. I know. But except for the fact that the hog grower, the chicken grower, knows that he can depend on corn at a certain price that won't be $4 a bushel or $2 a bushel, but that it will be a certain price, in my opinion is a deterrent to——

Mr. SHUMAN. Well, I think at times it might be; at other times, the fact he knows the price of corn will not be above a dollar that year, in most cases, means that he can stimulate and increase production, and he produces far more than he would if he didn't know what the price of corn was going to be.

The CHAIRMAN. Well, does your plan in regard to corn and other feed grains encourage higher prices for those grains?

Mr. SHUMAN. It leaves the decision on price up to the folks who produce it, as they go in the market. If they are not happy with the price, they can cut it down.

The CHAIRMAN. Well, if they are not happy next year, they might lose their pants and not be able to go next year.

Mr. SHUMAN. Some do, and some don't.

The CHAIRMAN. Are you still in farming?

Mr. SHUMAN. Oh, yes. A higher proportion of my income comes from farming than most any of the members of this committee, I am sure.

The CHAIRMAN. Well, to what extent do you follow the program we have?

Mr. SHUMAN. We do not follow it at all.

The CHAIRMAN. You don't.

Mr. SHUMAN. Don't sign anything. When they send us the notice as to how much money they are willing to pay for laying out an acre of corn, I don't look at the figure for fear it might be tempting.

The CHAIRMAN. Well, are you doing pretty well with the farm now?

Mr. SHUMAN. My boys are in partnership with me, and I think we are doing fairly well. I haven't seen the figures for this year, but I believe the figures for 1967 are somewhat better than 1966, due to the very good crop we had in Illinois.

The CHAIRMAN. That's 100 bushels of corn.

Mr. SHUMAN. Well, we had a little better than that.

The CHAIRMAN. A little better?

Mr. SHUMAN. Yes, on the average. They had about 600 acres that averaged something like 130 bushels.

The CHAIRMAN. Well, I don't suppose your farm depends on income from the grain except through use, using it to feed animals.

Mr. SHUMAN. No, we are about 80 percent grain income.

The CHAIRMAN. Do you sell it?

Mr. SHUMAN. We sell the corn, yes.

The CHAIRMAN. You sell all of it?

Mr. SHUMAN. Yes. We sell about 80 percent. We are in a cash grain area. We have cattle and have had some hogs, a few hogs, but 80 percent of our corn goes on the cash market.

The CHAIRMAN. What is corn selling for now, do you know?

Mr. SHUMAN. About $1.07 at our point, for No. 2 corn.

The CHAIRMAN. I see.

Mr. SHUMAN. Some corn still coming out of the field last week in our community at 30-percent moisture was bringing 50 cents a bushel.

The CHAIRMAN. And with that kind of price, you are making money?

Mr. SHUMAN. Well, we don't sell it at 50 cents a bushel. We sell at $1 to $1.10. Oh, yes, at 140 bushels an acre, you can make money on dollar corn—no question about it. You can make more money there than you would on 80-bushel corn at $1.25, $1.50.

The CHAIRMAN. Well, you must have some very intelligent boys to farm and market 150 bushels per acre.

Mr. SHUMAN. They won't do it every year, I am sure.

The CHAIRMAN. I wonder if they benefited by the acreage controls in any manner, not directly, but indirectly, by seeing what others do.

Mr. SHUMAN. No. I think that the opposite is true. I believe that

the Government programs, with their assured income before planting results in continuing more people in the production of corn, say, or of wheat. I am sure this is true. It results in the procurement of more nitrogen fertilizer because the cash payments come at a handy time, more so than they would if they were taking the risk on the market, and this is why I believe very strongly that the Government-stimulated production has resulted in bringing the price down until the price-support becomes the ceiling.

I am very, very convinced that our income would be better, our own farm income would be better.

Well, over on page 29, you will find the specific suggestions for the feedgrain legislation.

No. 1, loan rates for commodities would be determined by agreement between the borrower and lender.

This is under the recourse loan plan that we suggest.

The CHAIRMAN. Well, the Government is out of this.

Mr. SHUMAN. Taking the Government out of the business of supporting the price——

The CHAIRMAN. What is insured by the Government?

Mr. SHUMAN. We proposed that the CCC be changed, so that the present nonrecourse loan program was ended, and prohibit the Government from buying stocks for a reserve program.

The CHAIRMAN. But you would use the CCC.

Mr. SHUMAN. Use it as an insurance-type of agency on credit insurance only. It would be changed completely. And then we spell out the five ways in which this insured loan program would operate. It is not a price-support; it is an insured loan program.

The CHAIRMAN. What would be the cost of that to the Government—have you any estimates?

Mr. SHUMAN. It should be very, very low, because under other Government-insured loan programs on housing the losses have been extremely low.

We have several others—under housing, there is an insured loan program, and I think the last I saw, the losses there were one or 2 percent, very small. But it has, as most people, I think, know, facilitated credit in housing.

Well, on page 30, we point out that—down at the bottom of the page—predictions that market prices would be seriously depressed by the operation of Farm Bureau's program assume that farmers would continue to use fertilizer and other land substitutes at the present, or higher, rates and that all—or most—of the land now being diverted under the feed grain program would immediately be returned to the production of such crops as feed grains, wheat, and soybeans. These assumptions are not realistic.

And I just think that this is where many of the folks who are predicting disaster don't really understand the way farm folk respond.

The CHAIRMAN. Now, under your program, there would be no price supports whatever for corn——

Mr. SHUMAN. That's right; that's right.

The CHAIRMAN. Wheat or soy beans.

Mr. SHUMAN. That's right.

The CHAIRMAN. And the farmer would have to depend entirely on what he could get on the market.

Mr. SHUMAN. That is right. The only thing that we would do would be to help him—if he had trouble getting credit to carry the crop, we would help him get a loan so he could carry the crop if he wanted to.

The CHAIRMAN. And this loan would be handled by the local banks?

Mr. SHUMAN. Yes. It would be insured to a certain percentage against loss to the bank, but not on price, no price support.

Senator McGOVERN. Mr. Chairman, could I ask a question?

The CHAIRMAN. Yes.

Senator McGOVERN. Mr. Chairman, I agree with you that there are things wrong with the present program that could probably be improved, but when someone talks about abandoning these programs altogether, he is proposing to end all aid and protection for farmers. We are not operating entirely without experience in that sort of situation either.

We had some very unhappy results in previous periods in our history when we didn't have farm programs and farmers were more or less dependent on the so-called free market. They have had some mighty serious problems during those periods without any programs, have they not?

Mr. SHUMAN. Yes, we had problems under free market, as well as under Government-manipulated market. Certainly, with the two-thirds that's not under Government market, we have recurring problems, but the main point that I am making here is that when the market system is operating relatively unregulated and uncontrolled by Government, the adjustments are made much more rapidly. The corrections are made much more rapidly. You have to wait for years and years for the Secretary of Agriculture to find out what ought to be done, and he has to examine to find out whether it is politically possible to do it, and by that time thousands and thousands of farmers have lost a great deal of money.

This has been true repeatedly. The corrections under a political system are extremely slow.

Now, to go back to where there have been free market operations of grain and cotton, you will have to go back beyond 1929, because there has been a Government farm program ever since 1929. And then if you look at the period after World War II and the "twenties", you have to recognize that this was not a free market operation.

After the end of World War I, the Congress enacted the Smoot-Hawley, and several other tariff measures which raised the tariff on imports of goods made in other countries to the highest level in history, and we were dependent then, just as we are now, on one-fourth of our total production of agriculture being sold to these other countries.

When we, our Congress, raised these tariff duties immediately after World War I, it shut out of our market these goods of our customers, and they immediately quit buying our agricultural products. So this was not a free market in 1921. This was a Government-rigged market against farmers. They destroyed our markets for farm products.

You have to go back to the pre-World War I period to find a free market, and that is the standard on which we use as a parity, the best relationship ever.

Senator McGOVERN. I think that is the point, though, Mr. Shuman, that you are never going to have an entirely free market situation. You are really asking farmers to be the only part of the economy that

is entirely free. I mean, you are not going to get the labor unions to accept a certain minimum—you might call it a price-support—for labor. They are going to continue to push up their wages, and the farmers will have to pay that in the form of machinery costs, and so on.

On the industry side, they really don't function entirely according to a free market. They control and regulate prices and production much easier than farmers can. I think if you, in fact, had an entirely free market all across the board, in which wages go to whatever level they will and business was, in fact, operating in a fully competitive way, without any collusion whatever on prices, maybe then farmers could operate that way.

But with the rest of the economy so controlled and everybody else protected in one way or another, I don't see how a group of 3 or 4 million independent farm operators can survive without some kind of a program.

Mr. Shuman. Well, let me make it clear: we are not saying that we are advocating that there be no Government assistance, no Government intervention in agriculture whatsoever. We are saying, yes, we want some, but here are some kinds of Government intervention that have been used against us. When this cheap food program came to light, it wasn't a figment of somebody's imagination. It was just finally revealed as to what has been going on all along under these programs.

Now, there are other ways in which Government can be of assistance. It doesn't work in agriculture to limit production. We have demonstrated that after 30 years. It doesn't work. It doesn't work for the Government to fix prices. Maybe it works in labor and maybe it doesn't. I would even challenge it there as to whether it has benefited them to have minimum wages raised, because there are millions of people now who are unemployable under the present minimum wage structure.

Maybe we wouldn't have had poverty. Maybe we wouldn't have had riots if we hadn't raised the minimum wage to the place where thousands and thousands of these young people are unemployable at the minimum wage. But, nevertheless, let them go their route, and let's take the kind of Government assistance that helps farmers—like greater research. Like the development of doing everything you can do to expand markets abroad and to help farmers through the extension program, and a lot of other ways.

We will do better this way, and we won't have Government programs on our backs, this 94 percent of the people who are watching all the time to see that we don't get a good price.

I think there is no question but what the record of the last 30 years proves that farmers cannot benefit financially by trying to do the same thing that industry and labor has done. So we are not asking for completely free markets. We are asking for help in the ways which will let us get a better income.

The Chairman. All right, Mr. Shuman. You may proceed. Anything else?

Mr. Shuman. Just the last two or three pages here.

On the bottom of page 31, you will see that we list the advantages of our proposals. I will not go into that. We have discussed a good many of them. There are a good deal of specifics in here as to what we would do. And they are listed, pages 1, 2, 3, 4, 5, 6, over to 33, and then we—under the section on page 33, "Other Policies To Increase Net Farm

Incomes," we point out that there are many things that farmers can do, themselves, without Government assistance, and we discuss the possibility of improving our marketing power through organization.

We do oppose the Mondale Government partnership and Government-sponsored bargaining programs, compulsory bargaining. We are opposed to that. We point out that there are some relatively minor changes, such as the Packer and Stockyards Act, that should be revised to strengthen administrative authority for the enforcement of fair trade practices, and we favor effective remedies against abuses in future trading.

Then, we, on page 36, discuss the problems of inflation and the need for additional research and extension expenditures. And we oppose extension of the Labor-Management Relations Act to agriculture. And then we make four recommendations, at the bottom of page 36, dealing with revisions in transportation ratemaking and exemptions that would be helpful.

Page 37, we discuss international trade, and the ways in which Government can help us improve our opportunities to export more farm products. And on page 38 we mention that we support an extension of the food-for-peace program. However, changes should be made in the domestic farm program legislation to make certain that needed supplies are produced in response to market prices and not in advance of demand.

All commodities exported under Public Law 480 should be purchased in the market.

That is another one of the reasons why we believe that this change would result in better prices.

Then we point out, under "Regaining Control of Expenditures," that we believe in general, State governments spend tax revenues more economically and more effectively than Federal agencies, and we favor a tax credit so that the taxpayer would get a dollar-for-dollar credit against his Federal income tax for his payments.

The CHAIRMAN. Well, all of that is not within the scope of this committee's jurisdiction.

Mr. SHUMAN. No. It is pointed out that there are other things to help farm credit income.

Then, in conclusion, on page 39, we say:

Farmers are in a serious cost-price squeeze. Farm Bureau is interested in reducing this pressure and in increasing net farm income.

Instead of continuing down the dead-end road of Government supply-management, price-fixing, and subsidies, farmers need a broad-based program to expand markets, increase prices, cut costs, and thus provide the basis for increased net farm income.

We will continue to work with the Congress in dealing with these aspects of such a program which require Government action.

I thank you very much.

The CHAIRMAN. Thank you very much, Mr. Shuman.

(Mr. Shuman's prepared statement and supplemental statement are as follows:)

We appreciate the opportunity to present our views on experiences under the Food and Agriculture Act of 1965.

Farm Bureau is a general farm organization with over 1,753,000 member families in 49 states and Puerto Rico. A large percentage of our members produce commodities which are directly affected by the Act of 1965. Others produce commodities which are indirectly affected by this Act because programs for individual commodities often affect other commodities. For example, the feed grain and cotton programs have affected the acreage planted to soybeans; and the feed grain and wheat programs have affected the production of livestock, poultry and dairy products.

Farm Bureau vigorously opposed the major provisions of the 1965 Act. Our members are even more convinced today that the programs authorized by this Act are not in the long-time best interests of producers, consumers, or taxpayers.

Briefly, our principal reasons for opposing these programs are as follows:

(1) Government supply-management has not worked.

(2) Government-owned stocks are bad for farmers.

(3) The operation of government supply-management programs depends on political decisions.

(4) These programs make farmers dependent on government payments for a substantial part of their net incomes.

(5) Government supply-management programs create pressures for international commodity agreements.

We will discuss each of these points briefly.

(1) GOVERNMENT SUPPLY-MANAGEMENT HAS NOT WORKED

The Act of 1965 has not corrected the basic imbalance between prices farmers receive and the prices they must pay—commonly referred to as the cost-price squeeze. On the contrary, the index of prices paid has continued to rise faster than the index of prices received. The index of prices received by farmers rose 14 points from 238 in 1960 to 252 in 1967. In the same period the index of prices paid, interest, taxes and wage rates rose 42 points from 300 to 342.

The following table shows that there has been a rather steady decline in the parity ratio over the past 17 years and that the ratio was 74 in 1967. To find a lower parity ratio on an annual basis, it is necessary to go clear back to the depression year of 1933. We do not think it appropriate to include government payments in figuring the parity ratio as this destroys the usefulness of the parity concept as a measure of the relationship between farm prices and farm costs; however, if one looks at the adjusted ratio in the following table he also finds a steady decline. Even on an adjusted basis, it is necessary to go back to 1933 to find an annual figure lower than that reported for 1967.

PRICES RECEIVED BY FARMERS, PRICES PAID, AND THE PARITY RATIO, SELECTED YEARS, 1933, 1967

[1910–14=100]

Year	Prices received	Prices paid [1]	Parity ratio	
			Unadjusted [2]	Adjusted [3]
1933	70	109	64	66
1935	109	124	88	95
1940	100	124	81	88
1945	207	190	109	111
1950	258	256	101	102
1955	232	276	84	85
1960	238	300	80	81
1965	248	321	77	82
1966	266	334	80	86
1967	252	342	74	79

[1] Commodities and services, interest, taxes, and wage rates.
[2] Not including Government payments.
[3] Including Government payments.

Source: Agricultural Prices, January 1964 and January 1968, Statistical Reporting Service, USDA.

Although the average parity ratio for all commodities is the lowest it has been on an annual basis since the depression, the picture is even more dismal for the commodities that are subject to price support payments under the Act of 1965.

MARKET PRICES AND PARITY PRICES OF COMMODITIES FOR WHICH PRICE-SUPPORT PAYMENTS ARE MADE

	Jan. 15, 1968		
	Market price	Parity price (percent)	Parity ratio (percent)
Wheat……bushels..	$1.40	$2.57	54
Corn……do….	1.04	1.61	65
Grain sorghum……hundredweight..	1.75	2.57	68
Cotton……pounds..	.2238	.4353	51
Wool……do….	.390	.868	45

Source: "Agricultural Prices," January 1968, Statistical Reporting Service, USDA.

The parity ratios shown above would be even lower if it were not for the fact that government supply-management programs are reducing the adjusted parity base prices for most of these commodities.

ADJUSTED PARITY BASE PRICES OF COMMODITIES FOR WHICH PRICE-SUPPORT PAYMENTS ARE MADE UNDER THE ACT OF 1965

	Wheat (bushel)	Cotton (pound)	Corn (bushel)	Grain sorghum (hundred-weight)	Wool (pound)
1964	$0.805	$0.1303	$0.498	$0.780	$0.254
1965	.796	.1301	.488	.767	.258
1966	.773	.1279	.475	.760	.256
1967	.760	.1251	.472	.748	.253
1968	.744	.1258	.464	.744	.251

Source: Agricultural Prices, January supplements, 1964–68, Statistical Reporting Service, USDA.

If the adjusted base price of wheat had not been reduced from 1964 to 1968, the January 1968 parity price of wheat would have been $2.79 per bushel—22 cents more than the official parity price of $2.57.

Since the relationship between farm returns—including payments—and farm costs has continued to deteriorate, people have continued to move out of agriculture in search of better opportunities. As a matter of fact, the rate of outmigration was higher in 1966 and 1967 than in 1964 and 1965. The following table shows a drop in farm population of more than 4.6 million since 1960—a drop of nearly 30 percent in only seven years.

CHANGES IN THE FARM POPULATION

Apr. 1 of—	Farm population	Reduction from preceding year	Percent reduction from preceding year
1960	15,635,000		
1961	14,803,000	832,000	5.3
1962	14,313,000	490,000	3.3
1963	13,367,000	946,000	6.6
1964	12,954,000	413,000	3.1
1965	12,363,000	591,000	4.6
1966	11,595,000	768,000	6.2
1967 estimate	11,000,000	595,000	5.1

Source: Economic Research Service, USAD.

Farm debt has increased in relation to farm assets throughout the postwar period; however, the rate of increase has accelerated under the government supply-management programs of recent years.

FARM DEBT IN RELATION TO FARM ASSETS, SELECTED YEARS

As of Jan. 1	Total farm debt (excluding CCC loans) (millions)	Total farm assets (billions)	Farm debt as a percent of farm assets
1950	$10,733	$132.5	8.1
1955	15,441	165.1	9.3
1960	23,595	203.5	11.6
1965	36,009	238.5	15.1
1966	40,147	255.7	15.7
1967	44,532	269.5	16.5
1968 (preliminary)	48,600	281.2	17.3

Source: "The Balance Sheet of Agriculture, 1967," and Agricultural Finance Review, November 1967, Economic Research Service, USDA.

The Act of 1965 is an outgrowth of earlier government supply-management programs, the first of which was the feed grain program of 1961. For this reason, in evaluating the effects of government supply-management, it is appropriate to pay particular attention to what has happened since 1960 as well as to what has happened under the Act of 1965.

Net income per farm has increased substantially since 1960; however, the bulk of this increase resulted from the combined effects of a decline in the number of farms and an increase in government payments to farmers.

	1960	1967	Increase or decrease (—)	Percent change
Number of farms	3,954,500	3,141,300	—813,200	—20.6
Net realized farm income (dollars in millions)	$11,673	$14,491	$2,818	24.1
Government payments (dollars in millions)	$693	$3,071	$2,378	343.1
Net realized income per farm	$2,952	$4,613	$1,661	56.3
Government payments per farm	$175	$978	$803	458.9

Net realized income per farm rose $1,661 from $2,952 in 1960 to an estimated $4,613 in 1967.

If the number of farms had remained constant, and there had been no increase in government payments, net income per farm for 1967 would have been $3,063 ($14,491 million net farm income minus the $2,378 million increase in government payments, or $12,113 million ÷ 3,954,500 farms).

Thus, the combined effects of the decline in the number of farms and the increase in government payments boosted net income per farm from $3,063 to $4,613. This means that these factors account for $1,550 (93.3 percent) of the $1,661 by which net income per farm increased between 1960 and 1967. The remaining $111 of the total increase per farm is due to other factors.

The value of the dollar has declined since 1960 and farmers who have remained on the farm have had to increase their investments substantially. As a result, a much higher net income is needed today to provide a return on increased capital investments and offset the lower value of the dollar.

We doubt that the promoters of the 1965 Act want to take credit for increases in farm income that have been brought about by a decline in the number of farmers. The unsatisfactory nature of programs which force farmers to depend on government payments for a substantial part of their income will be discussed at a latter point in our statement.

While carryover stocks of feed grains, wheat and cotton have been reduced rather sharply in recent years, we need to examine the causes of these reductions and the costs that have been incurred in achieving them.

The 1965 Act has contributed to the reduction of cotton stocks, although at a very high cost. Bad weather was also a factor.

In the case of wheat and feed grains reductions in carryover stocks have been due to expanded markets—not reduced production. Grain production actually has been higher under government supply-management programs than in the immediately preceding five years. While a substantial acreage of land has been diverted under current programs, much of this land would have produced little or no grain in the absence of these programs. Furthermore, the diversion programs have had offsetting effects. It is well known that payments received

for diversion are often used to finance yield-increasing practices, especially higher fertilization rates, on land remaining in production. It is also well known that noncompliers not only sought to improve yields but also increased grain acreages in the expectation that reductions by compliers would strengthen markets.

Thus, while acreages have been cut by diversion programs, wheat and feed grain output has been higher than before they became operative. This is evidenced by the following comparisons of acreages and output of these grains during the years preceding the following adoption of the government supply-management approach.

SELECTED CORN AND WHEAT DATA, AVERAGES FOR 1956-60 AND 1961-66

Period	Harvested acreage (thousand)	Yield per acre (bushels)	Production (million bushels)	Utilization (million bushels)		
				Domestic use	Exports	Total
Corn:						
1956-60 average	67,001	51.4	3,442	3,046	227	3,273
1961-66 average	56,704	67.3	3,818	3,502	516	4,018
1961-66 compared to 1956-60	−10,297	+15.9	+376	+456	+289	+745
Wheat:						
1956-60 average	50,033	23.5	1,178	598	513	1,111
1961-66 average	48,326	25.5	1,230	639	759	1,398
1961-66 compared to 1956-60	−1,707	+2.0	+52	+41	+246	+287

Note particularly from the above that during the years after government supply-management type programs became operative—

Corn acreage averaged *10.3 million acres less*, but corn production averaged *376 million bushels more;* and corn *utilization* averaged *745 million bushels more* than during the 1956-60 period.

Wheat acreage averaged *2 million acres less*, but wheat production averaged *52 million bushels more;* and wheat *utilization* averaged *287 million bushels more* than in the 1956–60 period.

The fact is that feed grain and wheat stocks have been reduced by *market growth*—not by production control under government supply-management programs. Furthermore, carryover stocks are being increased this year due to overproduction in 1967 when corn production reached 4.7 billion bushels and wheat production totaled 1.5 billion bushels—both all-time highs.

Supply-management programs have resulted in substantial increases in the annual losses realized by the Commodity Credit Corporation. CCC's realized net operating losses, which do not include the cost of the P.L. 480 program, more than doubled from fiscal 1960 to fiscal 1967.

Annual net operating results (realized losses excluding valuation reserves) of the CCC on price support and related programs, fiscal years, 1955–67

[In millions of dollars]

Fiscal year:	*Realized losses*
1955	1,119.3
1956	1,413.7
1957	1,812.0
1958	1,647.6
1959	1,410.0
1960	1,884.5
1961	2,081.8
1962	2,799.4
1963	2,654.9
1964	3,226.8
1965	3,048.0
1966	2,984.9
1967	3,813.6

93-192—68——10

Source: "Commodity Credit Corporation Charts Providing a Graphic Summary of Operations June 30, 1966," (Table 10A) March 1967 and "Report of Financial Conditions and Operations, as of June 30, 1967," Agricultural Stabilization and Conservation Service, USDA.

While factors other than government programs were responsible for most of the reductions in commodity stocks, let us assume for the sake of discussion that the programs were responsible and then look at the fantastic per-unit costs of these reductions.

If we include only the cost of price support and diversion payments, the estimated reduction in the cotton carryover from August 1, 1965 to August 1, 1968 has cost an average of $168 per bale.

On a similar basis the cost of reducing the wheat carryover since the certificate plan went into effect with the 1964 crop has been $6.57 per bushel.

The cost of reducing the feed grain carryover since the feed grain program went into effect in 1961 has been $167 per ton, or $4.68 per bushel of corn equivalent.

ESTIMATED PER UNIT COST OF REDUCING CARRYOVER STOCKS UNDER THE PRESENT SUPPLY-MANAGEMENT PROGRAMS FOR COTTON, WHEAT, AND FEED GRAINS

UPLAND COTTON

	Carryover	Reduction from previous year
	Million bales	
Aug. 1:		
1966	16.6	
1967	12.2	4.4
1968 estimate	6.5	5.7

Crop year	Estimated cost of cotton program,[1] (millions)	Reduction in carryover during crop year (million bales)	Cost per bale of reduction in carryover
1966	$777	4.4	$177
1967	916	5.7	161
Total	1,693	10.1	168

[1] Price-support and diversion payments.

WHEAT

	Carryover	Change from previous year
	Million bushels	
July 1:		
1964	901.4	
1965	817.3	−84.1
1966	535.2	−282.1
1967	425.0	−110.2
1968 estimate	545.0	+120.0

Crop year	Estimated cost of wheat program (millions)[1]	Change in carryover during year (million bushels)	Cost per bushel of reduction in carryover
1964	$445.3	−84.1	$5.29
1965	508.8	−282.1	1.80
1966	687.0	−110.2	6.23
1967	702.0	+120.0	
Total	2,343.1	−356.4	6.57

[1] Diversion payments, 1964–66; plus domestic certificates to producers, 1964–67.

FEED GRAINS

Marketing year [1]	Carryover	Change from previous year
	Million tons	
1961	85.0	
1962	72.2	−12.8
1963	64.4	−7.8
1964	69.3	+4.9
1965	54.8	−14.5
1966	42.1	−12.7
1967	37.1	−5.0
1968 estimate	42.0	+4.9

Crop year	Estimated cost of feed grain program [2] (millions)	Change in carryover (million tons)	Cost of reduction in carryover: Per ton	Cost of reduction in carryover: Per bushel of corn equivalent [3]
1961	$782	−12.8	$61	$1.71
1962	843	−7.8	108	3.02
1963	846	+4.9		
1964	1,171	−14.5	81	2.27
1965	1,382	−12.7	109	3.05
1966	1,295	−5.0	259	7.25
1967	870	+4.9		
Total	7,189	−43.0	167	4.68

[1] Oct. 1 for corn and sorghum grain; July 1 for oats and barley.
[2] Diversion payments, 1961–67; plus price support payments, 1963–67.
[3] 1 ton equals 35.714 bushels of corn.

Source: Cotton and wheat program cost from "Department of Agriculture and Related Agencies Appropriations for 1968," pt. 3, hearings before a subcommittee of the House Committee on Appropriations, 90th Cong., first sess. Feed grain program cost from "Feed Situation," FS–219, 213, 203, and 200, Economic Research Service, U.S. Department of Agriculture.

(2) GOVERNMENT-OWNED STOCKS ARE BAD FOR FARMERS

Under the Act of 1965 and earlier government supply-management programs the USDA has been authorized to sell CCC stocks to hold down market prices to benefit consumers and penalize producers who do not cooperate with the feed grain and wheat programs.

Actually, low market prices penalize cooperators as well as noncooperators. Low grain prices also lead to overproduction and low prices in the livestock, dairy and poultry industries. We should constantly keep in mind the fact that livestock, dairy and poultry products account for roughly 60 percent of U.S. cash farm receipts. We need to make sure that programs for other commodities do not adversely affect this large and important area of our agricultural economy.

Government sales obviously have been costly to grain farmers in terms of reduced market prices. Look at what happened in 1964: Corn production fell to the lowest level in several years due to poor crop conditions, but the upward thrust in prices normally generated by a short crop was almost entirely offset by CCC sales.

Although the 1964 crop was 535 million bushels smaller than the 1963 crop, corn prices went up only *6 cents* per bushel. By way of contrast, an 808-million-bushel drop in production in 1947 brought forth a 63-cent rise in corn prices, and a 743-million-bushel drop brought forth a 40-cent increase in prices in the depression year of 1936.

The 1966 marketing year also provides an informative contrast to 1964. Although the corn crop was slightly larger in 1966 than in 1965, CCC sales were reduced, and the farm price of corn averaged 8 cents per bushel higher in the marketing year 1966–67 than in the preceding year.

Experience with wheat has been much the same. While the 1966 wheat crop was only 4 million bushels smaller than the 1965 crop, CCC sales were reduced by 232 million bushels and the average farm price of wheat was 28 cents per bushel higher in the 1966 marketing year than in 1965.

From the standpoint of producers, government reserves of agricultural commodities constitute a device to manipulate markets politically, to coerce partic-

ipation in government supply-management programs, and to impose price ceilings on farm products. Yet USDA officials have testified that they consider legislation to establish a government grain reserve to be a needed addition to the programs authorized by the Act of 1965.

Farm Bureau vigorously opposed proposals for a government-controlled grain reserve at hearings held by the Senate Subcommittee on Agricultural Production, Marketing, and Stabilization on January 31, 1968. The Subcommittee very wisely has not acted on these grain reserve bills.

CCC SALES OF FEED GRAIN IN RELATION TO UTILIZATION

Marketing year [1]	Bushels (millions)		CCC sales as a percent of utilization	Season average price
	Total utilization	CCC sales		
				Per bushel
Corn:				
1961	3,962	975	24.6	$1.10
1962	3,895	736	18.9	1.12
1963	3,848	170	4.4	1.11
1964	3,875	391	10.1	1.17
1965	4,392	398	9.1	1.16
1966	4,135	156	3.8	1.24
1967 (estimated)	4,546	(2)	(2)	1.07
				Per hundredweight
Sorghum grain:				
1961	521	221	42.4	$1.80
1962	516	241	46.7	1.82
1963	591	122	20.6	1.74
1964	573	144	25.1	1.87
1965	848	240	28.3	1.79
1966	862	197	22.9	1.84
1967 (estimated)	770	(2)	(2)	1.79
Oats:				
1961	1,059	7	0.7	0.642
1962	1,019	6	0.6	.624
1963	931	3	0.3	.622
1964	891	13	1.5	.631
1965	891	14	1.6	.622
1966	851	17	2.0	.665
1967 (estimated)	796	(2)	(2)	.658
Barley:				
1961	441	40	9.1	.979
1962	410	11	2.7	.915
1963	420	30	7.1	.897
1964	430	15	3.5	.947
1965	395	10	2.5	1.02
1966	383	5	1.3	1.05
1967 (estimated)	380	(2)	(2)	1.02

[1] Year beginning Oct. 1 for corn and sorghum grain; July 1 for oats and barley.
[2] Not available.

CCC SALES OF WHEAT IN RELATION TO UTILIZATION

Marketing year beginning July 1	Bushels (millions)		CCC sales as a percent of utilization	Season average price per bushel
	Total utilization	CCC sales		
1961	1,397	255	19.2	$1.83
1962	1,224	308	17.0	2.04
1963	1,444	342	23.7	1.85
1964	1,369	311	22.7	1.37
1965	1,599	379	23.7	1.35
1966	1,424	147	10.3	1.63
1967 (estimate)	1,405	(1)	(1)	1.41

[1] Not available.

(3) THE OPERATION OF GOVERNMENT SUPPLY-MANAGEMENT PROGRAMS DEPENDS ON POLITICAL DECISIONS

This places farmers at a distinct disadvantage since nonfarm consumers outnumber farm people by 94 to 6. Political decisions must necessarily please the majority rather than the minority, and the vast majority of our citizens are

nonfarm consumers. If we continue government supply-management it is to be expected that agriculture will become a public utility—that is, an industry that is regulated for the benefit of consumers.

Another reason for avoiding reliance on political decisions is the fact that it is very easy for a single authority to make a serious mistake.

The Administration had three chances to prove the value of centralized planning in 1967, but it struck out all three times. A sharp acreage cut was ordered in cotton to reduce the surplus, but an unfavorable season brought the crop down to less than 8 million bales, and a serious shortage of the better grades developed. As a consequence, cotton is suffering a further loss of markets which producers can ill afford.

Opposite results were experienced with wheat and feed grains. The Administration overreacted to hysterical evaluations of the world food situation and encouraged farmers to expand grain production in advance of effective demand. Also, food aid shipments of wheat and flour under P.L. 480 actually were reduced during the fiscal year 1966–67. The inevitable result of these two actions was lower grain prices.

The average farm price of wheat was only $1.40 per bushel in January 1968 in comparison with $1.57 a year earlier. Corn sold for an average of $1.04 per bushel at the farm in January 1968 in comparison with $1.28 a year earlier.

In discussing the overproduction of grain that resulted from administrative decisions with respect to 1967 crops, Secretary Freeman correctly said, "No one—not myself, nor the Congress, nor the scientists and economists—had the second sight to predict this." Unfortunately, Secretary Freeman refuses to recognize the fact that the market system can do a better job than any administrator in guiding production and consumption if it is allowed to do so.

Proponents of the 1965 Act argue that 1967 grain crops would have been even larger if it had not been for the wheat and feed grain programs, but this argument will not stand careful analysis. In 1967 farmers were encouraged to expand grain production by price support loans, direct payments, and the knowledge that the government wanted a bigger crop to feed a hungry world. In the absence of government acreage programs, price supports, and direct payments, farmers would have been far more cautious and far less likely to expand production in advance of effective market demand.

(4) THESE PROGRAMS MAKE FARMERS DEPENDENT ON GOVERNMENT PAYMENTS FOR A SUBSTANTIAL PART OF THEIR NET INCOMES

Government payments amounted to approximately 20 percent of net farm income in 1966 and 21 percent in 1967. Considerably more than 20 percent of net income from the production of feed grains, wheat, cotton, and wool now comes from government payments. In fact, well over 20 percent of the *total* receipts received by farmers from these commodities in 1966 came from payments.

CASH RECEIPTS FROM FARM MARKETINGS AND GOVERNMENT PAYMENTS, 1966

[Dollar amounts in millions]

	Cash receipts from farm marketings	Direct payments	Total receipts	Payments as percent of total
Feed grains	[1] $3,423.1	$1,293.4	$4,716.5	27.4
Wheat	2,025.2	679.0	2,704.2	25.1
Cotton lint	1,312.9	772.5	2,085.4	37.0
Wool	100.6	33.7	134.3	25.1

[1] Corn, sorghum grain, and barley—the grains covered by the feed grain program.

Source: "Farm Income-State Estimates, 1949–66," a supplement to the July 1967 Farm Income Situation, August 1967, Economic Research Service, USDA.

DIRECT GOVERNMENT PAYMENTS UNDER FARM PROGRAMS 1960-67

[In millions of dollars]

Calendar year	Wool	Sugar	Feed grains	Wheat	Cotton
1960	51	50			
1961	56	45	772	42	
1962	54	54	841	253	
1963	37	57	843	215	
1964	25	67	1,163	438	39
1965	18	64	1,391	525	70
1966	34	60	1,293	679	773
1967	29	62	865	731	932
Total	304	459	7,168	2,883	1,814

	Total, under commodity programs	Total, other Government programs	Total payments under farm programs
1960	101	592	693
1961	915	569	1,484
1962	1,202	534	1,736
1963	1,152	534	1,686
1964	1,732	437	2,169
1965	2,068	384	2,452
1966	2,839	427	3,266
1967	2,619	452	3,071
Total	12,628	3,929	16,557

Source: "Farm Income Situation," July 1967 and February 1968, Economic Research Service, USDA.

The promoters of direct payments on cotton argued that payments would benefit consumers by reducing the retail prices of cotton goods. The promised savings to consumers did not materialize. Instead of lowering prices to consumers payments resulted in higher mill margins.

The average mill margin on 20 constructions rose from 24.91 cents per pound in the crop year 1962–63, the last full year before payments, to 38.82 cents in the crop year 1966–67, the last full year for which comparable data are available.

Current information on cotton margins is not entirely comparable with the above data as USDA has increased the number of constructions used in computing margin statistics. Recent data indicate that mill margins have been reduced somewhat by the increase in cotton prices which resulted from the short 1967 crop; however, it appears that margins are still well above the pre-payment level.

CLOTH AND RAW COTTON PRICES AND MILL MARGINS

[In cents per pound]

Year beginning August—	Unfinished cloth prices	Raw cotton prices	Mill margins
	Average for 20 constructions		
1962	60.52	35.61	24.91
1963 [1]	61.54	35.46	26.08
1964	62.98	27.23	35.75
1965	65.15	26.49	38.66
1966	64.26	25.44	38.82
	Average for 71 constructions		
1966	66.18	25.56	40.62
1967 (August–December average)	64.89	29.81	35.08

[1] Payments to the mills began on Apr. 11, 1964; however, the USDA made no adjustments for these payments prior to August 1964.

Source: Cotton Situation, January 1968, Economic Research Service.

Government payments are an unreliable basis for the income that is necessary for a healthy agriculture because they can be cut or limited at any time.

Cotton payments made direct to farmers from the federal Treasury totaled $932 million in 1967. This is more than the total value of all upland cotton produced in 1967 figured at the loan rate for cotton. It should be obvious, with federal deficits running as they are, that payments of this magnitude cannot possibly continue; and every effort must be made to find a different approach to the cotton problem.

The payment approach reflects a cheap food philosophy. These payments are not net additions to farm income. Basically they are compensation for government actions—such as the sale of CCC stocks and the Secretary's decision to increase grain production in 1967—which reduce farm prices. The termination of such actions would make possible higher market prices.

In the case of wheat and feed grains the increase in prices necessary to offset the payments is not nearly as great as has been commonly assumed. The payment rates are substantial—particularly in the case of wheat—but they do not apply to the entire crop.

Wheat certificate payments averaged only 50 cents per bushel when spread over the entire 1966 wheat crop. Cooperators received the payment of $1.32 per bushel on 45 percent of the projected yield of their allotted acreage. This would be an average payment of 59 cents per bushel on the projected yield of cooperating farms, but nonparticipation and differences between actual and projected yields bring the average figure down to 50 cents per bushel. The average payment per bushel harvested was even lower for the 1967 crop as certificate payments were made on only 35 percent of the projected yield of the cooperator's allotted acreage.

The average farm price of wheat fell 37 cents per bushel from July 1966 to July 1967. This was due, at least in part, to the Secretary's decision to encourage increased production in 1967.

Compensatory payments have been a much smaller factor in the average per-bushel returns for feed grains. They added only 11 cents per bushel to average 1966 returns from corn. This low figure reflects substantial non-participation and the fact that payments are not made on participants' total production. In most recent years CCC sales have depressed corn prices more than 11 cents per bushel.

It is, therefore, clear that present programs are reducing market prices for wheat and feed grains and that the direct payments are not a net addition to farm income.

PRICES AND RETURNS ON 1966 CROP WHEAT AND FEED-GRAIN PRODUCTION

Commodity	Season average price	Average price-support payment per unit of production	Season average price including payment
Wheat .... bushels..	$1.63	$0.50	$2.13
Corn .... do....	1.24	.11	1.35
Barley .... do....	1.05	.05	1.10
Sorghum grain .... hundredweight..	1.84	.29	2.13
Oats .... bushels..	.669	....	.669

(5) GOVERNMENT SUPPLY-MANAGEMENT PROGRAMS CREATE PRESSURES FOR INTERNATIONAL COMMODITY AGREEMENTS

Commodity agreements are the international counterpart of domestic government supply-management—a means of getting international sanction for domestic programs which interfere with international trade by subsidizing exports in some cases and restricting imports in others. It is, therefore, to be expected that such agreements will be proposed from time to time as long as we have domestic government supply-management programs.

International commodity agreements set agricultural trade aside from trade in industrial products and reduce our bargaining power in negotiations with industrial countries.

Agreements which divide the world market on the basis of past history would limit our ability to expand exports.

The proposed International Wheat Trade Convention, which is now before the Senate for ratification, illustrates this point. This convention does not liberalize world trade in wheat; in fact, it tends to legitimize trade restrictions. It would restrict export opportunities for United States wheat farmers.

If the wheat convention should be ratified, the United States apparently would be required to do one of two things in order to comply with the minimum price indicator:

(*a*) Cut back on wheat production so that production will not exceed the total of domestic disappearance and a conservative estimate of export possibilities, or

(*b*) Apply an export tax to raise export prices above the domestic level.

Cutting back production would tend to raise the domestic market price, but farmers' incomes depend on volume as well as price.

A world wheat price supported by U.S. action to cut production or impose an export tax would stimulate production in other countries—not only in exporting countries such as Canada, Australia, Argentina and France, but also in importing countries.

An export tax is actually authorized under the provisions of the Act of 1965; however, the imposition of such a tax would be contrary both to the interest of wheat farmers and the national interest in improving our balance of payments.

It should be noted that the International Wheat Trade Convention is part of a so-called International Grains Arrangement. Although this Arrangement is now confined to wheat, it originally was intended to apply to all grains. The U.S. Under Secretary of Agriculture made this clear during the negotiations when he said: "The United States is actively striving to achieve a meaningful and effective international arrangement for grains, including wheat." Commodity agreements have also been discussed for dairy products, meat, rice, soybeans, fats and oils, and cotton.

The best way to avoid international arrangements which would limit our ability to expand exports is to discontinue government supply-management programs here at home. Our goal is to increase exports of agricultural commodities to $10 billion per year. This is a good way both to increase farm income and to help to deal with our national balance of payments problem.

HOW TO IMPROVE FARMERS' INCOME

Farm Bureau is dedicated to increasing farmers' net incomes. In fact, our principal objective is to increase farmers' income under conditions where freedom is preserved and peace is attained.

In order to promote clarity of thinking about farm income, we often make use of a simple, well-known formula:

$$\text{volume} \times \text{price} - \text{costs} = \text{net income}$$

I say that this formula is well-known; however, there is a tendency to forget it, or at least lose sight of it.

We are interested in any proposal—governmental or nongovernmental—which affects "volume". Likewise, we are interested in any proposal—governmental or nongovernmental—which affects the "prices" farmers receive for their production. Also, we are concerned about anything and everything that affects "farmers' costs." All three of these factors have direct and overriding effects on the net income of every American farm family.

Whoever suggests—as some do—that farmers are concerned only with "prices" just doesn't know farmers. In fact, I know of nothing on which farmers are in more complete agreement than that the cost-price squeeze is the central factor in farm policy discussions.

This, of course, brings us to the question of inflation. Let there be no question about it—inflation is not the result of rising prices. Wet sidewalks don't cause rain. Rising prices merely reflect and measure the inflation that is occurring.

Inflation can be caused only by governments. In this connection, I should like to call your attention to a statement made sometime ago by W. Allen Wallis, a distinguished economist who is now president of the University of Rochester.

"Inflation can be generated only by the government. Business firms, labor unions, or consumers with excessive market power can do many objectionable things that are contrary to the public interest; but one objectionable thing they cannot do is to cause inflation—or, for that matter prevent it."

Whether or not we continue to have galloping inflation in this country will be decided by the Executive Branch and the Congress. The key is whether these two branches of government will work together to achieve meaningful reductions in expenditures.

Farm Bureau members have spoken loudly and clearly on this issue. As a consequence, we have itemized and specified to the Congress and to the Executive Branch of government our recommendations for budget cuts. These proposed cuts would, if adopted, cut New Spending Authority by $7.35 billion, resulting in an Expenditure reduction of approximately $6 billion.

I am confident that members of this Committee realize that government spending policy will have more to do with farmers' opportunities to earn good incomes in the future than will any and all decisions in the area of government farm programs.

A similar point can be made with respect to the importance of policies affecting international trade. Any action—governmental or nongovernmental—which reduces farmers' markets at home and abroad, directly affects both the "volume" and "price" elements of the farm income equation. Because we are convinced that the International Wheat Trade Convention, which is before the Senate for ratification, would reduce the volume of wheat that would move in export, we must vigorously oppose its ratification. In other words, we are FOR those things which enlarge markets and are AGAINST everything which shrinks markets.

We realize that such issues as inflation and ratification of the International Wheat Trade Convention do not fall within the jurisdiction of this Committee; however, that doesn't alter their impact on farmers' incomes.

We also realize that many of the things affecting farm income are nongovernmental in nature. However, governmental action often influences the climate for voluntary, nongovernmental action. As a voluntary, nongovernmental organization of farmers and ranchers, we realize our responsibility to vigorously pursue nongovernmental means of improving farm income. I want to assure this Committee that, to the best of our ability, we are discharging this responsibility.

RECOMMENDATIONS

We have itemized in some detail farmers' experiences under the Food and Agriculture Act. of 1965. On the basis of the record, it is clear that this Act is not solving farm problems. A dramatic change in the direction of government farm policy is long overdue and should not be delayed beyond the present expiration date of the Act of 1965.

Keeping mind the various factors that affect net farm income, we would like to take up our recommendations with respect to the legislative matters now under consideration by this Committee. First, we shall outline some guidelines for cotton legislation. Second, we shall set forth in some detail our specific recommendations for wheat, feed grains and soybeans. Finally, we shall make specific recommendation for other actions—governmental and nongovernmental—which will increase the incomes of farm families.

Cotton

The long-range objective of new cotton legislation must be to reorient cotton to the market system.

The following guidelines should be observed in developing such legislation:

It must encourage production for use rather than government storage.

It must assure adequate supplies of all qualities to meet market demands.

It must be sufficiently flexible to meet changing conditions.

It must lower government program costs.

It must allow for price differentials based on quality.

The proposed transition to the market system must allow producers adequate time to adjust.

Existing research on cotton should be greatly expanded to cut production costs and improve cotton's ability to compete in the marketplace. Federal, state, and private research programs should be coordinated to ensure the effective use of available funds.

The imbalance between imports and exports of cotton and cotton products must be corrected.

Farmers should not have to compete with CCC stocks. The release price for unrestricted sales of CCC stocks should be high enough to permit the market to function.

Steps should be taken immediately to terminate the provisions of present programs that permit a producer to collect full price support payments and receive crop insurance benefits on cotton land that is to be replanted to soybeans or other crops for harvest.

Direct payments to farmers must be phased out as rapidly as possible as a step toward a sounder cotton economy and to avoid the disastrous effects which would result from limitations on payments to individuals.

Wheat, Feed Grains, and Soybeans

The producers of wheat and feed grains and soybeans are opposed to having their market prices depressed by the release of CCC stocks or government-induced increases in production. They do not like to get their income from payments—either directly from the Treasury or through a processing tax—and would rather get it from the marketplace.

Problems inherent in past and present programs for wheat, feed grains, and soybeans can only be solved by using the market system to improve farm income.

The objectives of Farm Bureau's proposals are to:

(1) Repeal authority (a) for wheat allotments, marketing quotas, marketing certificates, diversion payments and price support payments and (b) for feed grain bases, diversion payments, and price support payments.

(2) Permit each producer to plan his wheat, feed grain, and soybean production so as to make the best use of his resources in light of the market outlook.

(3) Stop the movement of wheat, feed grains, and soybeans into the CCC and prevent the disposal of existing CCC stocks (including stocks acquired from 1967 and 1968 crops) at cut-rate prices.

(4) Provide government insurance for recourse loans through commercial lending institutions to facilitate the orderly marketing of wheat, feed grains, and soybeans.

(5) Include a practical cropland retirement program to facilitate needed adjustments in land use.

S. 3158—introduced by Senator Ribicoff (D.-Conn.)—is consistent in principle with our recommendations for wheat, feed grains, and soybeans. However, amendments would be required in this bill to make certain that (a) soybeans are eligible for recourse loans, (b) cropland retirement programs are available, and (c) P. L. 480 purchases are made in the market.

The one sure way to stop the take-over of grain by CCC, and avoid rebuilding government stocks, is to eliminate the present nonrecourse loan program and prohibit the government from buying stocks for a "reserve" program. Under the recourse loan plan proposed by Farm Bureau the producer would continue to have money available to meet financial needs at harvesttime through government-insured commodity loans. In contrast to the present nonrecourse loan program, however, the CCC would not get control of the commodities placed under loan. The system would work generally as follows:

(1) Loan rates for commodities would be determined by agreement between the borrower and lender, except that the maximum rate (insured by government) could not exceed 90 percent of the estimated season average market price.

(2) The loans would be made by commercial lending institutions and insured by the Commodity Credit Corporation. The insurance feature would make these loans attractive to commercial lenders.

(3) Insured loans would be available for terms of up to 18 months and would be subject to renewal. The borrower would have the privilege of repaying loans in advance of the maturity date.

(4) The producer would be personally liable for the loan, including associated costs, as he now is for a commercial bank or PCA loan. Payment would be made in cash to the lender.

(5) The government insured recourse loan provision would be limited to 90 percent of any loss a lender might incur on an insured loan. This means that the lender would suffer some loss if he failed to collect in full from the borrower. Thus, he would have an incentive to take "recourse" if necessary to collect.

While the proposed legislation would prevent the CCC from acquiring grain for stockpiling, it would not interfere with the government's ability to buy, or authorize the purchase of, commodities for use in foreign and domestic food aid programs. In fact, the money saved by terminating the present grain programs could be used to increase food aid to needy countries.

The substitution of recourse loans for the present nonrecourse loan program and the elimination of direct payments would remove one of the major causes of wheat and feed grain surpluses.

Under a recourse loan plan producers would be cautions about expanding production until there is clear evidence, in the form of effective market demand, that additional production is needed. Production would be increased when market returns are considered favorable and reduced when they are considered unfavorable.

Predictions that market prices would be seriously depressed by the operation of Farm Bureau's program assume that farmers would continue to use fertilizer and other land substitutes at the present, or higher, rates and that all—or most—of the land now being diverted under the feed grain program would immediately be returned to the production of such crops as feed grains, wheat, and soybeans. These assumptions are not realistic.

Present programs encourage the use of "land substitutes" by restricting acreage and guaranteeing minimum returns from crop production. Much of the land being diverted is not top quality land. Furthermore, many producers who have been diverting acreage have adjusted their operations to a lower level of grain production, or have offset the effect of the program on their operations by acquiring additional land. It is thus logical to expect that much of the land now being diverted would remain in soil-conserving uses in the absence of a government-guaranteed return.

In our judgment the termination of present government supply-management programs for wheat and feed grains will not lead to an excessive expansion of the acreage devoted to these commodities; however, Farm Bureau has long supported a practical land retirement program to facilitate any adjustments that may be needed in land use. Such a program should be temporary and voluntary, provide for competitive bids, take cropland out of production with emphasis on whole farms, and prohibit the grazing or harvesting of any crop from retired acres. The retirement of whole farms under long term contracts is more effective and far less costly than the present annual diversion program. The cropland adjustment provisions of the Food and Agriculture Act of 1965 provide most of the authority needed for a sound land retirement program. This cropland adjustment approach should be a part of any new program.

Advantages of Farm Bureau's proposals for wheat, feed grains, and soybeans

Some of the more important advantages of the proposed legislation to farmers, taxpayers, and the general public are:

(1) It would stop the take-over of surplus commodities by government and thus eliminate CCC dumping of grains in the future. This would also mean a greatly reduced administrative burden in servicing the loan program.

(2) It would prohibit sales of CCC stocks (for either domestic use or export) at prices less than the higher of 125 percent of the 1967 loan rate, 85 percent of parity, or the current market price plus carrying charges. Based on January 1968 market and parity prices, the above guides would prohibit CCC sales at less than the following prices plus carrying charges:

Grain	Unit	CCC sale price
Wheat	Bushel	$2.18
Corn	do	1.37
Rye	do	1.17
Barley	do	1.12
Oats	do	.74
Sorghum	Hundredweight	2.18
Soybeans	Bushel	2.82

Once CCC stocks are liquidated the government would be out of the grain business entirely. Growers would then be able to plan farming operations as they think best in response to supply-demand conditions, free of fear that CCC grain might be sold to depress prices.

(3) Market prices would be further strengthened because food purchases for aid to needy nations under P.L. 480 would be made in the market and closely attuned to specific desires and needs of the country to be aided. Such purchases could also be greatly increased with funds released from terminating present grain programs.

(4) Allotments and base acreages on grain would be terminated, allowing grain farmers to make full use of their productive resources and to plant whatever grain or grains are best suited to their circumstances. Most farmers are making less than they should be due to lack of resources,

inadequate opportunity to specialize, and inability to change quickly to meet changes in market requirements. Present programs compound these problems. Farm Bureau's proposals would make it possible for grain farmers to grow, expand, specialize, and change with changing conditions. From a national standpoint, production would flow to the areas that have the greatest comparative advantage for each crop. This would benefit both producers and consumers. History shows farmers can, and will, adjust production to market requirements in response to market prices.

(5) The efficiency of grain marketing would be increased as the additional handling, transportation, and storage necessary to move grain into and out of government inventory would be eliminated.

(6) The cost of feed grain and wheat programs to taxpayers would be substantially reduced. Grain producers would get their income from the marketplace and would not have to depend on government payments. Livestock producers have demonstrated that the market will yield a higher return than government subsidies if it is given a chance to work.

OTHER POLICIES TO INCREASE NET FARM INCOMES

Farm costs, receipts, and net income are affected by a wide range of public and private endeavors including a great deal of nonfarm legislation.

Too often when we consider efforts to improve net farm incomes we consider the problem only in the context of government support and adjustment programs; but there are many other elements of major importance in the farm income situation. We realize this Committee does not have primary responsibility for some of the subjects reviewed below; however, a recognition of the effect of these factors on the well being of farmers is necessary to an understanding of the agricultural outlook.

Some of the major Farm Bureau policies which would have substantial effects upon net farm income are summarized below from resolutions adopted at our last annual meeting:

Farmers are increasingly aware of the need to do a better job of marketing their products. In our opinion more effective marketing is the key to farm prosperity. Farm Bureau is currently engaged in the development of cooperative bargaining programs for 31 commodities. The interest and activity within Farm Bureau, and among farmers generally, with respect to such efforts is increasing rapidly.

The government's crop and livestock estimates should be improved to provide better statistical information for use in marketing programs.

The enactment of legislation to provide more effective remedies for discriminatory acts by handlers against farmers who participate in a voluntary bargaining association would materially assist the efforts of farmers to pool their bargaining power through voluntary marketing programs. We deeply appreciate the action of this Committee and the Senate in passing S. 109. If this bill becomes law it will help end these discriminatory practices.

We also favor legislation to authorize marketing orders for additional processing commodities; an amendment to provide that marketing orders for commodities produced for processing shall not require processor approval when confined to raw agricultural products; and an amendment to establish effective marketing as the goal of the Agricultural Marketing Agreement Act in lieu of the present parity price goal.

We are opposed to proposals to establish government supervised compulsory bargaining programs as proposed in Title I and II of the Mondale bill, S. 2973. Because the objective of Title III is covered by S. 109, this Title need not be considered.

The Packers and Stockyards Act should be revised to strengthen administrative authority for the enforcement of fair trade practices in transactions involving live animals and poultry, and to authorize the bonding of packers for the protection of farmers.

We favor effective remedies against abuses in futures trading and extension of the Commodity Exchange Act to all commodities traded in futures markets. Needed legislation in this area was recently enacted.

Farm costs

In 1967 farm production costs were $34.4 billion, 70 percent of gross farm income, 81 percent of the value of farm products sold. A substantial reduction in farm production costs obviously could make a major contribution to net farm

incomes. The reduction of farm costs involves a variety of efforts in many fields.

As a matter of top priority, we believe it is important to reduce inflationary cost and price trends by reducing federal expenditures. We reject the contention that no sizable reductions can be made. It is clear that the federal government has been trying to do too much at once. Continued expansion of government programs and ever larger deficits will have intolerable inflationary consequences.

Credit is an essential agricultural tool and an important element in farm costs. A relaxation of inflationary pressures would reduce farm costs by permitting lower interest rates. The right of the Cooperative Farm Credit System to raise funds in the market has been restricted by an executive directive. We favor legislation to clarify the independent authority of this system so that it can have unrestricted access to private funds needed to finance agriculture.

We continue to support sound research and extension programs. Emphasis should be given to research designed to effect reductions in farm labor and other costs through new technology and improved methods and equipment. We regret that expenditures have not kept pace with costs of performing such services, whereas spending for direct payments to farmers has ballooned from $693 million in 1960 to $3,071 million in 1967.

We oppose extension of the Labor Management Relations Act to agriculture. This would affect farm costs and incomes disastrously. At the same time it would adversely affect farm workers and consumers.

Reductions in the costs of farm supplies and insurance required by farmers can make an important contribution to higher net farm income. To a growing extent and for a widening variety of products, Farm Bureau affiliates are supplying goods and services to farmers at prices reflecting savings through group or mass purchasing programs.

In order to hold down transportation costs for farmers, we favor action to:

(1) Revise transportation rate-making policy to expedite rate reductions based on improved technology.

(2) Maintain the exemptions from regulation presently applicable to trucks hauling farm products and transportation by cooperatives.

(3) Free inland water transportation from present regulations which impair efficiency.

(4) Raise federal weight ceilings for trucks on interstate highways.

International trade

Farmers' incomes can be improved by an expansion of international trade. The product of one acre of every four is exported. Our goal is to increase farm exports to $10 billion a year. We believe this goal can be accomplished in a few years. We have supported reciprocal trade agreement legislation and believe the United States should continue to work for the reduction of arbitrary trade barriers in other countries.

We oppose international commodity agreements which provide for allocating markets among exporters. Such agreements limit opportunity for the expansion of U.S. exports.

A trade expansion policy must necessarily be accompanied by provision for protection against sudden and major expansions in imports, particularly in those cases where an exporting nation uses direct or indirect subsidies to expand exports to this country. We support the escape clause of the Trade Expansion Act. We also support Section 22 of the Agricultural Adjustment Act of 1933 and the effective action that was taken last summer under this section to limit dairy imports. We favor converting the Tariff Commission to a Commission on Trade and Tariffs with increased authority to provide relief from excessive imports, particularly when such imports are dumped or subsidized into our market.

Labeling and sanitary standards applicable to domestic products should also be applicable to imports.

We support an extension of the Food for Peace Program; however, changes should be made in domestic farm program legislation to make certain that needed supplies are produced in response to market prices and not in advance of demand. All commodities exported under P. L. 480 should be purchased in the market. It should be made clear that this program is a part of our foreign aid commitment and not a subsidy to producers. Cargo preference laws and regulations should be repealed so that farmers can compete for export markets without the handicap of inadequate and noncompetitive transportation facilities.

The expansion of exports through private endeavor should be encouraged. Farm Bureau is making a contribution to expanded farm exports through the operation of the Farm Bureau Trade Corporation.

Regaining Control of Expenditures

We believe that in general state governments spend tax revenues more economically and more effectively than federal agencies. We favor the enactment of legislation to provide each taxpayer a credit against his federal income tax for income and sales taxes paid to a state. This should be coupled with comparable reductions in federal payments to the states for specified purposes.

The present tax credit for investments in production equipment should be maintained as a permanent feature of tax law.

The exemptions from federal inheritance taxes should be increased in recognition of the reduction in the value of the dollar. This would ease materially the problem of transferring farm assets from generation to generation.

We favor the following additional tax policies:

(1) Capital investment in facilities to control pollution should be considered a current expense for income tax purposes. This is likely to become increasingly important to farmers in the future.

(2) An increased tax deduction of tax credit should be provided for each college student supported by a taxpayer.

(3) Where land is acquired for public purpose the period allowed for reinvestment without liability for the capital gains tax should be more than a year.

(4) Federal highway user taxes should not be increased.

(5) Hospital and medical insurance costs should be fully deductible from taxable income.

CONCLUSION

Farmers are in a serious cost-price squeeze. Farm Bureau is interested in reducing this pressure and in increasing net farm income.

Instead of continuing down the dead-end road of government supply-management, price fixing, and subsidies, farmers need a broad-based program to expand markets, increase prices, cut costs, and thus provide the basis for increased net farm income.

We will continue to work with the Congress in dealing with those aspects of such a program which require government action.

FARM BARGAINING

WASHINGTON, D.C., *April 23, 1968.*

Hon. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

DEAR SENATOR ELLENDER: As a supplement to the testmony which I presented to the Committee on Agriculture and Forestry on April 4, I would like to expand on our views with respect to S. 2973, a bill introduced by Senator Mondale for himself and other senators.

S. 2973 consists of three Titles. Since the subject matter of Title III has already been dealt with through the passage of S. 109, our comments will be confined to Titles I and II.

Title I proposes to create a National Agricultural Relations Board to perform certain functions with respect to bargaining for the sale of farm products. The bill does not specify any prior qualifications for membership on the Board. This raises the possibility that all or a majority of its members might have no background in agrcultural production or pricing.

On of the principal functions of the proposed Board would be to hold a referendum to determine whether the producers of a commodity favor the establishment of a marketing committee whenever a "representative group of producers files a written petition stating that the average market price of such commodity is below a fair and reasonable price to producers, or may be expected to be during the next marketing season. The Board apparently would have the power to determine what constitutes a "representative group." If no such "representative group" came forth the Board could, of its own initiative, conduct a referendum among the producers of a commodity.

If a majority of the producers voting in such a referendum favored establishment of a bargaining program, the proposed program would be compulsory for all producers. A producer who failed to keep required records or make required reports would be subject to a fine of not more than $500.

In such a referendum, producers not only would vote "yes" or "no" on the question of whether or not they wanted to have a committee bargain for minimum prices for their commodity, but also would vote for members of a marketing committee. Thus, even though producers rejected the minimum price bargaining concept they would elect a marketing committee. This committee could then function as a spokesman for the commodity and press for passage of the referendum during one or both of the following two years. Presumably, only after the referendum was turned down in the three consecutive years would the committee cease to exist or function.

The name of the proposed board suggests a parallel with the National Labor Relations Board; however, there are important differences. For example, the National Labor Relations Board conducts elections to determine the desires of workers with respect to union representation, but it has no voice in the selection of individuals who are to represent the workers' interests. Whenever the proposed Agricultural Relations Board conducted a referendum on the establishment of a marketing committee, it would also conduct an election for members of the proposed committee. Producers would be given a choice between at least two candidates for each position; however, all candidates for committee membership would be "selected by the Board from recommendations submitted to it by the Agricultural Stabilization and Conservation County Committees . . ." Thus, all candidates would be screened first by a committee of per diem government employees and then by a government agency. No union would agree to any such procedure and we think farmers have as much right as industrial workers to select their own bargaining agents.

Any marketing committee established under Title I would be required to "invite the Chairman of the President's Advisory Council on Consumer Problems to designate one or more persons to represent the interest of consumers" in bargaining meetings. There is no parallel to this requirement in existing national labor relations laws, or in union practices.

If a marketing committee failed to reach agreement with representatives of prospective purchasers of a commodity the issues under dispute would be submitted to a joint settlement committee. The joint settlement committee's decision apparently would be final unless overruled by a decision of the appropriate federal court. This is compulsory arbitration—a procedure which has rarely been applied to labor-management disputes.

Assuming a satisfactory minimum price could be determined, no one suggests that processors would or could pay that price for an unlimited supply of the commodity. It would be illegal for a processor to purchase any commodity at less than the minimum price. Thus, the bill provides that in the event the marketing committee finds that the total supply of the commodity will exceed effective demand, a plan or program of marketing allotments, with or without acreage or production limitations, shall be developed in consultation with the Board and the Secretary of Agriculture. Such a plan would be submitted to a referendum of eligible producers and a simple majority could cause strict production controls to be placed on all producers of the commodity. The bill provides no means of escape from such controls once they are voted. Under existing marketing quota programs a two-thirds majority is necessary to impose controls, and a new referendum must be held at least once every three years.

Title II of S. 2973 proposes to amend the Agricultural Marketing Agreement Act of 1937 so as to provide for collective bargaining between the producers and handlers of farm products within the framework of federal marketing orders. This procedure would authorize even more government intervention in bargaining activities than would be authorized by Title I.

For example, under the language in line 25 at the bottom of page 22 and lines 1 through 6 at the top of page 23 minimum prices and other terms and conditions arrived at through negotiations between a committee of producer representatives and handlers could not become effective "unless thereafter approved by the Secretary of Agriculture." The Marketing Agreement Act also would be amended to include an authorization for marketing allotments to limit the quantities producers may market.

In effect, Titles I and II of S. 2973 propose two alternative methods of establishing government-supervised bargaining programs which would be compulsory for all producers of an affected commodity.

Fixing prices throughout an industry would eliminate competition among producers and processors. It also would eliminate futures trading, where such trading now exists in an industry.

Farmers are seriously and increasingly interested in finding ways to develop greater market power; however, we are convinced that greater bargaining power can be achieved through the voluntary organization of farmers for effective marketing than through any coercive method. Accordingly, we are opposed to the enactment of Titles I and II of S. 2973.

Farmers who join an organization because they want to are far more cooperative and willing to give of their time and energies for the attainment of agreed goals than if they are dragged in by their heels. The source of power in any voluntary group is the membership, while the power source of an involuntary group comes from the outside—from the enforcing authority.

Those farmers who would be forced by referendum to join a bargaining group would weaken the organization because they would probably work to undercut or disrupt the bargaining activity. Truly effective power comes through the willing cooperation of informed, conscious, loyal, and active members; and this kind of power far exceeds that which flows from a compulsory grouping.

One of the most important reasons for the greater success of voluntary associations as compared to compulsory programs is the attitude of management. In a voluntary program the members are free to withdraw and management must produce results. On the other hand, the management of an involuntary bargaining group is under no such pressure since member withdrawal is impossible. Management of a government enforced bargaining program would naturally attempt to please the supervising bureaucacy rather than farmers.

There is an even more fundamental reason why Farm Bureau members reject compulsory bargaining. The Congress, as well as the Executive Branch of our government, must be concerned with justice and equity for all citizens—not farmers alone. The Constitution spells this out. Furthermore, since 94 percent of the voters are consumers, any federal government encouragement or enforcement of farmer bargaining would necessarily include devices to protect consumers against what bureaucrats refer to as the "undue enhancement of prices."

Experience with federal marketing orders in the United States, as well as foreign experience with marketing boards and other devices which are dominated by labor and consumer interests, provide ample evidence that government-supervised marketing is not the way to get better income.

For these reasons we respectfully recommend that the Committee not approve Titles I and II of S. 2973.

We would appreciate having this letter made a part of the record of the Committee's hearings on general farm legislation.

Very truly yours,

CHARLES B. SHUMAN,
President, American Farm Bureau Federation.

Senator ELLENDER. The next witness is Mr. Graham. I understand that he is willing to permit Mr. John Heimburger to make a short statement.

STATEMENT OF JOHN J. HEIMBURGER, ON BEHALF OF THE INDEPENDENT MILK PRODUCER-DISTRIBUTORS' ASSOCIATION

Mr. HEIMBURGER. Good morning, Mr. Chairman.

The CHAIRMAN. Hi, there.

Mr. HEIMBURGER. I glanced at the clock as I came up here, Mr. Chairman, so with your permission, I will make just a few very brief remarks and put my statement in the record.

The CHAIRMAN. Proceed.

Mr. HEIMBURGER. Let me say, Mr. Chairman and members of the committee, that having had some contact with this committee over a period of years in another capacity, it is quite an experience for me to be here before you as a witness.

The CHAIRMAN. I am glad to have you, John.

Mr. HEIMBURGER. My only purpose in appearing, Mr. Chairman, is to urge the committee, when it takes action on title I of the Agricultural Act of 1965, to continue to strengthen, if it feels that to be desirable, the protection for producer-handlers of milk, which is in title I.

Let me add, Mr. Chairman, I am gratified to see that the Milk Producers Federation in their proposed language for revision of title I has included the legislative language which was put into the same place in the act 2 years ago. And I am merely hopeful that the committee will be aware that there are forces who would like to eliminate producer-handlers in the milk market scene and will continue whatever production it feels would be desirable in this area.

Now, there are just one or two points in my statement, Mr. Chairman, that I need to refer to.

For the reporter, on page two, in the second paragraph of the quotation from the House Committee Report, some words have been omitted. In the next to the last line, after the word "exist," insert "prior to the enactment of this legislation, it will not exist."

Then on page three, Mr. Chairman, clear at the bottom of the page, a letter which Senator Holland wrote to the Secretary of Agriculture on this matter is quite relevant, and I ask to have it included as part of my statement at this point. It appears as the last two pages on the documents.

The CHAIRMAN. Very well. It will be put in the record. Your whole statement will be put in the record.

Mr. HEIMBURGER. Yes. Thank you, Mr. Chairman. It is a pleasure to be here.

The CHAIRMAN. Thanks.

(The prepared statement of Mr. Heimburger is as follows:)

My name is John J. Heimburger. I am an attorney with offices at 1030 Fifteenth Street, Northwest, Washington, D. C. I am appearing here today on behalf of a group of producer-handlers of milk under the Puget Sound (Washington) Federal order called the Independent Milk Producer-Distributors' Association and on behalf of Mr. Floyd McKennon, a member of that association.

My purpose in appearing before the Committee, Mr. Chairman, is to urge the Committee—when it revises or extends Title I of the Food and Agriculture Act of 1965—to continue, or strengthen if necessary, the protection of producer-handlers of milk which Congress wrote into that legislation when it was enacted.

Let me review the situation briefly. Producer-handlers, as I am sure the Committee knows, are those dairy farmers who market their own milk direct to the consumer. It is the oldest form of dairying in the United States. Except for order provisions defining what a producer-handler is, and requiring them to limit their sales essentially to milk produced on their own farms, the Department of Agriculture has never sought to regulate these independent dairymen—that is, bring them within the pooling provisions of a Federal milk order.

There are, however, those who have sought for years to destroy the independent status of these producer-handlers. So it was that when Title I of the 1965 Act was under consideration, fear was expressed by producer-handlers that establishment of the class I base price plan, as authorized in this title, might be used as an excuse to bring producer-handlers, for the first time, within the pooling provisions of a Federal order.

Congress was sympathetic to these fears and the House Agriculture Committee wrote into Title I a section 104, which reads:

"The legal status of producer-handlers of milk . . . shall be the same subsequent to the adoption of the amendments made by this title as it was prior thereto."

In its report on the bill the House Committee said:

"The committee wishes to make it clear that it approves of the practice of keeping the producer-handlers' avenue of marketing open to dairy farmers with-

out unduly burdensome restrictions and that *this legislation shall not be deemed to be a justification for producer-handler inclusion in the pooling requirements of any Federal order.* This is the purpose of section 104 of the bill.

"This section means that this legislation is not to be regarded as a reason for, nor as any new legal authority to include producer-handlers in the pooling arrangements of Federal market orders and that *if justification and legal authority for such inclusion did not exist 'prior to the enactment of this legislation, it will not exist' thereafter by virtue of any provision of this bill.*" (Emphasis added.)

When the bill went to conference, the Senate accepted verbatim the language of Title I of the House bill—thereby accepting also, of course, the explanation of that language in the House report.

In spite of this stated policy of Congress with respect to producer-handlers, within a few months after the bill became law there was the following surprising development:

In April 1965, before enactment of the law, the Department of Agriculture had held a hearing in the Puget Sound area for the specific purpose of considering a proposal to bring producer-handlers in that area under the pooling provisions of the milk marketing order and *had determined that such a move was not justified.*

In August 1966 a hearing was held on the proposal to incorporate the class I base price plan into the Puget Sound order—the first such hearing under the new law. In connection with this hearing, it was again proposed to bring producer-handlers into the pool.

In spite of the fact that the Department examiners in charge of this hearing found that there were fewer *producer-handlers* in the Puget Sound area than at the time of the 1965 hearing and that they were marketing a *smaller percentage of the milk*, the Department proposed that they should become "fully regulated handlers, and their milk should be pooled under the order."

This action appeared to be in such complete disregard of the policy Congress had sought to establish in the Act that it drew a strong protest to the Secretary from members of both the Senate and House agriculture committees. Nine members of the House committee—comprising chiefly the dairy subcommittee—addressed a letter to the Secretary calling the proposed action "illegal."

On the Senate side, Senator Holland of Florida wrote a letter to the Secretary on May 12, 1967, thoughtfully examining the situation and reaching the conclusion that the proposed action was "in direct contravention of the clear intent of Congress." Rather than reading that letter, Mr. Chairman, I ask that it be made a part of the record at this point.

Following these letters from members of the committees, the Department reversed its position and recommended against inclusion of producer-handlers in the revised Puget Sound milk order.

And that, presumably, would have been the end of the matter, except for two things: (1) the Department, in its revised Puget Sound findings, threatened to re-open the matter if there was "any increase" in the marketing of producer-handlers in the area; and (2) in the only hearing which has taken place since that time on adoption of the class I base price plan (as an amendment to the milk marketing order for Southeastern Florida) the Department has again entertained proposals to bring producer-handlers under the pooling provisions of the order if the pricing plan is adopted.

It would appear from this that those who would like to eliminate the producer-handler completely from the Federal milk market areas are still with us. I hope, therefore, that whatever action this Committee may take in extending or revising Title I of the 1965 Act, it will continue, or even strengthen if it feels such action to be desirable, the protection the Act now affords these small, independent, farmer business men known as producer-handlers.

EXPERIENCE UNDER THE PLAN

During the hearings on the class I base plan fears were expressed that the continued existence of the producer-handlers outside of the pool would interfere with the successful operation of the plan. In the decision which created the base plan, the Department foresaw a possibility that some producers would sell their base and become producer-handlers, and that producers entering the market would become producer-handlers rather than purchase base. Experience under the plan has not shown any such trend.

Table I appended to this testimony gives monthly statistics starting with July, 1966, the latest data available to the Department at the time of the hear-

ing. A line has been drawn between months of August and September, 1967, to indicate the date the plan became effective in the Order. In July, 1966, there were 34 producer-handlers in the market. In August, 1967, the number had decreased to 29. In each month since the base plan went into effect the number has been 28. Neither base sellers nor new producers have invaded the producer-handler business although there were a good number of each group. In the first four months 402 producers transferred all of their base. Of this number 223 were still shipping milk in December. These did not choose to become producer-handlers. In the market were 50 new producers who had never been issued base and 35 other producers who had to purchase base. They did not choose to become producer-handlers. (cf. exhibit II)

The Market Administrator has stated that since May, 1967, two producer-handlers have elected to stop selling their own production and accept Class I base.[1] If there is a trend, it is not that producers are becoming producer-handlers, but just the opposite. The essential fact is that the number of producer-handlers has changed very little in the past year. It reflects little influence by the Class I base plan upon the producer-handlers and little by the producer-handlers upon the plan.

There was the prediction that established producer-handlers would somehow take advantage of the Class I base plan to capture retail sales and create disorder in the market. By referring to Exhibit I, column 1, we can see the percent of total fluid sales which the producer-handler made. This percentage varied from month to month, but within very narrow limits. And it has not been as high since the plan became effective as it was at the time of the hearing.

During the relatively short period in which the base plan has been in effect, the producer-handlers have occupied a quiet corner. The stability of this group and of their production has contrasted sharply with the tremendous changes in the producer market.

The number of transfers reflect the consideration given to the base as a cash asset. In September, 1967, the Market Administrator issued 2129 bases. Before December 31, the Administrator had recognized 583 transfers of base involving 823 persons. As a result of these transfers of total or partial base, only 1761 producers owned base in December.[1]

In those four months 350,925 lbs. of base were transferred. This is 17.8% of the total Class I base issued.[1] The transfer value of that portion of base, estimated to average $12 per lb., was $4,211,110.[2]

The 417 producers who purchased base in the first 4 months owned in December 43% of the total base.[1] This represents a considerable concentration of market control. But the concentration is continuing. The new base assets will qualify as long-term assets in March, after which there may be another flurry of transfers.

The concentration of ownership in bases has been spurred by a pricing factor in the market that is outside the Market Order. The new base plan went into effect in September. In that month the cooperative associations announced a price increase of 35¢ per hundred-weight. This plus charge over the order minimum price was additional to a 15¢ plus called a "service charge" which had been in effect for several months. This increased the spread between Class II milk and the Class I milk with a resultant effect on the transfer value of the bases.

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[1] Marketing Service Information for the Puget Sound Washington Marketing Area, issued by the Market Administrator.

[2] Estimated from reports of sales made at prices up to $13.50 per lb.

EXHIBIT I

SELECTED STATISTICS FOR PUGET SOUND MILK MARKETING ORDER

	Percent producer-handler sales is of total fluid sales	Number of producer-handlers	Number of producers	Number of pool plants
July 1966	7.49	39	2,314	29
August	7.36	37	2,305	29
September	7.05	37	2,289	30
October	6.36	35	2,257	33
November	6.23	34	2,242	34
December	6.11	32	2,230	33
January 1967	6.83	34	2,215	31
February	6.92	33	2,210	30
March	6.91	32	2,190	30
April	6.90	30	2,184	30
May	6.04	29	2,179	31
June	6.63	30	2,179	30
July	6.74	30	2,170	29
August	6.60	29	2,165	29
September	6.68	28	2,133	29
October	6.88	28	2.100	29
November	6.80	28	2,067	29
December	6.94	28	2,034	29
January 1968	6.91	28	2,025	29

Note: Source of figures are Market Service Information compiled March 1967 and Monthly Reports for Market Service Information issued by Market Administrator for Puget Sound Milk Marketing Order.

EXHIBIT II.—*Tabulation of class I base statistics*

Base transfers between Sept. 1, 1967, and Dec. 31, 1967:	
September 1967 bases issued	2129
Persons transferred all base	402
Base forfeited	1
Total off base	403
Persons receiving base not previously owning base	35
Net number of base holders Dec. 31, 1967	1761
Producers remaining on market Dec. 31, 1967:	
(1) Base holders	1761
(2) Non-base-holders who—	
(*a*) Transferred all of their base to others	223
(*b*) Never held class I base	50
Total producers	2034

NOTE.—Figures extracted from an article in the January 1968 issue of Marketing Service Information for the Puget Sound Washington Marketing area published by the Market Administrator.

MAY 12, 1967.

Hon. ORVILLE L. FREEMAN,
Secretary of Agriculture,
U.S. Department of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: Permit me to call your attention to a proposed action by officials of the Department which appears to me to disregard the intent of Congress as expressed in section 104 of the Food and Agriculture Act of 1965.

In April 1965 the Department held extensive hearings on proposals to bring producer-handlers under the pooling regulations of the Puget Sound milk marketing order. After consideration of all of the evidence and supplemental statements, the Department determined that application of the pooling regulations and restrictions to producer-handlers in that area was not justified.

In October 1965 the Congress enacted and the President signed the Food and Agriculture Act of 1965. Title I of that Act authorized the use of a Class I base pricing system in Federal milk market orders.

Representatives of producer-handlers of milk from all parts of the United States expressed the fear that adoption of the plan would be used as an excuse to impose pooling regulations and other restrictions on these small-business producers. No producer-handlers were under such regulation at that time—nor are they now.

The Congress was sympathetic to the fears of producer-handlers and responded by including in Title I of the Act section 104, which reads in substance: "The legal status of producer-handlers of milk . . . shall be the same subsequent to the adoption of the amendments by this Act as it was prior thereto."

This section originated in the House Agriculture Committee and in establishing the meaning of the language the Committee said in its report: "Traditionally all Federal orders have exempted producer-handlers from such requirements . . . The Committee wishes to make it clear that it approves of the practice of keeping the producer-handlers' avenue of marketing open to dairy farmers without unduly burdensome restrictions and that this legislation shall not be deemed to be a justification for producer-handler inclusions in the pooling requirements of any Federal order. This is the purpose of section 104 of the bill."

Although the Senate had adopted a somewhat different provision relating to Class I base pricing, in Conference the Senate accepted the House language in toto, including without change the provision of section 104. In doing so the Senate adopted and concurred in the interpretation of that section expressed by the House in its committee report.

In August 1966 (after enactment of the above legislation), the Department conducted another hearing on the Puget Sound order for the primary purpose of determining whether a Class I base pricing plan should be proposed.

According to the Department's own finding as the result of this hearing, there were fewer producer-handlers in the area in 1966 than there were in 1965 and they had a smaller percentage of the market than in 1965.

In spite of this finding, the Department officials responsible in this matter have proposed that "producer-handlers should become full regulated handlers, and their milk should be pooled under the order."

In view of these facts, I can reach no conclusion other than that the proposed inauguration of the new pricing plan is to be used as an excuse or "justification" for imposing pooling regulations on producer-handlers in that area in direct contravention of the clear intent of Congress as spelled out in the report.

The seriousness of this situation is magnified by the fact that this is the first formal action on the pricing plan authorized in the 1965 Act. If this policy is permitted to stand in this case, it is reasonable to assume that it will be followed in every future action on adoption of the plan and that every one of these small independent operators in Federal order areas will be regulated out of business.

Before any such damaging precedent is established, therefore, I urge you to reverse this proposal to regulate producer-handlers and permit them to remain in operation in accordance with the intent of Congress.

With kindest regards, I remain,

Sincerely yours,

SPESSARD L. HOLLAND,
Chairman, Subcommittee on Agricultural Production, Marketing and Stabilization of Prices.

The CHAIRMAN. All right, now we have the Grange, represented by Mr. Graham, and then Mr. Obrecht.

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE REPRESENTATIVE, NATIONAL GRANGE

Mr. GRAHAM. Mr. Chairman, I have a rather long statement that I want to present because part of it is in refutation to some of the testimony that was just heard.

I wonder if it would be more convenient for you to have lunch and come back, or if you want to hear it all right now?

The CHAIRMAN. Well, I have hearings at 2 o'clock and I would like to complete this morning, if we can, if it is convenient to you.

Mr. GRAHAM. It is convenient with me.

The CHAIRMAN. All right, proceed.

Mr. GRAHAM. I was wondering if you got hungry, too.

The CHAIRMAN. Oh, no. I get hungry, but eating is the least of my worries.

GENERAL

Mr. GRAHAM. Mr. Chairman, the Grange is again pleased and privileged to come before this distinguished committee which has in the past heard with compassion the pleas of farmers for a more adequate return for their products in the marketplace and for a more equitable income as compared to the rest of our economy.

As you have worked your will with your considered judgment in the years since I have been coming before you, the answers which you have provided for the problems of America deserve our gratitude and thanks, rather than the carping criticism of those who would destroy existing agricultural programs in order to provide the fertile ground of economic chaos for the building of a private organization to which all men in America should become obligated without any recourse to a Congress or to law.

"We came not to bury the farm program but to praise it." We came to thank you for what you have wrought and to try to prove to you that you have wrought well. The Agricultural Act of 1965 was not perfect legislation, if indeed there has ever been perfect legislation. But, it was solid and sound and productive legislation which can be perfected if the Congress will take the time and expend the effort to do so just as was done in 1965 and in previous years. Let me list the accomplishments of this legislation.

First, it halted and reversed the downward trend in farm prices and farm income for those commodities which are under support programs. It used Government money as a part of the income, but it was money which had been well earned by the American farmers who have contributed, not only to the stability of the cost of living in terms of a practically static wholesale price index for farm products, thereby saving consumers millions of dollars in extra food costs, but it also has made the greatest contribution of any segment of our economy to the solution of the extremely critical problem of foreign exchange and balance of payments.

For the last 2 years, agriculture has earned twice as much in terms of net cash or gold earnings as that earned by any other American industry, despite the fact that we are also, as a Nation, the largest importer of agricultural products in the world, most of them being complementary in nature.

American agriculture net earnings have been about $2.5 billion annually and the aircraft industry, our largest industrial exporter, earned less than half of that. This tremendous earning of dollars through American agricultural exports was made possible by the technologically advanced production of the American farmers which made them competitive in the world markets, and the change in the legislation which enabled us to put our products on the market at the world market price instead of storing them in warehouses from which they could not be moved under the preceding legislation.

If we have not earned the gratitute of the American people because of our contribution to the highest standard of living which has ever been enjoyed by any people in the history and at the least amount of

cost in terms of hours worked for their food in all the history of the world, then we should have at least earned their gratitude for the contribution that we have made to the economic welfare of the United States.

And may I say, Mr. Chairman, that I don't believe all 94 percent of the United States consumers are antifarm or antifarm income. I think the evidence is quite the contrary on this point.

The Grange comes before without any apology for farmers for what they have received from the Government when the prices of agricultural commodities in the market place were not adequate for the financial requirements of the producers of America's food and fibre.

We have heard a great deal about the losses under the Commodity Credit Corporation program since 1961. We would refer you to table 4 of this report which shows the difference between CCC losses and income for farmers. You will note that in 1960, the CCC loss was $1,884.5 million. In 1961, it increased to $2,081.8 million, but payments to farmers increased by $1,500 million. In 1966, CCC stated losses were $2,984.9 million but payments to farmers were $3,300 million; in other words, the CCC had a net earning in that year had it not been for the farm payments.

We refer you to table 1 at the back of this report so we can make a report that Senator Young started to make here, and you will notice that in that table, in 1955–1960, we had net losses, or realized losses the way the law compares them of $9,287 million. But beginning in 1961, we began to put farm payments in this same category. And so if you take the farm payments out of this, the net losses of CCC over in this fourth column, are considerably less.

The fact of the matter is they are less than 50 percent of the losses from 1955 to 1960. And in 1966, the Commodity Credit Corporation actually paid out to farmers more than the total realized net losses. It was a plus of $315 billion at that time, because the CCC was selling enough grain that the balance went the other way.

So this is an argument that is rather fallacious when you look at all the facts that are available.

The difference in terms of farm income between this and previous programs is simply that the farmers get the money. We believe this was the intention of this Congress and the members of this committee who were presidng at that time and we believe that their intentions have been fulfilled in the record of this program.

Second, a major accomplishment of this program has been the reduction in the stocks that were carried by the Commodity Credit Corporation. This is a matter of record and one which has been wrongly lambasted by those who had no desire to see an improved farm program, but rather desired to destroy what we had.

We would point ou that this was not "dumping" as has been so frequently charged. The sale of these stocks was not only authorized by the Agricultural Act of 1956, section 201(a), but it was mandated by that legislation, and that is the legislation under which the Commodity Credit Corporation operates.

The language states:

> The Commodity Credit Corporation shall, as rapidly as possible consistent with its existing authority, the operation of the price-support program, and orderly liquidation, dispose of all stocks of agricultural commodities held by it. (U.S. Code; Title 7, Section 1851(a).)

If the Secretary has been guilty of a violation of the intent and purpose of the law, it is in his failure to completely liquidate the stocks which he holds at the present time. You remember that law better than I do. You helped to write it, sir.

In the case of wheat, the unrestricted sale of wheat has been stopped for well over a year. Before that, the release and resale prices were increased from the legal minimum of 105 percent of the loan value plus carrying charges to 108 percent, and then to 115 percent. No stocks were sold at any time under the minimums prescribed by the law, nor were any sold under the minimums prescribed by the Secretary which were in excess of those required by the law.

So, from the standpoint of the legal definition of "dumping", there has been no dumping.

By limiting our production and by expanding our exports, this miracle of reducing the supplies at the most rapid rate in history while increasing the prices at the same time has been an economic miracle.

Now, I want to turn back over to another table that I have here, because this is pertinent to some of the criticism that we have had, Table No. 2, CCC Sales of Wheat and Corn. Before 1960–61, when the present support program came in, the CCC sales were—as you notice there, they went up from 143.4 to 207.1, to 273.6, back to 207.1, and then in 1963–64, 344 million bushels of wheat were sold.

The average seasonal price received by farmers was $1.85, but that received by the participants was $2.03. And you well remember why we reduced the support level on wheat. It was so we could get back into the world market. And the payments were the substitute for the reduction in the price. And this is a matter which you are more familiar with than I. So it worked out that way.

We got $2.04 in 1962 and 1963, and $2.03 in 1963 and 1964. Then we continued this 281 million bushels in 1964. The average price received was down 50 cents which, the law specifically intended for it to be. The price to participants was $1.80. In 1965 and 1966 we were up again to 329 million bushels. The price to the participant was within a cent of that. In 1966–67, 221 million bushels, and the price to the participants was $2.22, and the price to the farmers was for all wheat, $1.63.

What I am trying to say is the price from 1964 to 1966 really increased as these stocks were being moved.

Now, this is what is meant by the "economic miracle." And this is not, in my judgment, evidence of failure. We know the reasons for what happened in 1967, but it was the same program that we had in 1967 that we had in 1966. And the 1966 program, the way it operated, did give us a reasonably decent return.

Now, the same situation exists in feed grains except more so because there we saw a steady increase in the price of feed grains and the price of corn. These stocks were being moved out in tremendous quantities, which I know and you know was the intention of this Congress. When it was passed, that law was to get rid of part of the billion and a half bushels of wheat, and the 85 million tons of corn, and the tremendous stocks of cotton.

This was in the picture, and we did that. This was accumulated under other programs.

What we did is being charged to this program, and by all rules of rationale and equitable judgment it should have been charged to previous programs.

But even with that, we didn't do as badly as a lot of people would lead us to believe.

Third, these programs have improved farm income, both net and gross.

Now, table 3, to me, is a very interesting table. These are the figures that came from the report of the Council of Economic Advisers.

The first one we will note is gross farm income. In 1952, it was 32.5. In 1964, it was 34. It went up a billion and a half dollars in 8 years. But it dropped way down before that. In 1967, it was 42.5, having dropped $700 million from the previous year.

Now, as to the costs, though, we have the picture that I think we are relatively familiar with, but here it is anyway. We went from 22.6 in 1952 up to 26.2 in 1960, and then up to 34.4 in 1967. But how anybody can charge this increase in cost to the farm program is beyond me. These situations were completely out of the control of anything that had to do with the farm program.

Also, I would point out, Mr. Chairman, the parity index.

Now, you will notice that in 1952 we started at 101. We dropped 20 points by 1960. Now, this was the sharpest drop we have ever had since the drop that came immediately after World War I. And then we began building up and went up to 86 in 1966. We are back down, in 1967. We are down to 79 in 1967. But this hasn't been quite the economic disaster that it might have been because in the next index, which is in the output index, we will notice that we had an output index of 68—and these indexes are all on the 57—59 basis—68 in 1952, 115 in 1960, but we had gone to 167 in 1967.

And as the previous witness noted, it is volume times price that equals income. And the tremendous increase in volume is here, and this is what is reflected, the fact that the total income, the gross income, was down only $700 million, but the net of this is that net farm income which was, in 1952 was 15.1 billion, dropped by 1960 to 12 billion, and has gone back up to 14.9 billion, in 1967 having gone to 16.2 in 1966.

Now, these figures do not show that this farm program has caused a reduction in farm income.

When you get over in the per-family farm income, you have exactly the same thing, $2,896 in 1952; $3,043—practically no increase—by 1960; but $4,705 by 1967. The equity of farmers, we are aware of this increase in debt, but the equity of farmers went, in 1952, from 152 million—it increased not too much—178 by 1960, but it is 223 in 1967.

So we are not insolvent. Something has been said about population. While we are on this one here, let me follow this one down.

If you will look at that table, you will see that there has been a steady, consistent drop in population, very little variation from year to year, right down the line.

Now, as it drops down, the proportion gets higher, the percentage gets higher, but the number going out is almost exactly the same as it was down through the years during World War II, and after World War II.

Now, if the drop in production is responsible for this increase in per-family income, why wasn't the drop in population, which was just as great in the previous 8 years, responsible for an increase in farm income, too?

Now, these are hard, solid facts to look at, and they just do not support some of the information that you were given here earlier in this day.

Farm prices have never reached a parity level but two times since 1914—both times were during wartime.

Parity is a measurement—it is not a perfect measurement—of farm welfare. It is not the complete measurement.

I have already given you this. Let's go over to page 8.

I would comment at the end of that paragraph that the entry of the free market is not that the market did not operate freely from the end of World War I up through the twenties. It did—the Smoot-Hawley tariff law was passed in 1930, if my memory serves me right. It was late 1929 or 1930. It certainly wasn't passed in 1920 or the early 1920's, and therefore, during this 12-year period—and I remember this very vividly because I was a child on the farm at that time—I know what happened to farm income; it just went completely to heck, and it stayed down there. And it went down and down and down.

So, we who are children of the depression, will never forget what happened when it was over.

I don't think the free market is going to solve that any better now than it did then. It is subject to cyclical change, as you well know. And what these programs have done is modify the cyclical changes and their effect on the market.

The CHAIRMAN. Well, have you ever known any farm program doing well on a voluntary basis?

Mr. GRAHAM. We have done as well as anybody has ever done on the wheat and feed-grain programs, but I want to give you some information on that. Supported commodities versus the unsupported commodities is another argument.

Now, if you have the payments—and these are part of income—wheat is at 75, corn at 79, green sorghum at 72, cotton at 83, wool at 77, soybeans at 92, milk at 84, and it is going up again due to the increase in the support level. Tobacco ranges from 75 to 84—this is the middle of page 8—depending on type and grade.

These average out at 82 percent of parity.

Now, let's look at these commodities not under price support. Potatoes are at 58 percent of parity, oranges at 61 percent, beef cattle at 75, live chickens at 64, eggs at 62, and live turkeys at 59.

When we look at vegetables, we see that the prices for hundredweight of broccoli during the past year dropped by 70 cents per hundredweight, cabbage has dropped by $1 per hundredweight, carrots are up dramatically, cauliflower is down, green pepper is down by $3.40, onions down by $1 or $1.65, sweet corn down by $1.40.

This is despite the fact that of massive expenditures for indirect supports. Let's take the average now of potatoes, 58; oranges, 61; chickens, 64; eggs, 62; beef, 75; hogs, 73; turkeys, 59; sheep, 76; for an average of 67 percent of parity, which is 16 percent under the average of the supported crops.

Now, I have another table in here that I got after I had written this, and that is the last table in the testimony, which shows that these nonsupported crops aren't as nonsupported as they might be, because from 1960 to 1967 we spent $653.4 million for beef; pork products, $107.6 million, after we had already stabilized their cost in the feed-grain program.

The total of all meat products, $95 million; the total of fruit and juices, $142.5 million; poultry, $299.5 million; irish potatoes and sweetpotatoes, $24 million; and vegetables, $61 million; a total of all crops of $1,719,800,000 since 1960 for the nonsupported crops.

And still they are at 67 percent of parity.

Now, if this is the best that we have to offer the American farmer—and we wouldn't even have this money available under what is being proposed by the opposition—then it would be down even farther than at the present time.

What we are trying to do, Mr. Chairman, is use all the figures that are available instead of just selecting those that seem to reflect best our particular biases and prejudices.

These programs are particularly necessary for those commodities going into foreign trade, and I would have you note, and you are aware of this particularly in terms of cotton, that cotton farmers simply cannot make enough money on the basis of foreign prices to have a profitable operation in cotton. I don't think there is any question about that in anybody's mind that I know.

The same thing is true in wheat. If you take the world wheat price at the present time backed off to the farm by 25 cents, it is from 15 to 25 cents under the best we can figure we can get for efficient production of wheat. We have got to stay in this world market. We wouldn't have had any favorable balance of trade last year if it hadn't been for the export of wheat, cotton, feed grains, and soybeans.

This was the difference between red and black in that market.

So, what we have done is make these crops available so that they can be sold in the foreign market at a world market price, and then we made money available to the American farmer to keep him in production for the national welfare. This isn't just the farmers' program that is getting this. This is in the interest of everybody—those who live on Main Street—that this many gets enough money to keep him in business and that we also set our prices where we can export our products.

Now, this is a pretty ticklish combination, but it is there anyway, and it is working.

Over against that, in 1957, we exported a total of $2.7 billion of agricultural commodities. Last year we netted $2.5 billion.

Now, this is not a record of failure by any means. The opposition has noted that low grain prices also lead to overproduction and how prices in the livestock, dairy, and poultry industries. We couldn't agree more. But it seems to us to be inconsistent to be making this statement and then urge that we destroy the structure that keeps prices at a stable and constant level for those who are engaged in the livestock, dairy, and poultry industries.

What prosperity there is in these industries at the present time is due largely to the stability of their feed market over a long period of years. And it has remained stable. The cost index for feed is almost exactly where it was 6 years ago.

The greatest threat to the stability to these markets is not in the CCC sales which have been according to the law and above the minimum prices for several years, but it has been presented this year by the exceedingly high production of corn and feedgrains outside of the support programs, production which has sold below the support price consistently since October of last year, for the first time in a number of years.

This is the direct responsibility of those who urged the farmers to stay out of the programs and to not comply with their provisions, with the result that this extremely large corn crop—much of it soft and needing to be fed—was not eligible for any loan programs and had to force its way onto the market.

If this does not lead to drastically lower feed, beef, and pork prices, it is because of the diligent effort of all of the farm organizations and feeder groups to warn their members against the speculative plunging into the market at the present time when there seems to be a slight advantage in terms of feed costs due to this high production by the noncompliers.

In this regard, it is interesting to note another quotation: "It is also well-known that noncompliers sought to improve yields but also increased grain acreages in the expectation that reduction by compliers would strengthen markets."

Now, this is an interesting statement in view of the fact it was also stated this morning that if there were no programs, the noncompliers would not be improving their yields and increasing their acreages.

But this is from a different part of the Farm Bureau testimony.

Let's see exactly what they did do on this, because I think we ought to put the burden where it belongs.

On table 1, on wheat production on nonparticipating farms, those in the South, with the exception of Arkansas, there were 1,911,000 acres devoted to wheat, with a production of 56,903,000 bushels.

I didn't know you had that kind of yields down there, sir, but those are not bad yields.

The CHAIRMAN. No. Some farms produce more than they produce in Kansas and North and South Dakota.

Mr. GRAHAM. Sure they do. That is because you have some of the best land in the world and good weather conditions.

The CHAIRMAN. Good farmers, too.

Mr. GRAHAM. I wouldn't say better, but they are good.

In the Midwest, 2,490,000 acres were out of compliance, 91,964,000 bushels was produced.

And in New York and Pennsylvania, 359,000 acres were not under compliance; 15,232,000 bushels produced.

Produced outside of compliance in these States alone was 163 million bushels, which is more than 15 percent of the total crop that was produced last year.

Now, the second 15 percent that the Secretary added in wheat allotments along later in the year in 1966 was not all planted. We only had 126 percent instead of 133 permissible acres planted, and this extra 15 percent produced 7 percent of the total crop. This 7 percent of the total crop was eligible for loans. It could and did go under loans. It had a home. Fifteen percent had no home. It was not eligible for the loan. Now, how they can say that the 7 percent destroyed the market when the 7 percent had a home and the 15 percent did not de-

stroy the market when it did not have a home escapes any rationale that I can follow.

The same was true in corn. I won't go all the way through that with you. There is a table, table 6, which shows the same thing exactly. And for the first time in years, because of the extremely heavy production of corn, basically because of noncompliance in four States, Illinois, Indiana, Ohio, Michigan, relatively good compliance in Iowa—and these people were being told by their farm leaders in these four States—watch what Iowa does. If they should get a big signup in Iowa, then stay out of the program, because you are going to have a good price.

Well, they stayed out of the program and they had the biggest production, biggest crop they had in all history, but it had no home. There was 125 million bushels of wheat sitting within one day's journey of Chicago this last fall for 4 months that had no home.

Now, this had some effect on the market price. Every trader in Chicago knew that wheat was out there. And there are millions of bushels of corn that have been out there as yet uncounted. As it shows in this one table, it was a tremendous amount, 2,533 million bushels of corn, produced by the noncompliers in these States that are listed here.

Now, does this have any effect on the market? Of course, it does, when it has no other place to go. It had to have an adverse effect.

I think the simple answer to it is that if there is any responsibility for breaking the market this last year, it was not on the Secretary of Agriculture but upon those who urged noncompliance and stayed out of compliance with these programs.

They broke their own market and now they are screaming their heads off about the results they got.

Under this two-price system, under this voluntary program, we do have a free market. We have a free market and a supported market. They took the choice of the free market, and they got the lousy prices that they had been asking for. I haven't much sympathy for those people that gambled and lost, and this is all they did. They simply gambled and lost.

The cotton program is condemned because they did not lower the prices to the consumers, but increased the mill margins. It takes a bit of the stretch of the imagination to believe that this can be chargeable to the farm program.

I know what the intention of the Congress was. I remember the discussion before the committee. I remember your own sharp questioning, Mr. Chairman, Mr. Talmadge's questioning, and what was intended in the cotton bill. It didn't return to the farmers as much as we hoped for.

The CHAIRMAN. No.

Mr. GRAHAM. And it did go to the mills. But I don't think this is necessarily the fault of the program. Perhaps we should change this program to see that some of this does go to them. But, on the other hand, the mills were in trouble, too, as the textiles mills have been trying to tell you for several days now.

So this is a matter of judgment as to where the value is on that.

The final irony is the nonsense that is propounded concerning the international commodity agreements. The opposition states that this would limit our ability to expand exports, when it is a matter of fact

that our exports in wheat have expanded phenomenally while we were under international wheat agreement.

This is a matter of record. There doesn't have to be any proof, except just look at the record.

The International Grains Agreement does not divide up the world market on the basis of past history. It simply sets minimums under which the markets will not be allowed to fall. It is charged that this would restrict export opportunities for U.S. wheat farmers.

Why should it restrict export opportunities for U.S. wheat farmers and not for the Canadians and Australians, and in any other country that is exporting wheat. They are all under the Exporting Agreement.

The question which obviously comes to mind is how it would restrict these exports and where the restrictions would be felt. Their assumptions about what the United States would "apparently" be required to do are pure assumptions.

They speak glibly of a goal to expand the exports of agricultural commodities to $10 billion per year. This is a laudable goal and one in which we all share.

And, incidentally, if exports keep expanding at the present rate, they will be at $10 billion by another 6 or 7 years.

However, what we would like to know is exactly how they expect to expand this export market. There are Pacific trading partners of the United States who buy for cash and who are buying to the maximum of their needs for the present time.

These include Japan, Korea, and Taiwan. They also are buying considerably more from the United States than they are required to buy, except in terms of maintaining a trade ratio that has some kind of balance in it. Without an International Grains Agreement, they could buy any amount of wheat they wanted from almost any exporting country in the world at almost any price they desired, and there is nothing to indicate that they would continue to buy all of it from the United States or a major portion as they are doing at the present time.

Incidentally, the Canadian wheat exporting sales group has been in Japan steadily for the last 8 months trying to get into the markets that we have there at the present time. They have wheat to export. Japan doesn't have to buy our wheat. They are doing it because they are selling us an awful lot of products and they know it is a two-way street.

Now, when we turn to our European trading partners, the United Kingdom has already retreated behind its own agricultural subsidies designed to stimulate production in their own country of grains, and they have increased this to some extent.

This was because of their balance of payments program. They also have certain ties to the Commonwealth which are exceedingly difficult to break into for market development. We have managed to do this to some extent and to convince the British that our hard red wheat which is grown on the high plains is the equivalent of the Manitoba red. However, there is no indication that this is an inexhaustible market.

The real crux of the matter is in the Common Market. The A.F.B.F. has been held out before American farmers and the American public that if we further reduced our prices for grain and agricultural products, that we could, by "holding their feet to the fire," force these countries to open up their markets to American agricultural products.

Apparently, these folk have never heard of variable levies. Under this system, which is a part of the agricultural policy of the European economic community, target prices for these commodities are set at a level to maintain production and to give a reasonable return to the farmers in the community. If an exporter puts his products on the market in these countries, the diffierence between the price at the port and the target price is collected by means of a variable levy. The lower the price for the product at the port, the higher the variable levy. There is no way in which the reduction of price and the competitive market can increase the purchasers of agricultural commodities in the European Economic Community—none, no way.

I want to state that just as flatly as we can.

Now, where then can we expand these markets? There are only two other places. One is in the Communist bloc where we would have to grant them the normal trading credits which are being granted by our trading partners around the world, especially the Canadians. U.S. exports of wheat and feed grains are restricted by law. The second is to try to sell this to the developing countries. This last is a fallacy, as you know, Mr. Chairman, because it equates hunger with market demand. This, obviously, is so absurd that it needs no explanation.

We can give away—you know this; I know this—we can give away a lot of stuff. This is not a trick. But Public Law 480 is only a marginal market at best, only a marginal market at marginal prices. And when we give it away, this is not even a market.

The U.S. Government is our market, not Indian, nor will India be a cash market for U.S. grain in any appreciable quantities, in our judgment, for many years to come. And this is true of most of the developing countries for the simple reason they don't have the cash to buy, nor do they have any basis on which we can grant long-term credit.

Now, these sales are not market sales. They are entirely different. But then, where are we going to expand these kinds of sales? We can expand them by the increased ultilization of feedgrains in the Western Pacific and in the European Common Market.

This is the one real chance we have of expansion, increased expansion, of soybeans where the concentrate is needed to balance out the feedgrains. But this is going to be an extremely difficult job to push at levels much higher than we have at the present time.

I want to respond just a minute on the first five reasons that the Bureau gave for opposing this bill, and every one of them has the word "Government" in it as a key part of the argument. By using the technique of the "big lie", they have made "Government" a naughty word. To this I must raise my voice in dissent.

In the use of a supply-management program such as is used in cotton, tobacco, and peanuts, where the decision to limit their production to the effective demands of the market is made by a free people exercising their franchise in an open referendum a government program, or is it the exercise of the privileges of democracy within our democratic system. These obviously should be called "producer programs." The only function the Government has in these is to help the producers carry out their legitimate objectives to bring supply into some kind of a reasonable relationship with effective demand.

May I dwell a little more on that one, because I feel very deeply on this.

This reference to political decisions, I think, casts aspersions on our system of government that is unnecessary and unwarranted. I know the people in this Congress are politicians—thank God, they are—a politician in the proper use of the term is—if you go back to the days of Aristotle and Plato—the highest designation in this concept of democracy. A politician is responsive and sensitive to the needs and the wishes of his people. This is the way decisions should be made, and I am thoroughly convinced if I have learned anything in 5 years before this Congress, before this committee and the other body, and working among the members of the two, and the executive department, it is that there is, I would bet, as great integrity in this group and the group across in the other body of the Capitol and the general field of administration of government programs, as there is any comparable group of people in the United States, and I would include the ministry in that one.

I just resent this continual impugning of politicians. And I resent it because it scares me. Scares me because we know the liberal left is attacking us and the radical right—continually attacks us. If we have nobody in the center that can defend this Government, and if we continue to try to destroy the confidence of people in government and in government functions, then on what does our democracy stand?

And this frightens me terribly. Some of the people that stand in the so-called middle of the road complain about government every time they open their mouths, then turn around and wonder why their children have no respect for law and order, which is based on government. And I just resent this. I am sorry that I have imposed this on you, but I do feel that way about it.

The CHAIRMAN. That's all right. No harm done.

Mr. GRAHAM. Now, we are convinced, Mr. Chairman, that, first of all, the 1965 act should be continued, and we would prefer that it be etxended by simply taking off the termination dates.

The CHAIRMAN. You mean, make it indefinite?

Mr. GRAHAM. Well, there is nothing permanent. But what we have got now is permanent legislation, to which nobody wants to go back. There is nobody who wants to go back to the provisions of the 1937 act, the provisions of the 1962 act, in terms of these basic commodities.

Now, these are our alternatives. We would prefer to make this as a continuing program that would be amended, and should be amended, so that we don't have this sword of Damocles hanging over our head by a single silken cord all the time.

The CHAIRMAN. Well, it is my belief that giving Congress occasion to review this law every now and then is a very healthy proposal.

Now, as you know—I don't know whether you remember this or not, but it took this committee 7 years to change the wheat program where we had a minimum of 55 million acres.

Mr. GRAHAM. Yes, I know. I remember that.

The CHAIRMAN. Sure.

Mr. GRAHAM. There was tremendous opposition from everywhere and unreasonable opposition.

The CHAIRMAN. If this had been renewed, I mean if that program had been required to be renewed every now and then, why, I think we could have probably changed it in a very short period of time. But the fact that it was in there, the fact that we had to go through the normal

processes of enacting a new law and striking this out is what caused us to take this long time to change it.

Mr. GRAHAM. We are aware of this one. This is the one valid argument for it.

The CHAIRMAN. I would be willing, after a few more years of trial, to probably make it permanent.

Mr. GRAHAM. Well, our point that we are trying to make is this: It was eventually changed. There could be specific times set up in the legislation whereby all of these would be subject to review, all provisions, but to leave us with the alternatives that we have, just makes no sense in today's world, because we have already proven that they are undesirable or we wouldn't have passed this new legislation.

And what we are trying to get away from is the reversion back to the other legislation.

And then the other specific one is, I lived through the 1965 bill. You did, too. I don't know how we did, but we did. But it is so much to come out at one time. If we could take these commodity-by-commodity, year-by-year, and spend the time necessary on them, one-by-one, I think we would have better legislation. It gives you gentlemen a better chance to deal objectively and thoughtfully, and with due consideration to all these problems.

This is basically our thinking. We would prefer doing that. And then we would certainly prefer that the committee take up the problems that are most obvious from the testimony that comes before the committee this year, and take them one by one in terms of their priority and their importance and their impact on the programs and deal with them with consideration, with time and with the judgment that you gentlemen can have, and you do have when you have time to work at it. But when they jam it all at you at once, then, in our judgment, this does not lend itself to the best type of legislation we can get. It might be acceptable, but not the best.

COMMODITY RESERVE

Now, we have some suggestions on the way that it could be improved. We believed back in 1964 and 1965 that some of the stocks that we had at that time should have been set aside, isolated from the market as some kind of a security reserve. And I think the 1967 experience indicates that we weren't as far wrong as we might have been, because it was the lack of carryover, especially in wheat, that caused us to go far in the acreage allotment increase.

Now, if we would have had some carryover there, 300 or 400 million bushels, instead of a projected carryover of about 135 million bushels, which was the disaster level, we would have been better off. If we didn't pay any attention to the world hunger needs, 135 million is cutting it pretty close for a nation of this size, then we could have cut this allotment closer, and we wouldn't have had the jam we got into in 1967.

Now, we think this ought to have many uses. We don't believe it ought to be simply for world relief. Some of it should be certainly for the national security. And we think it ought to be held for times of great emergency, and on a continuing basis. But we think it ought to be in there.

COTTON

There are some changes in the cotton program that the people who are experts on cotton are going to have to say more about than we will.

We know that one of them the House is considering at the present time has to do with the support level for staple cotton. It is not in this bill. The alternative to a tight control program but the possibility of limitation of payments and the freezing of this program with the policy of expanding acreage for export without any subsidies whatsoever being involved, and bringing this program into relationship with wheat and feed grain programs is something I think the committee could well consider.

I think there is going to be some additional testimony on that, and we may wish to add a little to this, more specifically. But we are simply saying this is a problem that we are aware of, and that we think from our information some cotton producers are aware of, too, and they are asking for some of this kind of relaxation.

GENERAL

The CAP program, we believe, should be continued. We have 6.5 million acres of land in the old commodity reserve coming out this year; 4.5 is to come out this year and about 2.5 million acres of that probably will be returned to the basic crops with which we are largely concerned.

Now, the information that we have—and I think it is accurate—is that there is a much greater demand for this kind of program than probably for any other one, and ASCS tells us they get more letters in complaint that their authorization for this program ran out than any single subject that comes up before them.

There are people who have had their lands in these CAP programs for 10 years, and some of them almost 15 years now, who are past the age where they want to go back into production. They don't want to make the investment for machinery or anything else. And they are too old to do it. And this program works to their benefit, and, I think, in terms of the long-term benefit.

The best figures we have is the surplus capacity for production in the United States is from 50 to 70 million acreas for the foreseeable future. These figures came from the Center for Advanced Study that the University of Iowa operates. They fed about all the information that comes from all over the world into that computer in terms of getting these figures. And Dr. Heady insists that his figures are at the minimum of 50 million acres, and 70 million acres is a more realistic figure.

I argued with him for about a year on that. He finally convinced me I didn't know what I was talking about and he did. And I think he does.

DAIRY

Two two-price theory program has a flaw in it that we would like to see changed, and that is the requirement under the present law that all the new production must go and all increase in sales must go to new producers.

Now, this just doesn't stand up against the need for dairy promotion, because the promotion is done by the producers that are in business now. But they can't benefit any from the promotion of sales under this present legislation.

Now, one basic reason for doing something this year, maybe we can't do anything else, is that we think this particular part of the bill at least should be extended at the present time because the New York market, which is the most influential market in the Nation, handling 10 percent of all the milk in the Nation, is right now engaging in an educational program concerning this same kind of base surplusing program which was first approved in the Senate in 1964, and made a part of the act in 1965.

This is a result of a long study by a very distinguished and able committee. But if they would get ready this fall for a market order hearing on applying this to their market order, they would come up with a two-price program that does have the possibility of then being ended at the end of next year. And this has some hope of bringing some stability to a market that badly needs some stability.

And without this being extended for more than the end of 1968, my doubts are that they will do anything with it.

The CHAIRMAN. Well, there is the only one that took advantage of it.

Mr. GRAHAM. There are only three orders that really needed it: Puget Sound, to some extent. Chicago, but the New York order was really the one that needed it the most.

There are other places where it could be used, but these were the orders that were real critical.

FARM BARGAINING

The one item that I didn't get into this testimony, Mr. Chairman, not because I didn't want to, was in terms of bargaining. I left it out because last night about 11:00 o'clock I finally quit in the preparation of this testimony. But we are not satisfied with S. 109 as it was adopted. We think it was a start but a very tenuous step. The elimination of the penalties and a number of other things about it, make it a bit inocuous, and in some ways it may have some factors in it that we are trying to get staffed out now by some of our lawyers and other farm lawyers in other organizations, which may be damaging to farm organizations.

But we are in favor of the second section of the Mondale bill. We think that we ought to get into this as quickly as possible. It is not a priority item in terms of the extension of the 1965 act, but it comes pretty close behind. Our priority would be the extension of the act, the reserve, and additional bargaining authority.

And Mr. Obrecht, who is here with me, is particularly interested in this, and I knew he was coming, and I wanted him to get a chance to testify on this particular part of the farm program without me trying to steal his thunder in advance.

The CHAIRMAN. Well, I am very hopeful that we can get sufficient testimony on that bill to probably take action on it. And I will suggest to Senator Mondale and others interested in that, if they desire action, that they go into it a little deeper.

I suggested to Mr. Freeman that it might be best to put the Mondale

bill with the renewal of the 1965 act. You would get a better chance of enactment.

Mr. GRAHAM. This is what we prefer doing.

The CHAIRMAN. I am sure of that.

Mr. GRAHAM. For the reason that you said. The same thing with the strategic reserve. Let the Congress work its will.

The CHAIRMAN. Well, as to the strategic reserve, we part company a little bit on that.

Mr. GRAHAM. I know we do, sir. I am not in opposition to you and some of the things you are particularly concerned about.

You know, as I said, this was not to be just a handout program for the rest of the world. I think it does have some value there, but I think it primarily has a value in our own programing here.

And at that point, I don't think we are necessarily parting company.

The last thing I want to say to you, Mr. Chairman, before Mr. Obrecht makes his statement, is that we do have some concern that those of you who have served this committee with such distinction over so many years will be here to help you write this kind legislation when it needs to be rewritten.

We value your chairmanship. There are others here that have served us a long time with great distinction, great friends of agriculture, have proven it through the years and we value your advice and judgment—it has been good in the past and you have been good for agriculture, and we don't want to lose this experience and the wisdom you have acquired before we get this bill perfected in better shape than it is at the present time.

The CHAIRMAN. Well, I am very hopeful of handling it, no matter what happens.

Mr. GRAHAM. I am hopeful you can.

(Whereupon, there was a short discussion off the record.)

The CHAIRMAN. Well, we are going to go over all of this testimony and——

Mr. GRAHAM. I should like to submit in addition a couple of additional things to this, with your permission.

The CHAIRMAN. Yes. And what I would like for you to do is suggest some changes in that—be specific and try to give us some language so that we can study it.

Mr. GRAHAM. I will do that just as quickly as I can. We will specify language in specific parts of the act. The fact of the matter is our counsel is working at this present time on this.

The CHAIRMAN. Fine. That will be a great help.

(The prepared statement of Mr. Graham and his supplemental statement are as follows:)

Mr. Chairman, and members of the Committee, I am Harry L. Graham, Legislative Representative of the National Grange.

The Grange is privileged to again come before this distinguished Committee which has in the past heard with compassion the pleas of farmers for a more adequate return for their products in the market place and for a more equitable income as compared to the rest of our economy. As you have worked your will with your considered judgment in the years since I have been coming before you, the answers which you have provided for the problems of America deserve our gratitude and thanks, rather than the carping criticism of those who would destroy existing agricultural programs in order to provide the fertile ground of

economic chaos for the building of a private organization to which all men in America should become obligated without any recourse to a Congress or to law.

"We came not to bury the farm program but to praise it." We came to thank you for what you have wrought and to try to prove to you that you have wrought well. The Agricultural Act of 1965 was not perfect legislation, if indeed there has ever been perfect legislation. But, it was solid and sound and productive legislation which can be perfected if the Congress will take the time and expend the effort to do so just as was done in 1965 and in previous years. Let me list the accomplishments of this legislation.

First, it halted and reversed the downward trend in farm prices and farm income for those commodities which are under support programs. It used government money as a part of the income, but it was money which had been well earned by the American farmers who have contributed, not only to the stability of the cost of living in terms of a practically static wholesale price index for farm products, thereby saving consumers millions of dollars in extra food costs, but it also has made the greatest contribution of any segment of our economy to the solution of the extremely critical problem of foreign exchange and balance of payments.

For the last two years, agriculture has earned twice as much in terms of net cash or gold earnings as that earned by any other American industry, despite the fact that we are also, as a Nation, the largest importer of agricultural products in the world, most of them being complementary in nature. American agricultural net earnings have been about $2.5 billion annually and the aircraft industry, our largest industrial exporter, earned less than half of that. This tremendous earning of dollars through American agricultural exports was made possible by the technologically advanced production of the American farmers which made them competitive in the world markets, and the change in the legislation which enabled us to put our products on the market at the world market price instead of storing them in warehouses from which they could not be moved under the preceding legislation.

If we have not earned the gratitude of the American people because of our contribution to the highest standard of living which has ever been enjoyed by any people in the history and at the least amount of cost in terms of hours for their food in the history of the world, they we should have at least earned their gratitude for the contribution that we have made to the economic welfare of the United States.

Therefore, Mr. Chairman and members of the Committee, The Grange comes before you without any apology for farmers for what they have received from the Government when the prices of agricultural commodities in the market place were not adequate for the financial requirements of the producers of America's food and fibre.

We have heard a great deal about the losses under the Commodity Credit Corporation program since 1961. We would refer you to table 4 of this report which shows the difference between CCC losses and income for farmers. You will note that in 1960, the CCC loss was $1,884.5 million. In 1961 it increased to $2,081.8 million, but payments to farmers increased by $1,500 million. In 1966, CCC stated losses were $2,984.9 million but payments to farmers were $3,300 million; in other words, the CCC had a *net earning* in that year had it not been for the farm payments.

The difference in terms of farm income between this and previous programs is simply that the farmers get the money. We believe this was the intention of this Congress and the members of this Committee who were presiding at that time and we believe that their intentions have been fulfilled in the record of this program.

Second, a major accomplishment of this program has been the reduction in the stocks that were carried by the Commodity Credit Corporation. This is a matter of record and one which has been wrongly lambasted by those who had no desire to see an improved farm program, but rather desired to destroy what we had.

We would point out that this was not "dumping" as has been so frequently charged. The sale of these stocks was not only authorized by the Agricultural Act of 1956, Section 201(a), but it was mandated by that legislation, and that is the legislation under which the Commodity Credit Corporation operates.

The language states:

"The Commodity Credit Corporation shall, as rapidly as possible consistent with its existing authority, the operation of the price support program, and orderly liquidation, dispose of all stocks of agricultural commodities held by it."—U.S. Code; Title 7, section 1851(a)."

If the Secretary has been guilty of a violation of the intent and purpose of the law, it is in his failure to completely liquidate the stocks which he holds at the present time. In the case of wheat, the unrestricted sale of wheat has been stopped for well over a year. Before that, the release and resale prices were increased from the legal minimum of 105 percent of the loan value plus carrying charges to 108 percent, and then to 115 percent. No stocks were sold at any time under the minimums prescribed by the law, nor were any sold under the minimums prescribed by the Secretary which were in excess of those required by the law.

By limiting our production and by expanding our exports, this miracle of reducing the supplies at the most rapid rate in history while increasing the prices at the same time has been an economic miracle.

Third, these programs have improved farm income, both net and gross. If you will look at table 3, you will note that gross farm income in 1952 was $32.5 billion. During the succeeding years, it dropped in 1955 to $29.5 billion and had increased by the end of 1960 to $34 billion. The net increase during this period was only $1.5 billion. From 1961 through 1966, it increased to $43.2 billion—up $9.2 billion, and last year's gross of $42.5 billion was down only $700 million and still at an all time high with the exception of 1966.

This was despite the fact that expenses (which from 1952 to 1960 had increased only from $22.6 billion to $26.2 billion, or $3.6 billion total increase) increased from the 1960 level in the next seven years by $8.2 billion to an all time high of $34.4 billion, due to factors over which agriculture and the farm programs have no control.

The interesting result is shown in the comparison of net farm income figures during these two periods; one under the old program and the other under the new. In 1952, the net income was $15.1 billion, largely because of the effect of the Korean War. During the next five years, net farm income dropped by $3.8 billion and had improved from this low by only $700 million in 1960 to a level of $12 billion. By 1966, net farm income had increased by $4.2 billion to $16.2 billion, and in 1967 had receded to $14.9 billion which is still tied for the second highest net income since 1952.

The reference to a reduction in the parity level of farm prices is a major point to those who oppose the programs. Table 3 again shows an interesting comparison. (1957–1959=100—adjusted to include payments.)

First, it should be noted that market prices have reached parity only twice since 1914—both times during a period of all out war.

Second, it should be noted that the last time prices were at a parity level was in 1952—during the height of the Korean War.

Next it should be noted that the parity index declined by 21 points during the next eight years while an attempt was made to move towards a "market economy," whatever that is.

It should also be noted that the parity level increased by 4 points in 1966, which was while we were under the provisions of the 1965 Act, and that the present level is only 2 points down from 1960. Two points in seven years, against 21 points in eight years, is not a bad comparison—from our standpoint.

Lastly, it should be noted that the termination of this legislation would automatically reduce the parity level to the market price level—an automatic loss at this time of 5 points with a projected decrease to a far lower level.

Now how was this miracle accomplished despite this tremendous increase in cost? Very simply, it was because of increases in farm output. The index for 1952 showed an output of 68; by 1960 it had increased to 115—an increase of 42 points. During the next seven years, it increased by 52 points.

The net result was that a 79 parity index in 1967 was not an economic disaster for farmers as much as is indicated by some of the adverse testimony to this legislation, and this is true because income depends upon volume multiplied by price. The increased productivity of the American farmers still, with the lowest parity indices which they had had in many years, resulted in only a minor decrease in gross farm income.

Let's look at another column in this table, the one concerning net income per farm family. During the period from the time of our entry into World War II, which was a time of relatively high prosperity, per farm family income increased from $1,588 in 1942 to $2,896 in 1952, an increase of $1,308. During the next eight years, despite a loss of population of 6.1 million people from the farms, the per family income increased only to $3,043, or $147, having reached a low in 1957, of $2,590, or a loss of $300 per family per year.

During the next seven years, per family net income increased to a high in 1966 of $4,988, an increase of $1,945, and the $4,705 average per family income in 1967 is still $1,662 higher than it was in 1960.

A point was made about the part that the population decline played in this increase during the last seven years, and especially since 1965. We would point out to the Committee that if they again will examine table 3 they will find a steady decline in population with very little change in the rate of decline from 1934 through 1967. In other words, a decline in population has not been a significant factor during the last few years; and if it is a significant factor, then it means that the program in the previous eight years was more of a failure than is indicated by the statistics which are available.

Another way of indicating that this program has not been a complete failure, despite the criticism of the increase in farm debt, is to measure the proprietors' equity. In 1952 it stood at $152.3 billion, it lost $5 billion in the next five years, and had risen to $178.6 billion for a net increase of $26.3 billion in eight years. Despite reduction in gross and net farm income in 1967, proprietors' equities had increased in seven years by $45.4 billion, with an increase of $9.7 billion last year alone.

Fourth, the parity ratio for supported commodities is much more favorable than for the unsupported commodities contrary to the testimony that has been offered by opponents to this legislation which is, "Although the average parity ratio for all commodities is the lowest it has been on an annual basis since the depression, the picture is even more dismal for the commodities that are subject to price support payments under the Act of 1965." (Farm Bureau testimony before the House Committee on Agriculture, March 19, 1960.) Let's now examine table 5 with the adjustments in the parity price that are the result of the government payments, which after all are part of the picture.

Wheat is at 75, corn at 79, grain sorghum at 82, cotton at 83, wool at 77, soybeans at 92, milk at 84 percent of parity—up again due to the action of two weeks ago. Tobacco is from 75 to 84 percent of parity, depending on type and grade. These average out at 82 percent of parity.

Now let's look at these commodities not under price support. Potatoes are 58 percent of parity, oranges at 61 percent, beef cattle at 75, live chickens at 64, eggs at 62 and live turkeys at 59.

When we look at vegetables, we see that the prices for hundredweight are broccoli during the past year dropped by 70 cents per hundredweight, cabbage has dropped by $1.00 per hundredweight, carrots are up dramatically, cauliflower is down, green pepper is down by $3.40, onions down by $1.00 or $1.65, sweet corn down by $1.40.

This is despite the fact of massive expenditures for indirect supports. Let's take the average now of potatoes, 58; oranges, 61; chickens, 64; eggs, 62; beef, 75; hogs, 73; turkeys, 59; sheep, 76; for an average of 67 percent of parity which is 16 percent under the average of the supported crops. It has been charged that "the fact is that feed grain and wheat stocks have been reduced by *market growth*—not by production control under government supply management programs." It was pointed out that corn production averaged 3.76 million bushels more, despite 10.3 million acres less acreage planted. What was not pointed out was that, if we had had 75 percent of the average yield on those acres which were held out of production, the production would have averaged 896 million bushels more instead of 376 million bushels more, or an additional 520 million bushels per year.

In the case of wheat, with 80 percent average yield for the 2 million acres held out of production, we would have had a total production of 90 million bushels more instead of 52 million bushels more.

It seems obvious that, in light of what everybody knows about the increase in productivity of the American farmer, the programs have been the only salvation to a situation which would have meant industry-wide chaos in the market place without the programs.

These programs are particularly necessary and imperative for those crops that go into foreign trade and for those which have had a dramatic increase in productivity. In 1964, the production index for corn stood at 97 and by 1967 had increased to 124, an increase of 26 percent. Food grains during the same period increased from 114 to 134, oil crops from 128 to 171.

It was interesting to note that there was reference given to stocks that had been reduced by market growth, that no recognition is given to the fact that the change in the support level of cotton and the changes in the support levels of wheat and feed grains, included in the 1965 Act, were absolutely imperative

before there could be any market growth. Previous legislation had simply priced American agricultural products out of the world markets. We, therefore, thank our opponents for their backhanded and unintended compliment to the workings of the program.

To charge the whole cost of the programs for cotton, wheat, and feed grains to a reduction of production and the reduction of carryover is to follow a concept that is far too narrow. These programs were two-edged, one to reduce the rapid increase in production and to reduce the overly glutted stores of these support commodities and the other was to improve farm income to the point that farmers could afford to reduce their reduction to stabilize the market while being able at the same time to meet their financial commitments that had come from their attempts to increase their efficiency by increasing their capitalization. Without this kind of a program, farmers would have been forced to produce more and more for less and less in order to meet their capital costs until, theoretically at least, those who oppose the programs would lead us to conclude that if you produce at this accelerated rate for a declining price long enough until you produce all of it for nothing then the economy will be stabilized and agriculture will be in its proper relationship to the rest of the economy.

The opposition notes, and correctly, "low grain prices also lead to over-production and low prices in the livestock, dairy, and poultry industries." We couldn't agree more. However, it seems to us to be inconsistent to be making this statement and then to urge that we destroy the structure which keeps prices at a stable and constant level for those who are engaged in the livestock, dairy, and poultry industries. What prosperity there is in these industries at the present time is due largely to the stability of their feed market over a long period of years.

The greatest threat to the stability of these markets is not in the CCC sales which have been according to the law and above the minimum prices for several years, but it has been presented this last year by the exceedingly high production of corn and feed grains *outside* of the support programs, production which has sold below the support price consistently since October of last year, for the first time in a number of years. This is the direct responsibility of those who urged the farmers to stay out of the programs and to not comply with their provisions with the result that this extremely large corn crop, much of it soft and needing to be fed, was not eligible for any loan programs and had to force its way onto the market.

If this does not lead to drastically lower feed, beef, and pork prices, it is because of the diligent effort of all of the farm organizations and feeder groups to warn their members against this speculative plunging into the market at the present time when there seems to be a slight advantage in terms of feed costs due to this high production by the non-compliers.

In this regard, it is interesting to note another quotation: "It is also well known that non-compliers sought to improve yields but also increased grain acreages in the expectation that reduction by compliers would strengthen markets." The screams of anguish which we have heard from the Midwest during the last few months are because some people heeded some very bad advice from the economic wizards of the Mercantile Mart and attempted to get a personal advantage for their selfishness at the expense of the sacrifice of those who were trying to maintain a stable market for the general welfare. This witness has no sympathy for those who heeded this economic nonsense and got caught in their own trap. Our sympathy goes out to those who made an attempt to create and maintain a stable market and then had it partially destroyed by the pure selfishness and lack of concern for the general welfare on the part of those whose hallmark is their greed. (See table 1 and table 6.)

The cotton program is condemned because they did not lower the prices to the consumers but increased the mill margins. It takes a bit of a stretch of the imagination to believe that this can be chargeable to the farm program. There were many other economic factors involved as anyone who has anything to do with the textile mills can verify.

The most amazing charge that we see is that the decision of the Secretary to increase grain production in 1967 reduced prices, and that the termination of such actions would make possible higher market prices. During 1966 the A.F.B.F. urged the termination of all of these programs which would completely throw the market open to this overproduction and its effect on market prices, and then would lead us to believe that this action would not lower farm prices.

The final irony is the nonsense that is propounded concerning the international commodity agreements. The opposition states that this would limit our ability to

expand exports, when it is a matter of fact that our exports in wheat have expanded phenomenally while we were under international wheat agreement.

The International Grains Agreement does not divide up the world market on the basis of past history, it simply sets minimums under which the markets will not be allowed to fall. It is charged that this would restrict export opportunities for United States wheat farmers. The question which obviously comes to mind is how it would restrict these exports and where the restrictions would be felt. Their assumptions about what the United States would "apparently" be required to do are pure assumptions.

They speak glibly of a goal to expand the exports of agricultural commodities to $10 billion per year. This is a laudable goal and one in which we all share. However, what we would like to know is exactly how they expect to expand this export market. There are Pacific trading partners of the United States who buy for cash and who are buying to the maximum of their needs for the present time. These include Japan, Korea and Taiwan. They also are buying considerably more from the United States than they are required to buy, except in terms of maintaining a trade ratio that has some kind of balance in it. Without an International Grains Agreement, they could buy any amount of wheat they wanted from almost any exporting country in the world at almost any price they desired, and there is nothing to indicate that they would continue to buy all of it from the United States or a major portion as they are doing at the present time.

When we turn to our European trading partners, the Unuited Kingdom has already retreated behind its own agricultural subsidies designed to stimulate production in their own country of grains, and they have increased this to some extent. They also have certain ties to the Commonwealth which are exceedingly difficult to break into for market development. We have managed to do this to some extent and to convince the British that our hard red wheat which is grown on the high plains is the equivalent of the Manitoba red. However, there is no indication that this is an inexhaustible market.

The real crux of the matter is in the Common Market. The A.F.B.F. has been held out before American farmers and the American public that if we further reduced our prices for grain and agricultural products, that we could, by "holding their feet to the fire," force these countries to open up their markets to American agricultural products. Apparently these folk have never heard of variable levies. Under this system, which is a part of the agricultural policy of the European economic community, target prices for these commodities are set at a level to maintain production and to give a reasonable return to the farmers in the community. If an exporter puts his products on the market in these countries, the difference between the price at the port and the target price is collected by means of a variable levy. The lower the price for the product at the port, the higher the variable levy. There is no way in which the reduction of prices and the competitive market can increase the purchasers of agricultural commodities in the European Economic Community.

Where then can we expand these markets? There are only two other places. One is in the Communist Bloc where we would have to grant them the normal trading credits which are being granted by our trading partners around the world, especially the Canadians. United States exports of wheat and feed grains are restricted by law. The second is to try to sell this to the developing countries. This last is a fallacy, because it equates hunger with market demand. This obviously is so absurd that it needs no explanation.

This Committee should give some attention to the reasons for opposing these programs as are stated in the Farm Bureau testimony before the House Committee on Agriculture. Everyone of the five reasons has the world "government" in it as a key part of their argument. By using the technique of the "big lie," they have made "government" a naughty word. To this I must raise my voice in dissent. Is the use of a supply management program such as is used in cotton, tobacco, and peanuts, where the decision to limit their production to the effective demands of the market is made by a free people exercising their franchise in an open referendum a government program, or is it the exercise of the privileges of democracy within our democratic system. These obviously should be called "producer programs." The only function the government has in these is to help the producers carry out their legitimate objectives to bring supply into some kind of a reasonable relationship with effective demand.

Mr. Chairman, and members of the Committee, I hope we have made our point that this program is not as bad as it has been painted, nor are the alternatives as good as they have been described. The alternatives to the continuation of this

1965 Act are even more discouraging than what we see when we look at the nonsupported crops and their price levels.

The first alternative is that we will revert to past legislation which has long since proven to be inadequate. Had they been adequate for their times, and for the present, the legislation which we are considering today would not even be on the book. The Grange is not going to be a party to turning back the clock to the Eighteenth Century in terms of farm programs, nor do we think this Committee will be. The problems of agriculture remain critical in some areas, and extremely serious in most, and these problems are not going to be solved by the blind faith in which we might have in a super-savior in the form of "the market."

Some of us remember when we did have no place to turn for relief but to "the market." We have a very vivid recollection of the period from 1918 to 1932 when there were no regulations of any kind and only a very minor kind of assistance in the inadequate amount of $500 million for the old Food Bank in the late 20's, and that which was thrown around agriculture in a protective tariff which, in turn, brought our international trade to a standstill.

Government assistance is badly needed in a number of areas and must be continued. Even with this assistance, and with other which we are prepared to request of the Committee, the plight of agriculture in relationship to the rest the economy is indeed serious and desperate.

We would like to attach at the end of this testimony a brief of the alternatives to the present program and what would happen if the present programs were not continued. The Grange is firmly convinced that the Agricultural Act of 1965 should be continued and that it should be done this year. We would recommend to the Committee that this can be done very simply by removing the termination date from the Act. This has a number of advantages, including the relative simplicity of this suggestion and the added advantage of making this the basic legislation which then would be amended at the will of the Congress rather than returning us back to legislation for which there is no support.

Agriculture today represents investments by individuals of staggering amounts of money. It requires the maximum of skill and management to be as well as help to be profitable. A part of this skill is in the field of crop rotation and production planning, and a part of it is in servicing the debt. These debts have to be assumed even on production loans and machinery loans for several years. At the time they are contracted, it is absolutely essential that the banker know the production plans and schedules and the possibilities of earnings of these farmers.

Agricultural credit and agricultural production plans are not something that can be turned on and off like a spigot. The ramifications of this are enormous and the financial risk is incalculable. Therefore, this modern and technologically advanced and highly mechanized agriculture, depending upon capital to replace nonavailable or extremely expensive labor, needs the assurance of a continuing program that has some stability to it, rather than the threat of the termination of these programs every one or two or four years, as the case may be.

The Grange would be the first to admit to this Committee that this legislation needs some perfecting and does need the considered judgment of this distinguished Committee to be applied to some of the problems that still remain. We would mention only a few of them. One of them is in terms of a matter before the Committee at the present time which is called either the strategic reserve or the security reserve. We testified in favor of that in 1965. We have mentioned it in testimony since that time. We believe that it was failure to have this included which caused the second increase in wheat acreage in 1966 which proved to be an unwise procedure as we look in retrospect. Had there been some provision in the law whereby the Secretary would have been able to set aside some of the CCC stocks for a security reserve of some kind, and not only for foreign aid but also for the security of the United States in time of great trouble, then we would not have had to play it quite so fast and loose with our acreage allotments as we were impelled to do about two years ago. The prospect of a starving world is just not one which we are willing to accept on any kind of a moral basis.

If we had some kind of a reserve which we knew was available and yet was not readily available for the market so as to depress market prices, then it would be possible to keep these acreage allotments considerably closer to projected needs without having to have a safety factor of surplus production built into the allotments year by year. This is legislation which would have the first priority if this basic bill can be extended.

Although The Grange is not basically in cotton territory, we are aware that there are some problems in the cotton industry. One of them is being considered by the House at the present time which has to do with the support level for long-staple cotton. Another is concerned with alternatives to a tight control program with the possibility of limitation of payments and the freeing-up of this program with the possibility of expanding acreage for export, without any subsidies whatsoever being involved, and bringing this program into relationship with the wheat and feed grains programs.

We are not prepared to offer any testimony on this last item at this point, but we would express the desire that if the Committee proceeds that far this year, we should like to be heard again briefly on this subject.

The cropland adjustment program should be continued at the present time. We have 6.5 million acres of land in the old Commodity Reserve, of which 4.5 acres is to come out this year and about 2.5 million acres of that would probably be returned to the basic crops with which we have been largely concerned. The demand for this kind of farm program has been greater than our resources and our progam commitments could care for. The projected increase in future years in all crop yields in the United States, as well as around the world, still indicates that we will have a surplus capacity for production of from 50 to 70 million acres for the foreseeable future. Some of this should be retired in terms of short-term diversion programs, but some of it should be retired in terms of longer-term commitments which probably are cheaper in the long pull than the shorter-term diversion programs.

We are also concerned at the present time with one provision in the two-price dairy program and with the extension of this program. The Puget Sound Order has been using the program now for over a year, and it is beginning to bring their supply into balance with demand and improve the market situation in that great Order.

At the present time, the New York-New Jersey milkshed, the giant Federal Milk Marketing Order No. 2, which handles 10 percent of all the milk produced in the United States, is engaged in an educational program concerning this same kind of a base-surplus pricing program which was first approved by the Senate in 1964 and then made a part of the Agricultural Act of 1965. This great market is in difficulty and has been for a number of years, and they should be permitted to use the program which has proved effective in the state markets and in the one federal market which has already adopted it. However, it is rather unreasonable to expect them to make a major amendment to their marketing order this year which could be in effect for possibly only one year.

The wool program has been in the nature of permanent legislation, and it is covered in the 1965 Act because there were some changes made at that time, but this also would terminate and it should not. It should be made a part of permanent legislation and made amenable to the will of succeeding congresses to adjust it as they will have the opportunity to adjust and modify any of the other legislation contained in this basic bill.

Our convention has raised questions of more minor nature, some of them being almost in the nature of housekeeping which we would suggest to the Committee if and when it is prepared to seriously consider what changes it would make in this basic legislation. One of them is in the dairy section of the 1965 Act which requires that all increases in sales be allocated to new producers. The Grange is not unwilling to allocate some of this production to new producers, but it is unrealistic to expect dairy farmers to expand their efforts in milk promotion on the basis of either a checkoff of the promotional amounts from the milk check or a voluntary contribution to the promotional efforts when these same dairymen can have no share in the increase in the market which results from their efforts. We think a system of sharing in this market growth is considerably more equitable for all concerned.

We would point out to the Committee that the dairy industry has shown a marked improvement during the past year and is in less trouble than it has been at any time in my memory. There still are some minor problems in terms of imports, but the major decision to roll imports back to the 1966 level which the President made last year and eliminated the biggest share of these problems and the rest of them could also be cared for in terms of administrative decisions rather than an attempt to legislate control of all of our foreign trade.

However, on balance, The Grange is satisfied with the basic provisions of this legislation and feels that by and large the major problems remaining are administrative and housekeeping problems rather than substantive changes in the basic legislation itself. Therefore, Mr. Chairman, and members of the Committee, The

Grange does respectfully and earnestly urge very serious consideration of our proposal to simply eliminate the termination date in the 1965 Act, allow it to continue until it is the will of the Congress to change any of the conditions of the bill, let us have time then, whether in this Congress or the next, to deal in depth with the substantive issues which do remain in the bill, and avoid once and for all the kind of a crash program and frenzied atmosphere that attended the preparation of and the passage of this Act in 1965.

This will give us an orderly and reasonable agricultural situation and opportunities to perfect the legislation which we need and which are not going to be available to us when every one or two or four years we have got to spend most of our time deciding whether or not the legislation itself should be continued. We believe that this would also be better for the Congress in that we did not have to bring farm legislation up repeatedly for votes in an increasingly urban-minded legislative situation, no more than we bring up the Wagner Act for periodic renewal in terms of labor legislation.

Such a process would not make this legislation permanent, because there is no such thing as permanent legislation. The 1937 Act is the permanent legislation, but in terms of the commodity programs which are included in the 1965 Act, it has been amended completely out of recognition. The same thing can happen to the 1965 Act in future years if our experience and changing situations determine that such changes are necessary.

In closing, we wish to again thank this Committee, and especially its distinguished Chairman, for their many years of concern and constructive action in the field of agricultural legislation. We believe that you have lived up to your convictions and the best information which was available to you and that your judgment, at the time, was as good as could be expected and, in some instances, better than we hoped.

Some of you gentlemen have served the cause of agriculture on this Committee with distinction for many years. We would point out that for some of you time is also running out for one reason or another and that the contributions that you are going to make to the United States agriculture, which you have served with devotion and distinction, are going to be made in the relatively near future. The Grange is troubled that the experience and the wisdom that has been gained by these many years of careful attention to the problems of agriculture will not be available to us in the future and, therefore, we are particularly concerned that this present legislation should be given an indefinite continuation at the present time, and that as rapidly as possible the experience and wisdom of this Committee should be brought to bear upon the remaining problems which face American agriculture.

TABLE 1.—WHEAT PRODUCTION ON NONPARTICIPATING FARMS, 1967

State	Acres	Production (bushels)
South:		
Arkansas	607,000	17,299,000
Alabama	82,000	1,968,000
Georgia	75,000	1,950,000
Kentucky	138,000	4,692,000
Louisiana	71,009	1,846,000
Mississippi	431,000	12,930,000
Maryland	90,000	3,510,000
North Carolina	111,000	3,441,000
Tennessee	230,000	6,607,000
Virginia	76,000	2,660,000
Total	1,911,000	56,903,000
Midwest:		
Illinois	922,000	35,958,000
Indiana	624,000	23,088,000
Michigan	411,000	14,796,000
Ohio	533,000	18,122,000
Total	2,490,000	91,964,000
Northeast:		
New York	77,000	3,080,000
Pennsylvania	282,000	10,152,000
Total	359,000	14,232,000
Grand totals	2,510,000	163,099,000

Data source: USDA.

TABLE 2

WHEAT

	CCC sales (million bushels)	Average seasonal price received by farmers	Average price to program participants
1959-60	143.4	$1.76	
1960-61	207.1	1.74	
1961-62	273.6	1.83	
1962-63	207.1	2.04	
1963-64	344.4	1.85	
1964-65	281.8	1.37	$2.03
1965-66	329.1	1.35	1.80
1966-67	221.3	1.63	1.79
1967-68	[1] 14.3	1.41	2.22

CORN

	CCC corn sales (October-September) (million bushels)	Average price	Season average price including price-support payment
1959-60	141.9	$1.09	
1960-61	338.1	1.00	
1961-62	900.7	1.10	
1962-63	720.4	1.12	
1963-64	139.1	1.11	
1964-65	402.8	1.17	$1.26
1965-66	491.4	1.16	1.32
1966-67	19.2	1.24	1.33
1967-68	[2] .3	1.07	1.49

[1] Through Dec. 31, 1967.
[2] Oct. 1, 1967-Feb. 9, 1968.
Source: USDA.

TABLES 1, 2, AND 3.—AGRICULTURAL STATISTICS

Year	1957-59=100		Income (in billions)			Income per family	Owners' equity (billions)	Population (millions)
	Parity index	Output index	Gross	Costs	Net [1]			
1934	80	27	$6.4	$4.7	$2.9	$431		32.3
1940	88	36	8.4	6.9	4.5	706	$42.9	30.5
1941	98	39	11.1	7.8	6.5	1,031	44.6	30.1
1942	109	42	15.6	10.0	9.9	1,588	52.4	28.9
1943	116	42	19.6	11.6	11.7	1,927	63.7	26.2
1944	110	44	20.5	12.3	11.7	1,950	75.7	24.8
1945	111	46	21.9	13.1	12.3	2,063	85.9	24.4
1946	113	49	24.8	14.5	15.1	2,543	95.5	25.4
1947	116	50	29.6	17.0	15.4	2,615	107.9	25.8
1948	111	56	30.2	18.8	17.7	3,044	118.6	24.3
1949	100	57	29.8	18.0	12.8	2,233	123.5	24.2
1950	102	61	28.5	19.4	13.7	2,421	120.1	23.0
1951	108	62	32.9	22.3	16.0	2,946	138.4	21.8
1952	101	68	32.5	22.6	15.1	2,896	152.3	21.7
1953	93	71	31.0	21.3	13.1	2,626	148.7	19.9
1954	89	74	29.8	21.6	12.5	2,606	144.3	19.0
1955	85	80	29.5	21.9	11.5	2,463	147.3	19.0
1956	84	86	30.4	22.4	11.4	2,535	150.8	18.7
1957	85	91	29.7	23.3	11.3	2,590	158.3	17.7
1958	88	103	33.5	25.2	13.5	3,189	165.4	17.1
1959	82	106	33.5	26.1	11.5	2,795	178.8	16.6
1960	81	115	34.0	26.2	12.0	3,043	178.6	15.6
1961	83	120	34.9	27.0	12.9	3,389	177.7	14.8
1962	83	127	36.2	28.3	13.1	3,562	183.7	14.3
1963	81	135	37.2	29.6	13.1	3,671	188.9	13.3
1964	80	142	37.1	29.4	12.2	3,510	195.1	12.9
1965	82	155	39.1	30.3	14.9	4,413	201.1	12.4
1966	86	161	43.2	33.3	16.2	4,988	214.1	11.6
1967	79	167	42.5	34.4	14.9	4,705	223.8	11.0

[1] Including inventory changes.
Data source: The Annual Report of the Council of Economic Advisers, February 1968.

TABLE 4.—ANNUAL NET OPERATING RESULTS (REALIZED LOSSES EXCLUDING VALUATION RESERVES) OF THE COMMODITY CREDIT CORPORATION ON PRICE SUPPORT AND RELATED PROGRAMS, FISCAL YEARS 1955-67

[In millions of dollars]

Fiscal year	Realized losses	Farm payments	Net CCC losses
1955–60	$9,287.1		
1961	2,081.8	$1,500	$581
1962	2,799.4	1,700	1,099
1963	2,654.9	1,700	946
1964	3,226.8	2,200	1,226
1965	3,048.0	2,400	648
1966	2,984.9	3,300	+315
1967	3,813.6	3,100	713
Total		15,900	4,528

Source: USDA.

TABLE 6.—CORN, ESTIMATED 1967 PRODUCTION ON NONPARTICIPATING FARMS FOR SELECTED STATES

State	Planted acres on participating farms (1)	SRS 1967 yield per harvested acre (bushels) (2)	Estimated production participating farms (bushels) (col. 1 times col. 2) (3)	SRS 1967 preliminary production (bushels) (4)	Estimated production nonparticipating farms (bushels) (col. 4 minus col. 3) (5)
Illinois	2,866,604	100.0	286,660,400	1,091,500,000	804,839,600
Indiana	1,475,564	84.0	123,947,376	447,804,000	323,856,624
Iowa	6,481,543	85.0	550,931,155	930,155,000	379,223,845
Kentucky	250,175	80.0	20,014,000	93,440,000	73,426,000
Michigan	442,387	65.0	28,755,155	91,455,000	62,699,845
Minnesota	3,607,868	72.0	259,766,496	355,896,000	96,129,504
Missouri	1,642,490	69.0	113,331,810	198,168,000	84,836,190
Nebraska	3,235,557	73.0	236,195,661	329,230,000	93,034,339
North Carolina	320,935	76.0	24,390,300	107,160,000	82,769,700
Ohio	966,036	79.0	76,316,844	255,960,000	179,643,156
Wisconsin	634,818	80.0	50,785,440	136,240,000	85,454,560
United States	27,981,881	78.2	2,188,183,094	4,722,164,000	2,533,980,906

TABLE 7.—*Government costs of non-price-supported commodities—section 32, school lunch and Public Law 480, 1960–67*

[In million of dollars]

	Amount
Beef and products	653.4
Pork and products	107.6
Total of all meat products	975.0
Total of all fruits and juices	142.5
Total of all poultry	299.5
Potatoes, Irish and sweet	24.0
Tomatoes	25.0
Peas	14.2
Corn, canned	10.3
Canned beans	11.4
Cabbage	.1
All vegetables	61.0
Total of all crops	1,719.8

Source: USDA.

The Grange would add the following specific recommendations:

THE WOOL PROGRAM

The wool program has been in the nature of permanent legislation, and it is covered in the 1965 Act because there were some changes made at that time, but this also would terminate and it should not. It should be made a part of perma-

nent legislation and made amenable to the will of succeeding congresses to adjust it as they will have the opportunity to adjust and modify any of the other legislation contained in this basic bill.

WHEAT

The Grange continues to believe that the basic wheat legislation is sound.

1. It has removed the old open-end support system whereby the government purchased but never sold.

2. It has permitted CCC held stocks to be sold on the international market for a competitive price, thereby adding to the U.S. exports a substantial and critical amount of wheat. It has made the parity level of price the goal for all wheat sold for domestic food use on the commercial market. It is, thus, one of only two commodities whose pricing system is tied to parity.

3. The Certificate Program is the source of security for farm loans and production loans since it acts as a form of crop insurance which is available even during periods of crop failure.

4. It is not inconsistent with the terms of our international trade agreements and proposals.

5. It recognizes that there is a basic difference in the domestic and foreign markets due to competitive costs advantages of farm producers and the exceptionally high costs of American producers due to those circumstances which are outside the control of agriculture and agricultural programs.

6. It stimulated the dramatic rise in wheat exports for cash.

The program, however, has some basic flaws. The support program is based on the support price at Kansas City backed off to the farm for a national average. This is proper in terms of that part of our wheat which goes into international trade, since any other system would be subsidizing our exports which would probably be in violation of both the proposed International Grains Agreement and the General Agreement on Tariff and Trade.

However, this is not a proper basis for determining the return to farmers from the Certificate Program. The domestic market for wheat for milling purposes is not concentrated in Kansas City. There are great flour mills in Denver, Seattle, Portland, Buffalo, Minneapolis-St. Paul, Chicago, St. Louis, Baltimore, to name only a few. Most of these flour mills use what from the immediate area as far as possible.

To subtract from the farmers' return the freight from Denver to Kansas City and then to add to the consumers' cost the freight from Kansas City to Denver is unfair to both.

A fair and equitable arrangement, and one which the Grange earnestly suggests, is to determine the certificate value on a basis so that the certificates represent the actual difference between the actual market price and parity. The farmer who operates a wheat farm in Colorado or Montana or Pennsylvania has basically the same cost of production, except for land value which may be lower, as those in the immediate area of Kansas City. The cost of the seasonal inputs may be higher. In all fairness, they should have the same return for the same investments.

It is enough to ask them to sell their wheat for our international trade usage, which is approximately fifty-five to sixty percent of their wheat, at a loan level which represents the difference between the export price at the gulf ports backed off to the farm, but does not even cover costs of production in most areas. This is their contribution to the balance-of-payments problem and a substantial contribution.

It is too much to ask them to accept the same differentials on that part of their wheat which goes for human food when the differentials are not based on fact but on a fiction.

The Grange also has held consistently that the acreage allotment should reflect conservation practices prior to the base periods to those farmers who have practiced proper conservation practices, which have been deemed to be in the national interest and for which the Federal Government has allocated money from the General Fund. To not do so puts a severe penalty on the person who has practiced proper conservation practices and gives an undue and unmerited advantage to those who have been exploiting their land by planting from fence to fence.

Public Law 480 distribution and sale should, in our judgment, be paid for at a price not less than parity, including the certificates. This would necessitate the using of some type of a certificate program or other subsidy program for the difference between the loan level and the adjusted parity level.

The Grange also urges that 50 percent of the certificate value be paid at the time of the sign-up.

FEED GRAINS

The Grange urges the continuation of the present Feed Grains Program, but opposes permitting other grain crops and soybeans to be grown on diverted acres.

FARM BARGAINING

The Grange does not feel that S. 109 has made any contribution to bargaining except to list the practices which are illegal but it fails in not providing penalties for infractions of these rules.

The Grange favors the passage of Title II of S. 297, introduced by Senator Mondale. We feel that it is especially important to extend the privilege of using market orders to all commodities.

Mr. GRAHAM. Now, I would like to present the master of the Colorado State Grange, Mr. Ray Obrecht. And of all the people we have in the Grange, really interested in collective bargaining of some kind, Ray stands at the head of the list.

I am sure that his testimony will be of help and value to the Committee.

The CHAIRMAN. All right, Mr. Obrecht.

STATEMENT OF RAY OBRECHT, MASTER, COLORADO STATE GRANGE, ELBERT, COLO.

Mr. OBRECHT. Mr. Chairman, I doubt if Mr. Graham even knew I was going to be here.

Mr. GRAHAM. Yes, I did.

Mr. OBRECHT. I doubt it very much.

Mr. GRAHAM. I saw your name on the list.

Mr. OBRECHT. We were concerned about the testimony that might be given, and I am very happy and privileged to be here with you.

My name is Ray Obrecht, and I run a farm of my own, a wheat and livestock farm.

We had a meeting of our committees and decided that we should send someone here to testify for the Colorado State Grange.

When I left Denver the market price on wheat was $1.20 per bushel, and you add the 48 cents for the domestic certificate, and this brings it to 63 percent of parity, not 84 percent of parity. And we can't stay in business—this isn't in my testimony—but we can't stay in business in Colorado, especially our young farmers who are in debt.

Some old stiffs like me got our places paid for during the last war. You had testimony here that during the last war wheat was almost $3 per bushel. I think we are at war now. And the farmer usually got out on top of his debts during this war period. It is not a good thing to say, but it usually happened that way.

This is the only time in history that agriculture has been depressed to the state it has been during a war economy.

The CHAIRMAN. Well, of course, there is a good reason for that. We are the only ones engaged in the war, and others are building up their economies, and they are producing a lot. All of Western Europe is getting its house in order. And then the Russians came in with a great big crop, and I attribute our difficulties to that.

Mr. OBRECHT. Right, sir.

But all other segments of the economy have increased while we have gone down. We have increased our income, but the percent of

parity is the lowest since the thirties, and I think we all realize that.

After meeting with our Agriculture, Legislative, and Tax Committees, to study S. 2973—this is the Mondale bill—to extend the bargaining power to agricultural producers, we arrived at the following conclusions.

Title I of the bill, we feel, is an unnecessary expense and uncalled for at a time when drastic cuts in expenditures are expected. As you know, this calls for the appointment of a five-man board by the President which would cost somewhere around $300,000 to $500,000 just to staff and office. And this is before we ever start to bargain. It would be set up a board to control production, control agrciulture, and we in our group feel that this is absolutely unnecessary.

Next, we did not feel that the ASCS County Committee is the proper agency to make nominations for this board. We have 63 counties in our State, 63 county ASCS boards in Colorado. If we were to try to nominate one man to represent Colorado on a wheat committee, say, so that we would have 50 over the United States, and we were going to have one in Colorado, how in the world would they do this—63 county committees choose this man. So that we feel it should be an eligible producer of the commodity to be controlled, elected by all the eligible producers through a mail ballot, and one receiving the most votes would represent——

The CHAIRMAN. Now, you are speaking of the composition of the board on that bill.

Mr. OBRECHT. Right.

The CHAIRMAN. I see.

Mr. OBRECHT. Besides, we feel title 2 extending the market approach covers it, so we wish to see title 1 eliminated from the bill.

Title 2 of the act extends marketing orders to cover almost any commodity. And on page 21, line 15, we would like to see the words "two-thirds" put back in there. It says "majority" in the bill. And after "producers" on line 16, we would like to see "representing at least 50 percent of production of such commodity." And this is to eliminate a lot of little cattle producers, for instance, that have 5 or 10 cows, setting up an order for the cattle industry, and the same way in your wheat industry. There is about five States that have a majority of the wheat producers that don't produce 10 percent of the wheat. And this could happen if you just use a majority setting up a marketing order.

It is almost impossible to have a successful marketing order if almost half are opposed and are forced to comply. We feel that only with a few dissenters, the lawsuits and destructions they can cause make it very difficult to make an order work properly.

We have a wheat marketing order in Colorado, and the wool growers are trying to set up a market order, State order at the present time. And we have had many lawsuits in our wheat committee. This is part of Great Plains wheat, you know.

The CHAIRMAN. Yes.

Mr. OBRECHT. We have our Commission. And to make them pay their assessment we have quite a few lawsuits, even though there are those who do not want to be in the order. And if you have just

a bare majority and try to drag half of your producers, I think it would be almost impossible to be effective.

On page 22, line 20, following "groups of handlers," we would like to see inserted the words "or government". This says that the bargaining group is set up and they can bargain with handlers and groups of handlers, and we would like to see "or government." And in one of the cases this would allow the market committee to bargain for a contract on the Food for Peace and Public Law 480 movements of commodities. The Government is the second largest buyer of wheat. The consumer is—the first 500 million bushels go to the consumer, and then the Government buys 400 million bushels to give away under Public Law 480.

The CHAIRMAN. But it really sells it for soft currencies.

Mr. OBRECHT. Yes. And we think if they had a contract, the same as you have a contract to produce jeeps, and take this off of the market—this is what is breaking our market, not the wheat, the 15-percent overproduction you are talking about, but this 400 million bushels that is dumped on the market and our domestic handlers are allowed to sort this over and take what they want before the Government moves it out of the market—if this was under a contract to the producers for 30 percent of the wheat removed from the market—and this should be in the Agriculture Adjustment Act, to remove it from the market so it does not break the market, and it should be at parity in our opinion, not market price.

The $1.20 a bushel wheat is 60 percent of my crop, and I have to sell it to the Government, to the American taxpayer to give away. And the farmer is a taxpayer, and he would be bearing his rightful share sending this food over to India, for instance, just the same as every other taxpayer, but he should not be asked to send it over there for $1.20 a bushel. He should be getting parity, because it is domestic wheat bought by the taxpayer and sent to—just because it's exported is not the fault of the producer. It belongs to all the people and they should all be paying to send that over there at the American price.

The CHAIRMAN. Well, as a matter of fact, don't they pay it because it's tax money that's being used in order to——

Mr. OBRECHT. They pay what we get. They pay what we get. We get $1.20 a bushel less getting it to market. We have got areas in Colorado—this is not in my testimony—where the support price is 94 cents.

The CHAIRMAN. What's that commodity? What commodity is that?

Mr. OBRECHT. Wheat, 94 cents a bushel. In my county it's $1.11 per bushel.

The CHAIRMAN. Well, is that all the wheat you produce, because, as I understand it——

Mr. OBRECHT. The support price is 4 on all wheat of compliers.

The CHAIRMAN (continuing). You get parity on wheat——

Mr. OBRECHT. I am talking about the loan price.

The CHAIRMAN. Oh, yes, loan.

Mr. GRAHAM. Mr. Chairman, may I say this is one of the things we want to cover in the additional suggestions, that one of the major problems that comes up, in our judgment, in the operation of the wheat and feedgrain programs both is this national average, and then the backing off to and from this national average in these isolated prices that are far from the markets, and it makes the farmer

carry the full responsibility for transportation. And this is an inequitable thing that Mr. Obrecht is properly putting his finger on. And this is primarily—Ray, what is causing it is this backoff from the Kansas City shipping point where the farmer has to carry the whole burden by himself. And somebody else ought to carry some of it. This is one of the major problems in the program and one we really want to testify on when we start rewriting this.

Mr. OBRECHT. I didn't know that S. 109, in the next part of my testimony—I didn't know that S. 109 has passed until I got here yesterday, and we feel that—title 3 of the Mondale bill is in S. 109, if the amendments were put back, and I just don't know exactly how it passed. I shouldn't say any more about it. I don't know just exactly how it passed. But we didn't think—we didn't think title 3 was necessary either because we knew S. 109 was being moved through the Legislature.

Now, then, we feel that we should have an amendment to the Capper-Volstead Act. As Brother Graham told you, our State has been real interested in going into bargaining. We drew up our contracts and presented them to the lawyers, and we wanted to control production.

We have tried to move the Grange into bargaining for producers but realized we must control production to bring supply in line with demand before any bargaining could be effective. I am sure you have heard this statement every time anyone has spoken about getting better prices for producers.

Now, when we drew a contract to control production, we find that we could not be covered by the Capper-Volstead Act because production control is not specifically named in the act.

What I have said is the one thing that would make bargaining effective producers cannot do. We need your help to put five words in the act to prevent production controls. I know you realize the responsibility you have for all of agriculture and the amount we must rely on you for the welfare of agriculture. We are not the rugged individuals of past years but must work, cooperate, and bargain collectively or go broke separately.

I believe we all realize it is politically impossible to effectively control production through the Government when 95 percent of the votes are in hands other than the producers, and when controlling production is the same as raising prices by removing the surplus. In other words, this is going to raise the price of food if you control production. We, therefore, need your help to amend the Capper-Volstead Act so producers collectively can control their own production and stay under the Capper-Volstead Act.

We believe this would make it more effectively for cooperatives to operate, if they could control production. We believe the NFO's program would come near working. You can't stand behind a 400-million-bushel surplus of wheat and say we want a better price. And this is exactly what they are trying to do. They were held for 4 months, and wheat has gone up and down, up and down, just as it always has, and now it's as low as it has been for 30 years. It's $1.20 a bushel in our area. And I don't think this is any discredit to the—as Brother Graham was saying, I don't think this is any running down of the legislators. If the Democrats are in power and they want to get their people elected, they have got to go where the votes are. And if the Republicans were in power, they would have to do the same thing. What

I am saying is that it's just politically impossible to do this. You go and raise the price of food tomorrow, I think you would see the biggest cry because this is the one thing that bothers people most of all, your housewife and your consumer, worse than anything.

WHEAT

On extension of the Agriculture Adjustment Act of 1965, we, of the Colorado Grange, are definitely in favor of this. But we are not in favor of extending 63 percent of parity for wheat, for instance.

The CHAIRMAN. Well, you are for the act except you want a better price.

Mr. OBRECHT. Well, yes.

The CHAIRMAN. That was the burden of the testimony we got here yesterday, but they didn't find too much—they weren't in disagreement with what the act provided except that they were not satisfied with the prices attained.

Mr. GRAHAM. Short on money.

The CHAIRMAN. That's right.

Mr. OBRECHT. We think that the substitute clause should be eliminated. How can you have production controls and have a substitute clause? How can you have production controls and have overseeding? I have got a neighbor that has a section allotment and he's planning a section and a half of wheat. In other words, he's three-quarters, or a third overseeded.

The CHAIRMAN. But at one time or other he must plow that up to make it within his allotment.

Mr. OBRECHT. No, not under this program. All he has to do is hold it until some time he doesn't have a short crop.

Mr. GRAHAM. He can put it under bond.

The CHAIRMAN. Yes, that's what I was going to say.

Mr. OBRECHT. And as soon as the time comes, he unloads it.

The CHAIRMAN. Yes.

Mr. OBRECHT. This will not work. The worst thing is the way the certificate is distributed on—I am on page 4, sir.

The CHAIRMAN. I see it.

Mr. OBRECHT. The worst thing is the way the certificate is distributed on domestic wheat. As you know, it is a a flat amount all over the country. Thus, some producers get well over parity for their domestic wheat and others are far below parity. When I mentioned this, our leaders say this has been historical, but this is not true. We never had payments on domestic wheat before. This is the first. We have had payments on wheat, and we have had support prices, but we never had payments on domestic wheat before. This payment was for just one thing—to give each producer an American price for his domestically consumed wheat, and that price is parity. This wheat is not necessarily shipped to Timbucktu. It could be consumed in our area. A good part of our wheat is milled right in Denver, the domestic wheat I am talking about; not the export wheat, just the domestic parts, this 40 percent. A good share of that 40 percent is milled right there. But, in many cases it's consumed right where it is raised or close. This certificate should be changed so each producer receives the differences between his loan price and parity in his county. We have loan price or support price as low as 94 cents per bushel in Colorado. And that producer can't

produce wheat any cheaper than the one next to Kansas City that's getting 1.52 and his support price is 1.44.

The CHAIRMAN. Well, is that differential due to freight rates, you said, Mr. Graham?

Mr. GRAHAM. I think that's the basis they put it on. They base the whole thing at the Kansas City price and then they back it off to the farm on the basis of freight.

Mr. OBRECHT. This is right.

Mr. GRAHAM. Mr. Obrecht is a farmer out there that has to face this.

The CHAIRMAN. Yes; I understand.

Mr. GRAHAM. He is raising a very pertinent problem that has to do with this certificate's problem. Unfortunately, when this is done, the amount of the certificate, you see, is figured at Kansas City, too, and the Kansas City price less parity less Kansas City price determines the total certificate, but what Mr. Obrecht is saying, and properly so, is that there should be some consideration to setting the parity at the same level all over the country, and then adjustment could be made in the certificate to compensate for what they have taken off in terms of transportation.

Now, this might mean that they would not take so much off for transportation but somewhere in there there ought to be more equality when they are growing exactly the same kind of wheat, and a Kansas City man has his milled in Kansas City and he gets 40 to 50 cents more for it than the man in Colorado that has his wheat milled in Denver, sold at the same flour price to the consumer without any difference at all, and yet he is penalized because he is farther from Kansas City and the consumption hasn't anything to do with Kansas City whatsoever. This is one of the flaws that he has properly brought out and one which we will comment on.

Mr. OBRECHT. If we could start bargaining, this would be the first thing that I would try to do. In Denver we have to pay the freight to Kansas City. If I was bargaining for the producers, I would ship every bushel to Kansas City, and if they wanted to mill it in Denver, let them ship it back. They pay 1.52 in Kansas City and the freight back. We are already paying the freight to Kansas City. Let us ship it to Kansas City then. This is how unrealistic this thing is now. And this is what we are doing. Not only that, the people in Denver are paying the freight back from Kansas City to Denver on the flour.

The CHAIRMAN. The finished product?

Mr. OBRECHT. Yes. And this is how unrealistic this thing is. This will be the first thing, if I could get a bargaining group, that we would do. We would ship our wheat to Kansas City and give it to the co-ops there and let them handle it. And then if they wanted it back to mill it, let them bring it back to Denever.

Mr. GRAHAM. What is happening, Mr. Chairman, is that they are paying to ship it to Kansas City and back, and yet it is not being shipped to Kansas City and back, and this comes out of the farmer's hide. It would not be so bad if they shipped it, but they do not.

Mr. OBRECHT. They do export the wheat, but we are talking about the domestic part of this now, this part that is used by the people.

On the strategic reserve, again our Grange in Colorado favors this. Here I would like to quote the National Grange delegates policy:

If strategic reserves for the U.S. national interest and our international commitments are needed, or inadvertently accumulated, then these reserves should be isolated from the market in such a way that their release will not be triggered by price alone. In no instance should these reserves be released below parity levels.

If such reserves are deemed to be required in the national interest, then they should be purchased by the Government at existing market prices, plus other payments, including the certificates available for the domestically consumed portion of the wheat crop and diversion and other payments for other supported crops, so that the farmer will receive a price reflecting 100 percent of parity for all crops being stored by the U.S. as reserves against unusual and emergency requirements—

This reserve is to protect the American people and is why we are putting this in storage, why shouldn't this be at parity price, the same as what he is paying for his bread—

To do other than this is to ask American agriculture to continue to subsidize both the foreign agricultural export trade of the U.S. and to subsidize the strategic national defense needs of the U.S. It is unfair for American farmers to receive only 50 percent of parity for their production used for the reserve required for the general welfare and the national defense.

Please isolate this from the market so none can come on the market for any purpose. Food for peace, when above a certain amount is accumulated or what the producers have held for strategic reserves, except for emergency and rotating for quality reasons and this for rotating should be replaced in 24 hours so as not to affect the market.

If they take it off and sell it and let it go for 2 weeks, they can break the market by dumping this wheat.

We favor letting the producers store a good part of this reserve if they so desire and wish to take the risk of maintaining quality.

We do not feel you should leave the producers part open so they can sell it, dump back when the price gets high. It would be the same as the Government doing the same thing. It would not matter who dumps it. This reserve is set there for protection of the American people, and it should be isolated completely isolated in terms, and you know what the terms are. You will be setting these. But, please do not leave it open so they can dump it back on the market.

There is just one other thing, and this is meat imports. And again I would like to read the delegates policy on meat imports of the National Grange, and I don't suppose you'll ever hear this unless you hear it from me.

The Grange does not believe we should abolish or obliterate all meat imports which would be unrealistic and impractical and against American tradition, but we feel competitive efficiency is also unrealistic considering the high standard of living in the U.S. and the spiraling cost of production—

If we want to lower our standard of agriculture to that of other nations, you can let them import all they want to—

therefore, we urge that the present import quotas averaged on a quarterly basis be the trigger point, rather than the present 110 percent of that quota, and that all meats, including processed meats and meats in blended products and meat purchased for Armed Forces outside the U.S., be included under quota restrictions.

And that concludes my testimony, sir.

(The prepared statement of Mr. Obrecht is as follows:)

Mr. Chairman and members of the committee, my name is Ray Obrecht, Master of the Colorado State Grange. I am also owner and operator of a family wheat and livestock farm, from which I try to make my living, so that when I say agriculture was never regulated and manipulated to such a low percent of parity

during a war time economy, as in the last six years, while almost all other segments of the economy have seen a phenomenal increase in income, I know whereof I speak.

When I left Denver the market price on wheat was $1.20 per bushel; add the .48 cents for the domestic certificate, and you have $1.68, or 63 percent of parity.

After meeting with our agriculture, legislative and tax committees to study the Bill S. 2973 to extend the bargaining power to agricultural producers, we arrived at the following conclusions.

Title One of the Bill we feel is unnecessary expense and uncalled for, at a time when drastic cuts in expenditures are expected. As you know this calls for appointmnt of a five man board by the President, and would cost somewhere around three to five hundred thousand to office and staff such a board.

Next, we did not feel the ASCS County committee is the proper agency to make nominations, when and if a marketing committee is formed, but should be an eligible producer of the commodity to be controlled, elected by all the eligible producers, through a mail ballot; the one receiving the most votes would be the representative from the area or State designated. Besides, we felt Title Two, extending the marketing order approach, covers Title One. So we wish to see Title One eliminated from this Bill.

Title Two of the Act extends marketing orders to cover almost any commodity except (canned and frozen products.) On Page 21, Line 15, we would like to see the words "two thirds" inserted before the word majority, and after producers in line 16, insert "representing at least 50 percent of production of such commodity". It is almost impossible to have a successful marketing order if almost half are opposed and are forced to comply; we find with only a few dissenters, the lawsuits and disruptions they can cause make it very difficult to make an order work properly.

On Page 22, Line 20, following groups of handlers, we would like to see inserted "or government". This is to allow a marketing committee to bargain for a contract, on the food for peace and other PL 480 movements of commodities to remove them from breaking the market.

On Page 23, Line 22, we feel the word "primary" should be stricken, as the committee should be producers of the commodity affected.

We cannot understand why agriculture should have different standards than other segments of the economy, and we would plead for this amendment to the marketing order, so that commodity producers who desired could use it on a national level. If farm programs are left to expire, this approach will be needed more than ever before.

As for Title Three, it is covered in S. 109, before amendments were passed, and if S. 109 can be returned to its original form, would favor that.

We would also urge consideration of an amendment to the Capper-Volstead Act, to control production.

Mr. Chairman, we in the Colorado Grange have tried to move the Grange into bargaining for Producers but realized we must control production to bring supply in line with demand before any bargaining could be effective. I am sure you have heard this statement every time anyone has spoken about getting better prices for producers.

Now when we drew a contract to control production, we find we would not be covered by the Capper-Volstead Act because production control is not specifically named in the Act.

What I have said is the one thing that would make bargaining effective producers cannot do. We need your help to put five words in the Act to permit production controls. I know you realize the responsibility you have for all of agriculture and the amount we must rely on you for the welfare of agriculture. We are not the rugged individualists of past years but must work, cooperate and bargain collectively or go broke separately.

I believe we all realize it is politically impossible to effectively control production through the government when 95 percent of the votes are in other hands than the producers, and when controlling production is the same as raising prices by removing surplus. We therefore need your help to amend the Capper-Volstead Act so producers collectively can control their own production and stay under the Capper-Volstead Act.

On extension of the Agricultural Adjustment Act of 1965, we of the Colorado Grange are definitely in favor of this. But we are not in favor of extending 63 percent of parity for wheat, for instance, because we cannot hold onto our farms, especially the young farmers who are in debt. We need amendments. How can

you have production control at all and substitute? How can you have production control and allow overseeding when everyone knows it is these to break the market and is included in all crop reports? This should be changed. The worst thing is the way the certificate is distributed on domestic wheat. As you know, it is a flat amount all over the country. Thus, some producers get well over parity for their domestic wheat and others are far below parity. When I mention this, our leaders say this has been historical, but this is not true. We never had payments on domestic wheat before and this payment was for just one thing—to give each producer an American price for his domestically consumed wheat, and that price is parity. This wheat is not necessarily shipped to Timbucktu, but in many cases consumed right where it is raised or close. This certificate should be changed so each producer receives the difference between his loan price and parity in his county. We have loan price or support price as low as 94 cents per bushel in Colorado and much of this is used for feed right where grown. Another thing is that all the domestic certificates should be paid by domestic miller and not by taxes.

On the strategic reserve, again our Grange in Colorado favors this. Here I would like to quote the National Grange Delegates Policy, page 16.

"If strategic reserves for the U.S. national interest and our international commitments are needed, or inadvertently accumulated, then these reserves should be isolated from the market in such a way that their release will not be triggered by price alone. *In no instance should these reserves be released below parity levels.*

"If such reserves are deemed to be required in the national interest, then they should be purchased by the government at existing market prices, plus other payments, including the certificates available for the domestically consumed portion of the wheat crop and diversion and other payments for other supported crops, so that the farmer will receive a price reflecting 100 percent of parity for all crops being stored by the U.S. as reserves against unusual and emergency requirements.

"To do other than this is to ask American agriculture to continue to subsidize both the foreign agricultural export trade of the U.S. and to subsidize the strategic national defense needs of the U.S. It is unfair for American farmers to receive only 50 percent of parity for their production used for the reserve required for the general welfare and the national defense."

Please isolate this from the market so none can come on the market for any purpose. Food for Peace, when above a certain amount is accumulated or what the producers have held for strategic reserves, except for emergency and rotating for quality reasons and this for rotating should be replaced in 24 hours so as not to affect the market. We favor letting the producers store a good part of this reserve if they so desire and wish to take the risk of maintaining quality.

There is just one other thing, and this is meat imports. Again I would like to read the Delegates Policy on meat imports, page 13.

"The Grange does not believe we should abolish or obliterate all meat imports which would be unrealistic and impractical and against American tradition, but we feel competitive efficiency is also unrealistic considering the high standard of living in the U.S. and the spiralling cost of production. Therefore, we urge that the present import quotas averaged on a quarterly basis be the trigger point, rather than the present 110 percent of that quota, and that all meats, including processed meats and meats in blended products and meat purchased for Armed Forces outside the U.S., be included under quota restrictions."

(The attachment to Mr. Obrecht's statement is as follows:)

Amendment to the Capper-Volstead Act

To make bargaining effective it is necessary to bring supply in line with demand on specific commodities. To bargain effectively any organization or cooperative association needs the protection of the Capper Volstead Act.

We therefore suggest to permit controlling production and still come under the Capper Volstead Act it be amended as follows:

Paragraph One: "Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that persons engaged in the production of agricultural products as farmers, planters, ranchmen, dairymen, nut or fruit growers may act together in associations, corporate or otherwise, with or without capital stock, in collectively 'Controlling production, setting marketing quotas', processing, preparing for market, handling and marketing in interstate and foreign commerce, such products of persons so engaged.

Such associations may have marketing agencies in common; and such associations and their members may make the necessary contracts and agreements to effect such purposes; provided, however, that such associations are operated for the mutual benefit of the members thereof, as such producers, and conform to one or both of the following requirements:"

The CHAIRMAN. Well, I want to thank you, sir.

Mr. GRAHAM. Mr. Chairman, I would like to say in regard to this last item for the benefit of my brother from Colorado that this is not the committee that handles that particular problem. So this chairman probably wouldn't have heard it from me.

The CHAIRMAN. Well, quite a lot of testimony put in here is not pertinent to the committee, but we don't object to it.

Mr. OBRECHT. Oh, is it? Well, when you come off a plow you don't know what you are saying.

Mr. GRAHAM. He didn't mean just yours.

The CHAIRMAN. No, not yours, but a lot of others.

Mr. GRAHAM. Some of the previous testimony that the chairman mentioned.

The CHAIRMAN. Some have been before this committee year after year. They ought to know better.

Mr. GRAHAM. I am glad, Mr. Chairman, that Mr. Obrecht could come, and I did know he was coming because I had seen the list and I think he made a contribution to this that has particular value because, as he says, he is a plowboy off the farm. He knows how the program operates when he gets back home, and this is the final test. It's not exactly how we think it's going to operate but what really happens when it gets back to the farm.

The CHAIRMAN. Delighted he could come.

Mr. OBRECHT. We can't operate on 63 percent of parity, and they tell you it's 84.

Mr. GRAHAM. Well, these are the official national average figures they are using and they include the payments.

Mr. OBRECHT. I don't think it will average 84.

The CHAIRMAN. Thank you very much.

The committee will stand in recess until tomorrow at 10 o'clock.

(Whereupon, at 1:30 p.m., the committee recessed, to reconvene at 10 a.m., April 5, 1968.)

FARM PROGRAM AND FARM BARGAINING

FRIDAY, APRIL 5, 1968

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Talmadge, Byrd of Virginia, Young of North Dakota, and Miller.

The CHAIRMAN. The committee will please come to order.

This is the continuation of hearings on the operation of the 1965 Agricultural Act and other bills pertaining to agriculture that we have here on hand, particularly the bill of Senator Mondale on bargaining.

And I wish to say that we have been here for 2 days and except for one witness I have heard little or no criticism of the act of 1965. I cannot say that I am disappointed about that, but the main purpose of these hearings is to determine whether or not the act was administered correctly, whether we can make changes that may make it work better. And the only request that I heard so far was that the bill is more or less all right, but we want more money. That is about the sum and substance of it.

Now, this morning we have as our first witness Mr. Robert N. Hampton.

STATEMENT OF ROBERT N. HAMPTON, DIRECTOR, MARKETING AND INTERNATIONAL TRADE, NATIONAL COUNCIL OF FARMER COOPERATIVES

The CHAIRMAN. Have a seat, Mr. Hampton. Would you give your name in full and identify yourself for the record, please.

Mr. HAMPTON. Yes, sir, Mr. Chairman. I am Robert N. Hampton, director of marketing and international trade of the National Council of Farmers Cooperatives. We appreciate the opportunity to appear before your committee, and I would like to comment today on several aspects of farmer bargaining and marketing strength as they are dealt with in the Mondale bill, S. 2973.

I would also like to comment very briefly on our concern over foreign export subsidies and some other trade matters that represent immediate and serious threats to our markets abroad for U.S. farm products.

Member cooperatives of the national council have continually sought to reduce the problems of low farm income due to farmers' weakness in markets for farm supplies and farm products. Disorderly marketing of agricultural commodities and products continues to be a widespread problem, however, due not only to weakness in negotiating, but also to supply fluctuations, problems of quality and perishability, and failure of farmers in some cases to completely avail themselves of group action instruments already available to them for self-help.

Not only do farmers need to make more extensive use of marketing cooperatives, but they should also be assisted in making more and better use of the kind of marketing order authority now available to certain commodities under the Agricultural Marketing Agreement Act of 1937.

The national council strongly favors the expansion of marketing order authority to provide for any agricultural commodity to be eligible for marketing orders if a majority of producers so desire.

I will not read this in full but would like to include our policy statements with regard to this.

The CHAIRMAN. Without objection, that will be done.

Mr. HAMPTON. I would like to point out that our emphasis on marketing agreements and orders is that they should be made available for much broader use by extending eligibility for the use of these orders to additional commodities whenever such orders affect the farm producers primarily and are approved by a majority of these producers affected.

Accordingly, we urge that the Agricultural Marketing Agreement Act of 1937 be amended, as proposed in title II, section 201(1) of S. 2973, to provide that farmers be given the opportunity to establish eligibility for marketing orders for any commodity, by majority vote of producers. As we understand it, the establishment of the marketing order itself would require approval by at least two-thirds of the producers in a further referendum, through procedures which safeguard the public interest as already required by the Agricultural Marketing Agreement Act.

Senator TALMADGE. Will you yield at that point, Mr. Hampton? Do you anticipate that these marketing orders would fix the price of the product?

Mr. HAMPTON. Our understanding of the procedure under the proposal of title II is it would not provide any ultimate or final price-fixing authority but would simply require bargaining in good faith.

Senator TALMADGE. Is the milk market order the only market order that fixes the price of the product?

Mr. HAMPTON. To the best of my knowledge, yes.

Senator TALMADGE. That is the only one I know of. How would your marketing order be of assistance to the farmer in raising his income if you did not have final authority somewhere in the marketing order to fix the price of the product?

Mr. HAMPTON. We believe, as I will point out a little later in my testimony, that one of the problems in going to the ultimate authority of mandatory price fixing or complete supply control is that the industry simply cannot reach the unanimity of agreement on any sort of a

reasonable or voluntary basis that would be necessary to make this effective. We feel that the title II provision of S. 2973 for marketing orders is a useful approach in that the requirement for bargaining in good faith would lead to some judicial pressures for agreement on a price that could be reached between representatives of the producers and buyer representatives. And we think that would go about as far as general farmer sentiment would support at this time.

Senator TALMADGE. How are you going to bargain in good faith when one group is ready to bargain and the other group is not?

Mr. HAMPTON. Well, we believe that some judicial pressures could be brought to bear if one group simply refused to bargain under provisions of the Mondale bill, title II proposal.

Senator TALMADGE. Thank you very much.

Senator MILLER. Could I ask a question?

The CHAIRMAN. Yes, Senator.

Senator MILLER. When you say any commodity, do you include livestock?

Mr. HAMPTON. Yes, we do.

Senator MILLER. Well, what do you do in a situation where you have thousands of feeder cattle being shipped up from Louisiana and Texas into the Sioux City market?

Mr. HAMPTON. Senator Miller, we are not recommending here that marketing orders be established for all commodities. We are recommending simply that the eligibility be provided so that when there is the degree of unanimity among farm producers of that commodity required to make a marketing order effective, it should be available to them without the undue delays that are occasioned by having to establish eligibility for each commodity one by one.

Senator MILLER. Well, I appreciate that, although I would suggest to you that I frankly have not had any correspondence that I know of, or any contacts by members of the livestock industry wanting this eligibility.

I can understand how this would be desirable in the case of milk sheds, but I just wonder why you said any commodity. Why not let the livestock boys determine whether they in fact want to be eligible.

Mr. HAMPTON. I think perhaps the following comment and quotations that I have included in my testimony is as good an answer as I can give as to why we suggest a blanket inclusion of all commodities under the eligibility provision.

Senator MILLER. All right. Now, there is one other thing. You suggested some judicial pressures in response to Senator Talmadge's question. What about imports? Suppose that a fair price is arrived at. Suppose you have a marketing order by some commodity group, and a fair price has been negotiated, but you have imports come in. How are you going to handle that situation?

Mr. HAMPTON. Are you indicating that we are having a sudden change in the volume of imports that disrupts our normal marketing patterns?

Senator MILLER. Well, something along the line of what we had in 1965 and 1966 and 1967 in the dairy industry when we went from imports of about 900 million pounds milk equivalent in 1965 up to 2.9 billion pounds in 1967. In the latter year dairy imports were running

at an annual rate of 4 billion pounds milk equivalent when the President placed into effect an import quota policy on dairy products last June.

What do you do in a situation like that? Are you going to just leave the import situation all alone and take your chances?

I must say that I would think judicial pressures would be rather ineffective in the face of a substantial increase in imports.

Mr. HAMPTON. I recognize this, and we are certainly not suggesting that the marketing order approach or any bargaining approach is a catchall or a solution to all of agriculture's problems. The import problems could indeed hamper the effective operating of a marketing order, and they certainly need to be dealt with in other ways.

We have expressed later on in the testimony concern about this very kind of undue import inroads which have been made against the dairy industry in this country.

Senator MILLER. Well, if they could then destroy the effectiveness of what you are recommending here, I would assume that you would be recommending that action be taken to prevent the destruction of your recommendation by this device of additional imports.

Mr. HAMPTON. Yes. We would certainly recommend that the import loopholes such as those which have been notorious in the dairy field should be closed. We prefer at this time that additional efforts be made through the negotiating process to do this. We recognize that at some time this may become such a difficult problem that it can no longer be handled by that approach.

Senator MILLER. Do you recommend quotas?

Mr. HAMPTON. We do not at this time; no, sir.

Senator MILLER. But you see the possibility of the necessity for quotas if negotiations are not effective.

Mr. HAMPTON. I do not think we could completely say what our position would be on that legislation, say, a year or 2 years in the future. We prefer to evaluate developments as they occur. Our objection to quotas at this time is predicated on our feeling that, rightly or wrongly, such quotas would be interpreted by many of our foreign markets, that is, foreign countries, as pressures against which they would be compelled to take retaliatory measures and that we could be in the middle of a damaging trade war in rather short order.

Senator MILLER. You would not interpret it as being retaliation on our part for highly protectionist measures on the part of some of these countries to which we are exporting now?

Mr. HAMPTON. Senator Miller, I would indeed interpret those to be in some degree retaliatory measures, but I am afraid that some of our best foreign country customers would not give them that interpretation.

Senator MILLER. Well, I just came across a statement by a Commerce Department official the other day in which he stated that the Common Market is the most protectionist group of countries in the world.

Mr. HAMPTON. I would agree with that, sir.

Senator MILLER. All right. Then if that is so, are you suggesting that because we might retaliate by putting some quotas on our imports with respect to them, that just because some of them might interpret this action as an offensive measure on our part, that they are going to retaliate when they have already laid the foundation for our action?

Mr. Hampton. I must say that I believe the Common Market has imposed some very subtle restrictions such as their practice of changing their variable levy systems or their import regulations without notice in an arbitrary fashion, which are very discouraging and disrupting for American exporters. But they are not the kind of things that we can easily identify or measure, and get the kind of response that we feel we need to get from them.

I know that considerable pressures are now being brought through the trade negotiator's office to clear up some of these matters. We are not willing to concede at this moment that an intensification of such pressures will not accomplish our aims better than some other action of our own. We have had some hopeful signs from the Common Market recently that they would be willing to step up the schedule for tariff cuts and perhaps take some other steps such as reducing border taxes and other barriers that we think offer us at least some very modest hope for improvement. We think that these should be worked on at least a little bit longer before taking any stringent actions.

Senator Miller. Have we had any indication that they are willing to do this with respect to our grains?

Mr. Hampton. I am afraid I do not know of any important concessions in that direction.

Senator Miller. To my knowledge there have not been any concessions, important or unimportant, and I would invite your attention to the fact that Mr. Ray Ioanes in a recent speech pointed out that what they have been doing is to collect very high import duties on our grains. Then they have taken the money from that and turned around and used it to subsidize some of their exports to us, including especially canned hams. I recognize that we have been making some progress in negotiations on that subject, but there are a good many aggravated ham producers in this country who feel that the barn door is being closed long after the horse has gone, and I do not know how long we are supposed to sit here hoping for negotiations to go on in order to prevent the impact of imports of a discriminatory fashion hurting our producers.

Naturally, I think all of us would prefer to have them negotiated out, but if we cannot negotiate them out, I do not see we have any choice.

Mr. Hampton. We are indeed distressed at the entire principle of the variable levy. We have opposed this vigorously at every stage in the GATT trade negotiations and since, and we think that American agriculture and American negotiators and the Congress should take every action possible to help us do away with the variable levy principle of the Common Market. This is at the heart of our difficulties.

Senator Miller. I appreciate that you people have taken a good strong position on this, and I commend you for it, but I must tell you that if we are not getting anywhere on it, I do not see any choice except to go to quotas on this thing, and I think we better do it before things get worse. It is going to be a year now before our dairy people are going to be able to pull themselves out from under the impact of the greatly increased imports that we have had in the last couple of years.

I just point this out to you because I think that in any recommendation that we get here with respect to how to get fair prices we are going to have to take into account the import situation or I think it will be an empty gesture on our part.

Please proceed.

The CHAIRMAN. Mr. Hampton, it was my impression that the cooperative movement was made legal because it would, by the farmers joining together to sell their produce and to buy their needs they could save or make money. Now, how will this marketing agreement bill affect cooperatives? You both have the same purpose in mind.

Mr. HAMPTON. Yes.

The CHAIRMAN. And that is to provide better prices for farmers, for what the farmer producers. And as I understand it, the purpose of this bargaining bill is to make it possible for farmers to get together and negotiate for the sale at a certain price probably. How will that affect the cooperative movement?

Mr. HAMPTON. I think it will affect it primarily along the lines that have already been experienced. Basically, I would say that some cooperatives have made use of marketing orders to extend the effectiveness with which they can carry out surplus disposal or other marketing programs. For example, in the area of surplus disposal, the Sunkist organization has made most effective use of marketing orders to insure that a sound marketing program is carried out for their member producers in the California-Arizona citrus industry. And I think that several of these provisions would just expand and extend that opportunity.

The CHAIRMAN. Now, you are proposing an amendment to the Mondale bill. Instead of having the marketing order go into effect on a two-thirds vote, you propose a majority vote?

Mr. HAMPTON. No, sir. We are proposing that a commodity be made eligible for a marketing order on a majority vote of producers, but the marketing order itself would still require a two-thirds vote of producers. And that would require further procedures in accordance with the provisions of the Agricultural Marketing Agreement Act of 1937.

The CHAIRMAN. Well, would you treat each commodity separately?

Mr. HAMPTON. Yes, sir; as far as establishing eligibility is concerned.

The CHAIRMAN. So that for every commodity that is produced you would have a separate marketing order. You would make it possible for marketing orders to be issued——

The CHAIRMAN. On each?

Mr. HAMPTON. That is right.

The CHAIRMAN. That will be quite a job, will it not?

Mr. HAMPTON. It has indeed proved to be quite a job. It is a complex operation. It is difficult to operate a marketing order effectively. It requires tremendous unanimity of purpose and understanding of what the implications of a marketing order are, and realization among a substantial majority of producers that they are going to have to exercise these restraints upon themselves individually in order to get some of the benefits of firmer, more effective group action.

The CHAIRMAN. Well, it has been my experience from way back when I used to do a little farming that it was a tough, tough problem to get farmers to work together. You always had one or two getting under the wire and just simply violating the rules and regulations that we hoped to live by. And we had it in the early potatoes and early onions. And as long as we were able to keep shipments for awhile the prices remained quite stable, but always you had them get under and sell—some smart alec would come in and say I will give you so much for your potatoes, let us say, which was probably 25 or 30 cents more than he could have gotten had he held them, and he proceeded to bargain with them, and of course, that affected the market and everybody started selling.

Mr. HAMPTON. This kind of thing has caused great difficulties.

The CHAIRMAN. Well, I can foresee that under a bill such as is proposed by Senator Mondale—and I am just taking the negative now to get your reaction—that if you deal with every commodity like beef or all vegetables, every commodity that is sold on the market, that there is quite a task ahead for somebody.

Mr. HAMPTON. It is certainly not a catchall or a solution to all of the farmers' problems. We agree to that, sir.

The CHAIRMAN. Proceed.

Senator YOUNG. Mr. Chairman.

The CHAIRMAN. Yes, Senator.

Senator YOUNG. Could I ask a few questions?

The CHAIRMAN. Surely.

Senator YOUNG. Your association is composed of cooperatives all over the United States, is that correct?

Mr. HAMPTON. Yes, sir.

Senator YOUNG. Is Land O' Lakes a part of your group?

Mr. HAMPTON. No, they are not a member of our organization.

Senator YOUNG. You do have dairy co-ops among your membership don't you?

Mr. HAMPTON. We do have a number of dairy cooperatives.

Senator YOUNG. The milk marketing orders are tied to the level of dairy price supports, are they not?

Mr. HAMPTON. I believe "related" might be used in preference to "tied."

Senator YOUNG. What affect would abolishing dairy price supports have on milk marketing orders? Would there still be milk marketing orders or would you have to renegotiate them. How would you handle them if dairy prices were abolished?

Mr. HAMPTON. I must confess, sir, that I am not an expert on the milk marketing orders which are really a very specialized area, but my impression would be that some of these orders would have to be restructured.

Senator YOUNG. I am no authority on this either, but I do know there is a definite relationship between the price-support level and the market order price, and I was just wondering what it was.

Mr. HAMPTON. I would think they might have to be restructured if such were to happen.

The CHAIRMAN. Have you made a sufficient study of the Mondale bill to tell us how it would operate, let us say, as to one commodity? What would be the procedure that would have to be followed which is different from what you do under your cooperative movement?

Mr. HAMPTON. I am not sure I understand your question completely, Senator Ellender.

The CHAIRMAN. Well, the purpose of the cooperative organization was to get the farmers to stick together so that they could get better prices for what they produced and then buy what they needed at a lower price because of their getting together. Now, you have certain ways and means of doing that under the present law.

Now, I would like you to follow the same procedure as to what would happen under the Mondale bill. How would you go about—let us take any commodity you want and just in a nutshell tell us how you would proceed under the Mondale bill.

Mr. HAMPTON. In this case the element that we are emphasizing is that any commodity group, if there is substantial amount of producer interest evidenced in a marketing order, would be entitled to have a referendum conducted through procedures based on previous marketing order experience. The administrative facilities of USDA would be used to hold a referendum to determine whether at least 50 percent of the producers would like to have their commodity made eligible for marketing orders.

Beyond that point, there would be no change under the Mondale bill in the steps that are then required to establish a marketing order for a commodity group.

The CHAIRMAN. Well, assuming that 50 percent or more voted in favor of a certain commodity such as what, wheat or corn. Will it have to be a single commodity?

Mr. HAMPTON. That is correct.

The CHAIRMAN. Single commodity. Well, assuming they do that for wheat and the majority of the wheatgrowers, that is, over 50 percent of them, agree to come under the marketing order, what would be the next step? How would it work?

Once that petition or the procedures for establishing the marketing order referendum had been met, the Secretary would hold hearings. He would then conduct a further referendum, and if two-thirds of the producers voted in favor of the marketing order, he would then be enabled to establish a marketing order which included whatever elements were included in that proposed order. For some commodities, it might provide marketing research or promotion programs; for others, surplus disposal programs, or any one of a number of other provisions as set forth in the Agricultural Marketing Agreement Act.

The CHAIRMAN. Well, if it is to get a better price, that is the objective, is it not?

Mr. HAMPTON. Yes, that is an ultimate objective.

The CHAIRMAN. To get a better price?

Mr. HAMPTON. Yes, sir.

The CHAIRMAN. Well, how, how would they have to proceed after the two-thirds voted this marketing agreement?

Mr. HAMPTON. As I understand it, programs under the present Marketing Agreement Act which would have important effect on price due to supply problems would be those programs of surplus disposal or of establishment of marketing quotas for application at the handler point, and except for dairy products there is not now any direct price fixing authority in that act.

The CHAIRMAN. So that since there is for other commodities no price fixing device, I presume that by probably holding back the commodity from being sold, that that would have the tendency of raising the price. Is that it?

Mr. HAMPTON. If this program of diversion is well conceived and well executed it can have a very beneficial effect on price as it has in the California-Arizona citrus industry on occasions.

The CHAIRMAN. Well, is that not the only alternative that you have? If you cannot fix the price, the idea behind it all is that if you hold it back long enough from being sold on the market, the price is bound to go up. Is that not the theory behind it?

Mr. HAMPTON. That is the theory behind the surplus disposal program.

Senator MILLER. Provided you are not undercut by imports.

Mr. HAMPTON. Yes.

The CHAIRMAN. I understand. But you know I have been sitting here now, this is the third day, and we did not get very much testimony on the Mondale bill, and that is why I desired to go a little bit in detail, because you seem to know what you are talking about, and might give us an idea of how the plan would operate.

Now, you have offered one amendment there to make it two-thirds instead—a half instead of two-thirds of the people voting. Have you any other recommendations to make. I understand you do not want to come under a certain title of it. Could you go into detail as to why?

Mr. HAMPTON. Yes, sir. I will cover this in further testimony.

The CHAIRMAN. All right.

Senator MILLER. Could I ask a question of Mr. Hampton?

The CHAIRMAN. Yes, surely.

Senator MILLER. When you talk about a majority vote or two-thirds vote, are you talking about a majority or two-thirds of those voting or of those eligible?

Mr. HAMPTON. The language, as I recall, is of those voting.

Senator MILLER. Well, is this not what you advocate?

Mr. HAMPTON. Yes, it is.

Senator MILLER. And then to test this out, suppose we had roughly one-third of the producers of our oranges in the southeast and in Texas and two-thirds of them in the southwest beyond Texas, and California, and those in the southeast and Texas did not want to have this but those in California and that part of the country wanted to have it so two-thirds of them there, they voted for this and since they have got a two-thirds vote, they not only vote to make themselves eligible but they also have enough power to vote in the marketing order. Will that bind Florida and the southeastern part of the country?

Mr. HAMPTON. I believe that that situation would not likely arise. The Secretary of Agriculture has had the prerogative of determining how broad an area a market order could be feasible for. And one of the elements of feasibility is the breadth of interest and the degree of approval of this idea on the part of producers. If it were reasonably obvious at an early stage, I think that geographical area which was not interested in having an order would probably not be included in the terms of the referendum to establish an order. Most of the orders now in effect apply only to a limited or regional area.

Senator MILLER. That is true, and I was testing it out. Do you think it would be well for us to have any legislation we put out on this subject have some guidelines on that point.

Mr. HAMPTON. We would not be adverse to this. However, to the best of my knowledge there have been few problems along this line in the administration of this act to date; the judgments exercised by the Department of Agriculture in this respect have been good.

Senator MILLER. Well, I am sure there has been no intentional abuse, although I might say that I have some rather aggravated letters from some milk producers regarding this. But you would not be adverse to us having some guidelines in there so we would make sure there is no abuse.

Mr. HAMPTON. As I understand the thrust of your question, we would not.

Senator MILLER. Thank you.

The CHAIRMAN. Now, in regard to voting eligibility, you said a moment ago that the producers, I presume, as indiivduals would be the ones to vote?

Mr. HAMPTON. Yes.

The CHAIRMAN. Well, now, we have had cases in some of the marketing orders, particularly for milk, where the cooperative voted for all of its membership. Would you countenance that?

Mr. HAMPTON. Yes, sir. We have a policy supporting that principle.

The CHAIRMAN. So that it would be possible for a cooperative to come in and vote the sanction of an agreement by, one vote could be probable 1,500 to 2,000 farmers.

Mr. HAMPTON. That is correct.

The CHAIRMAN. Now, would that be permissible as the law is now written?

Mr. HAMPTON. Yes.

The CHAIRMAN. As I understand it, you are going to further discuss the Mondale bill and tell us which parts you like and which you do not like, and give us the reasons why, if you will, for the record.

Senator MILLER. May I ask one question on that very point?

Mr. CHAIRMAN. Yes.

Senator MILLER. What about the votes of partnerships—all partners vote?

Mr. HAMPTON. We have no policy on that particular point, Senator Miller.

Senator MILLER. What would be your recommendation? Suppose you and I have a partnership and we are running a farming operation. So should not both of us vote on that? Suppose we have twice the acreage that Senator Young has in his operation. You and I are partners. Should we not each vote on this just as he can?

Mr. HAMPTON. Are you suggesting that one partner should be entitled to cast the vote that would represent the views of both?

Senator MILLER. No. I am suggesting that the weight of the vote ought to take into account the number of partners in the operation.

Mr. HAMPTON. This raises a point in the present law that I would need to review, but my impression would be that both of those people might have a vote.

Senator MILLER. What about corporations? Suppose that the three of us have a corporation; we are the stockholders in the corporation;

we have a corporate farm operation. And there are a great number of them, quite a number of corporate family farms. One vote for the corporation or a vote cast by the president of the corporation in behalf of all the stockholders?

Mr. HAMPTON. The legislation is intended not for stockholders, but for farmers, and I would say on this basis the present situation would give the corporation only one vote, as it would any large farm. A farmer who has a thousand acres would have one vote just as a farmer who has 100 acres, although there are some other qualifying provisions in this act that do relate to the amount of volume involved.

Senator MILLER. Well, do you favor a volume approach on this thing, for example, to have a majority vote of those producing, the majority vote which would represent a majority of production.

Mr. HAMPTON. As I recall, the law as it now stands does require either a two-thirds vote by volume or two-thirds vote by numbers.

Senator MILLER. Well, now, does this satisfy you?

Mr. HAMPTON. The present provision in the act would not be changed in that regard, and we have no question about it.

Senator MILLER. Thank you.

Senator YOUNG. Mr. Chairman, this reminds me of an interesting experience I had.

I was on a wheat allotment board in my county way back in 1935 and we got into a real hot dispute. We had a special meeting one night and we found out that the four of us on one side of an issue were outvoted by the three on the other side because they were voting acres. They were permitted under the original act to vote acres rather than farmers.

The CHAIRMAN. I must confess that I did not very carefully read or study the Mondale bill. But as Inderstand you, you are saying that half of the group of the producers of one commodity could call for the submission of a referendum?

Senator YOUNG. Substantial, I think, is the word used. A substantial expression of concern on the part of producers could result in a call for a referendum to determine if a majority of the producers would like to have this commodity made eligible for a marketing order.

The CHAIRMAN. All right. Now, that would simply be to determine whether or not there is interest, but the final order as to what ought to be done would probably be done after discussion by the group of people who produce that commodity, and then to go a step to make it legal you would require two-thirds?

Mr. HAMPTON. Yes.

The CHAIRMAN. All right.

Mr. HAMPTON. Now, the main thrust of my comments up to this point has been to urge that all commodities be made eligible for marketing orders through a majority vote of producers. And the need for these commodity groups to have such broad enabling legislation which would permit through use of marketing orders for self-regulation of their own joint marketing operations was set forth very well in these words from March 1968 editorial of Broiler Industry magazine:

> One suggestion (of S 2973) that deserves isolation and study is an omnibus amendment to the 1937 Agricultural Marketing law which permits any commodity group to seek, at its own convenience, marketing order legislation. Responsible trade associations should not reject this feature of the Mondale Bill out of hand, using the pat excuse that it "puts the government's foot in the door" for production control.

Rather they should view it as a method of keeping some options open—if and when we feel we may need some means of legally sanctioned production restriction. There is no need, at this time, to become emotional about the structure of a marketing order proposal. We may never need one. All that the Mondale Bill should propose—or a substitute bill that may be tendered later by the Administration—is that any commodity group can have a marketing order if it wants one . . . without making the mechanics subject thereafter to special action by Congress.

In these days of "consumerism", an urban dominated Congress will become increasingly critical of legislation that, in effect, will give producer-processors the license to increase the cost of food by restricting supply. To subject busy legislators to single interest farm proposals on a perennial basis is silly business at best; it may be come impossible in the future. The intent of such an omnibus amendment should be to pass this standby option back to the respective commodity groups—beef, hogs, eggs, broilers, etc. Such legislation should shield any commodity group from irresponsible requests to the Secretary of Agriculture for a marketing order of referendum.

In other words, if ever we wanted to test such a proposal in our industry, we'd do it internally, instead of through Congress, and because most of us desired such action. We propose no more, no less, than that. To that point, at least, in the uncertain days that lie ahead, both in the mood of Congress and the structure of our own industry, omnibus enabling legislation would appear to be prudent insurance.

When they are well conceived, well supported and well administered, marketing orders have done and can do useful jobs in allowing farmers to work together for improved marketing. Not only in such vital programs as surplus disposal, but in improved quality standards, research, promotion and merchandising, marketing orders have often complemented cooperatives' orderly marketing efforts—which in the long run benefit consumers and the entire agri-business complex just as they do farmers.

Farmers deserve to be allowed to use marketing orders when they have developed the unity of purpose and strength of organization needed to make such orders successful instruments of self-help. This proposal of the Mondale bill should be given special consideration, as a means of providing another "strategic reserve" self-help measure which can be considered or used without undue delays by commodity groups which may be suffering acutely from some of the ills of disorderly marketing.

The National Council also favors the title II proposal of S. 2973 that procedures for collective bargaining be established as one of the activities which may be administered under a marketing order. As we understand it, this would require "bargaining in good faith" procedures between elected producer committees and designated handlers or groups of handlers, but would not establish an ultimate or compulsory price-fixing authority. We suggest that the language of section 201(5) of S. 2973 be amplified to permit an association of producers to act as the producers' bargaining agent if a majority of producers so desire.

Other provisions of title II of S. 2973 would appear to generally strengthen the steps which producers might choose to take in order to improve their bargaining position. Pooling of prices for commodities for various processing uses is a desirable step as marketing order authority is expanded to cover more commodities which are used for various kinds of processing. Designation by species as well as grade or other quality differentials becomes more important as livestock or other commodities may be made eligible for marketing orders.

More specific authorization for applying quantity allotments which any producer may be allowed to market appears to be a change in degree only, as the 1937 Act already specifies that handler purchasing allotments "shall be apportioned equitably among producers."

The proposal for mandatory collective bargaining procedures through a National Agricultural Relations Board, as outlined in title I of S. 2973, appears to be too sweeping for acceptance by farmers and the agri-business commodity at this point. The more gradual and voluntary approaches of cooperative action and marketing orders seem to be more apportionate at this point for stepping up our search for more orderly marketing methods to serve consumers better and reward farmers more equitably. At any rate, the provision for price-fixing without a correspondingly high degree of control over market supply could prove to be impossible to administer effectively. Until farmers are indeed ready to impose upon themselves more voluntary group restraint to "administer" output (and thereby prices) as many industries do, this approach could not be an effective remedy in our viewpoint.

This concludes my comments on the marketing order provisions of the Mondale bill, Mr. Chairman.

The CHAIRMAN. Now, under the Mondale bill when you speak of bargaining, the farmers getting together and agreeing to that, whom could they bargain with aside from the handlers of the commodity?

Mr. HAMPTON. Groups of handlers could be a bargaining agent in this situation.

The CHAIRMAN. So that this group of handlers would be in a position to handle commodities that are usually handled by cooperatives. Would that not be possible?

Mr. HAMPTON. Yes. The cooperatives could also be handlers.

The CHAIRMAN. Oh, they would?

Mr. HAMPTON. The ones which do take possession of the goods or which process the agricultural commodities.

The CHAIRMAN. Well, then, it would not disturb our present cooperative movement, because, as you say, many of the cooperatives are handlers of goods.

Mr. HAMPTON. Yes, that is true.

The CHAIRMAN. All right. Well, now, the bargaining would be done by whom?

Mr. HAMPTON. The bargaining would be done by an elected committee representing the producers.

The CHAIRMAN. And that would be agreed to when two-thirds of the farmers agreed to it?

Mr. HAMPTON. I do not believe that procedure is set forth in detail. It is set forth in much more detail under title I, the recommendations—

The CHAIRMAN. But you are against title I.

Mr. HAMPTON. Yes, sir.

The CHAIRMAN. So that is why—

Mr. HAMPTON. But this procedure is not as detailed in title II.

The CHAIRMAN. Well, if you strike title I out and you leave it dangling in the air to who's going to be the one to do the bargaining, how can you go about bargaining, because you have two sides, you have to have two parties, one who represents the farmer and the others who will handle the farmers' goods.

Mr. HAMPTON. There are provisions and procedures, administrative procedures under the Agricultural Marketing Agreement Act which would enable the Secretary to take some steps toward election of an effective producers' bargaining committee.

The CHAIRMAN. So that even though you struck title I from the bill, as you understand the law, there are now provisions to create a bargaining committee who could represent the farmers.

Mr. HAMPTON. There are now some discretionary provisions which would enable the Secretary to take appropriate steps toward the election of such a bargaining committee. We are recommending, also——

The CHAIRMAN. Why are you opposed to having the farmers say who shall represent them?

Mr. HAMPTON. We are not opposed to that. The marketing order legislation provides for programs which are operated by an administrative committee of farmers. These programs are intended to be farmers' programs. The purpose of the program and the administration of the program is to be carried out in accordance with the policies, established by these farmer groups through an administrative committee. And the Secretary is simply a supporting, and where it becomes necessary, an enforcing agent for those programs.

The CHAIRMAN. Well, assuming that growers of wheat would comply with the law as you envision it, and that two-thirds voted to proceed to the bargaining table, now, would it not be possible for the bargainers on both sides to be representatives of farmers?

For instance, you say you as a cooperative, as a handler, you represent a lot of handlers, so that you would be representing the same people, on the one hand, to vote for the order to permit bargaining agreements to be entered into?

Mr. HAMPTON. Yes.

The CHAIRMAN. And on the other hand, you would be the one to handle the goods for the farmer.

Mr. HAMPTON. This is conceivable, and this is the situation——

The CHAIRMAN. Well, it is not only conceivable, but if you give to the cooperatives the right to vote en-bloc for all of its members and you are a handler, as a cooperative, a handler—you represent both sides.

Mr. HAMPTON. There would be producers conceivably who are on both sides.

The CHAIRMAN. Sure, sure.

Mr. HAMPTON. This has happened, of course, and it has created difficulties in the dairy industry.

The CHAIRMAN. I know it has. I am familiar with it.

Now, assuming that they go through with their bargaining and two-thirds vote and then we are ready to do business. Now how will the wheat—assuming now we are bargaining on wheat—how will the wheat be handled and by whom?

Mr. HAMPTON. Physically handled, you mean?

The CHAIRMAN. No, no; I mean for sale, because the idea is to sell it at a better price so the farmers can get—that is the object of it, is it not——

Mr. HAMPTON. Yes.

The CHAIRMAN. So they can get a better price for their wheat? Now, assuming we have gone through all the legal formalities: Two-

thirds of the farmers have voted and a board is set up to do the bargaining, and then you have handlers to bargain with and supposing there is agreement made between the people who represent the farmers as a bargaining agent and then the handlers, what is the procedure after that?

Mr. HAMPTON. As I understand this procedure, it would be that the bargaining agent acts only to establish a contract or to establish an agreed upon price or other terms of delivery or trade which might be actually carried out between the individual producer and the handler, or it might be according to the terms of the agreement channeled through a producers' cooperative or any other group organization. It could go in a number of different ways, as I understand it, but the basic thing is that the bargaining agents could establish conditions of sale which would be carried out between the individual producer and the handler.

The CHAIRMAN. And he would be forced to handle this commodity in that fashion, whatever is agreed on between the agent and——

Mr. HAMPTON. That is correct, once that collective bargaining authority were established under this marketing order administration, he would be bound to that.

The CHAIRMAN. Now, would it be possible for the farmers to instruct their bargaining agents that wheat shall not be sold for less than, say, $2 a bushel?

Mr. HAMPTON. I have that distinct impression, it would indeed be possible.

The CHAIRMAN. So that if there were such a provision in the agreement, the bargaining agent could not sell under $2 a bushel, nor could the producer?

Mr. HAMPTON. You mean the producers bargaining agent could not reach an agreement that involved a price lower than that?

The CHAIRMAN. That is correct.

Mr. HAMPTON. This is my understanding.

The CHAIRMAN. And then it would be up to the agent to find somebody who would pay the $2?

Mr. HAMPTON. It would be up to that bargaining agent to find a buyer, a handler who would be willing to meet the minimum conditions that the farmers had indicated this bargaining agent should hold for.

The CHAIRMAN. All right. Now, you say that these handlers could deal with the farmers directly. Could the farmer sell for less than $2?

Mr. HAMPTON. No, sir; he could not.

The CHAIRMAN. And if he did?

Mr. HAMPTON. If he did——

The CHAIRMAN. If he sold for less, what would happen to him?

Mr. HAMPTON. He would be subject to civil penalties as already set forth under the Agricultural Marketing Agreement Act of 1937, and would lose any benefits from the marketing order. My understanding is that the farmer would be exempt from any criminal penalties.

The CHAIRMAN. Well, now, since you are a cooperative—you represent all cooperatives, do you not?

Mr. HAMPTON. A large majority of farmer cooperatives; yes, sir.

The CHAIRMAN. Yes. It strikes me that the cooperatives will be vitally affected in this procedure, because as I understand it, the cooperatives have been created for the purpose of getting the farmer a better price for the commodities he produces.

Mr. HAMPTON. Yes.

The CHAIRMAN. And now, we are building a superstructure, as I see it, over and above the cooperatives. It amounts to that. And I wonder if you could have someone in your organization—I guess you have some good lawyers in your organization; do you not——

Mr. HAMPTON. Yes, sir.

The CHAIRMAN. To discuss the points that I have raised and that we have been discussing or talking about——

The CHAIRMAN. As to the extent to which these bargaining agreements could be changed, the penalties that would result, and a full discussion, if they can, of how this will operate in the event that the Congress should see fit to pass an act such as the Mondale Act as is or with the amendments that you are proposing.

Mr. HAMPTON. Yes, sir.

The CHAIRMAN. Could you do that?

Mr. HAMPTON. Yes, sir.

The CHAIRMAN. OK.

(The material submitted for the record follows:)

NATIONAL COUNCIL OF FARMER COOPERATIVES,
Washington, D.C., May 13, 1968.

Hon. ALLEN J. ELLENDER,
Chairman, Senate Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

DEAR SENATOR ELLENDER: During recent hearings on S. 2973, the National Council expressed concern that commodity-wide group bargaining for farmers might create some difficulties which arise from farmer cooperatives' potential dual role of "handler" and "farmers' representative." We suggested that some way be provided, possibly through provision that existing cooperatives might act as a producers' bargaining agent if a majority of producers so desired, to resolve this problem. Bloc voting of a cooperatives' membership might be a step in this direction, but the language of S. 2973 does not spell out in sufficient detail how bargaining should be carried out to answer this point completely.

We appreciated the interest shown by you and the Committee on this matter of vital importance, and have given it further study as you suggested.

We believe that the language of Title II of S. 2973 would need to be expanded considerably in specifying how a bargaining agent or committee is selected, what its responsibilities and limitations are, and in indicating what bargaining procedures would be followed which are equitable to farmers, their existing cooperatives and other handlers.

The National Council believes that stronger bargaining can be a useful adjunct to other farmer efforts, but we are concerned over some views that bargaining alone may be able to bring farmers the market strength and improved incomes they seek and deserve.

Because of this concern, the Council recently issued a statement emphasizing the need for greater use of existing cooperatives to achieve greater farmer bargaining power. A copy of this statement is enclosed, and I would appreciate it if both the statement and this letter can be included as part of the hearings record on S. 2973.

Sincerely,

ROBERT N. HAMPTON,
Director of Marketing and International Trade.

"Farmers can break the barriers to better income if they'll fully mobilize the marketing power machinery they already possess."

So says the leader of a farm business group whose members represent more than half the nation's growers.

Kenneth D. Naden, Executive Vice President of the National Council of Farmer Cooperatives, said farmers received legal authority for effective group action in 1922, with the passage of the Capper-Volstead Act.

"That authority spawned a system of farmer-owned businesses that have grown to a size where today they can exert real economic punch. Yet the potential for broader marketing power remains largely untapped.

"Were farmers to resolve once and for all to make use of their cooperatives—for both marketing and supplies—they wouldn't need to be begging Congress for any major new bargaining authority.

"The promise of prosperity for farmers through price setting power alone is an illusion. The reality is that only through skillful marketing and control of his product from farm to store shelf, can the farmer improve his income and retain the power of decision making.

"Farmer-owned cooperatives provide the machinery for exercising this option. Some government help—in the form of marketing orders where needed—will still be required. And until farmers unite and take full command, the additional aids such as price supports and acreage diversion must be retained.

"But group action as practiced by operating cooperatives, rather than collective bargaining on the labor union model, offers the best long-run choice for farmers.

"Three choices are open to those concerned with agriculture's place in our economic pattern, and two of them are totally unacceptable both to farmers and consumers. Complete government control as a public utility is one. Domination by investor-owned corporations is another. Neither would serve the best interests of the nation.

"The third—and only logical choice—is for farmers themselves to maintain control of production and exercise more influence in the marketing and distribution of their products. They can do this through group action. A cooperative is the proven mechanism for doing it.

"Pure bargaining for price—even with the sanction of law—will yield limited results. Marketing orders approved by farmers and administered by the Federal Government add a little horsepower.

"But real market power can be assured only through integration of the basic steps of production and marketing, yielding profit to the farmer all along the way The operating cooperative offers the way.

"In poll after poll, farmers have indicated they want market power and they want to preserve the pattern of independently-owned farms.

"In current Congressional hearings, witnesses have testified and lawmakers have declared that through cooperatives, farmers already have the potential for substantial market power. All they need do is use it.

"To do this, farmers will have to relinquish a bit of independence. There is no question about that. They'll have to sign tight and binding contracts with their cooperative, committing themselves 100 percent to group action. A contract guarantees the marketer a source of supply and the producer a home for his products. Contract farming is rapidly replacing the old system anyway. It's only a question of who will write the terms.

"Today, farmers sell only about one-fourth of their products through cooperatives. Were they to double that figure, they would begin to exert real market influence Through their cooperative they could control supplies marketed, promote new uses for their products, find new markets at home and abroad and influence public policy toward food production.

"The decisive role in the future of agriculture seems destined to fall to cooperatives. They are well equipped to handle it, if their members will let them and if their leaders are equal to the challenge.

"Cooperatives are not restrained by partisan politics. Neither are they confined by the philosophy of any one farm organization, commodity interest or geographic limit. For half a century they have demonstrated a high regard for the public interest.

"If cooperatives are not moving aggressively enough, it is time for farmers to insist that they do.

"If public policies are not permitting cooperatives to grow rapidly, it is time for co-op leaders to insist that they do.

"If elected officials are not encouraging the growth of cooperatives, it is time for voters to insist that they do.

"Clearly, the public interest will not be served by letting food production fall into the hands of a few giant corporations Neither will the public interest be served by submitting to total Federal control of food production.

"There is a middle way, and that is to keep farming in the hands of individual farm operators and let them exercise control through the mechanism of a cooperative. It is high time we get on with it."

Senator YOUNG. Mr. Chairman, I suppose a time will come, especially if our farmers keep decreasing in numbers, when we will have only a few big corporations or a few big farmers doing the farming. There may come a time when these people could organize and pretty well control farm prices. At least it would be a lot easier to do this as farmers become less numerous. But my question is on a marketing order situation. I understand that now roughly a third of the grain that is marketed through the big grain exchanges is handled through cooperatives and probably two-thirds through commission firms.

That is roughly about it, isn't it?

Mr. HAMPTON. Yes, sir; I believe that is about right.

Senator YOUNG. How would a marketing order work then? Would you have to work with the commission firms and the cooperatives on the various exchanges?

Mr. HAMPTON. These negotiations could be handled, again, as I understand this proposal, between a bargaining agent acting for the producers, and we are suggesting that in all possible cases this bargaining agent be an association of producers, the farmers' own cooperative or a group of those associations, if the majority of producers so wish and that negotiation could then be held either with an individual commission agent or, more likely in the case of this commodity, with someone chosen by those agents to represent them.

Senator YOUNG. They could handle the negotiating through either a private commission firm or a cooperative.

Mr. HAMPTON. The producers?

Senator YOUNG. Yes.

Mr. HAMPTON. A cooperative or other elected bargaining agents would act on behalf of producers.

The CHAIRMAN. Well, then, it will be possible to have a group to represent wheat growers in the Northwest, some in the central part of the country, and some in the South and the East.

Mr. HAMPTON. This would depend upon the terms of the marketing order itself, Senator Ellender.

The CHAIRMAN. Well, I understand.

Mr. HAMPTON. If the market order applied only to the wheat producers in the Northwest and was established only for that region, then this procedure would be carried out on that basis.

The CHAIRMAN. Well, now, would it be possible for all of the wheat growers from all over the country to get together and establish a marketing agreement that would affect every part of the country?

Mr. HAMPTON. Yes.

The CHAIRMAN. And that is what I was assuming awhile ago.

Mr. HAMPTON. I think I can give an illustration that will clear up that point.

The wheat growers in, let us say, three or four important areas could have separate market orders under the present law because they might need different kinds of approaches to the marketing of their different products.

Let's say they're interested first in programs for diversion of surpluses. This is one of the terms for which a marketing order could be established. So we might have three different market orders for three different groups. However, farmers in all these areas may choose also to establish a blanket marketing order which is set up for the

purpose of broader collective bargaining and set up with those terms only. They could be conducting their own separate programs for such matters as surplus disposal or grade standards for their own special products. But, for purposes of bargaining on a stronger basis, they might wish to establish what we call a national marketing order which would include growers in all these areas.

Senator YOUNG. Wheat would be one of the more difficult commodities to deal with since it is produced in every State on the mainland of the United States.

Mr. HAMPTON. Yes, sir; it would.

Senator YOUNG. In addition to this, there are at least four or five distinct types of wheat.

The CHAIRMAN. Well, Senator, that is why I chose a commodity produced all over to see how it would work.

Senator YOUNG. You picked a good one.

The CHAIRMAN. Well, now, let us assume that the region that would apply for a marketing agreement would be where most of the wheat is grown, around Kansas, North Dakota, South Dakota, Nebraska, the central part of our country, and the other regions would remain silent. Can you visualize a situation whereby the establishment of one of these orders it will affect the the price of the rest of the wheat that is not under the marketing agreement?

Mr. HAMPTON. I think it might have some effects, yes. There could be some problems in this kind of situation.

The CHAIRMAN. Yes. Well, it would be possible for some of the wheat growers in other regions to sell just under the region that has a marketing contract, and they could dispose of their wheat while the other areas, that is, the area that has a marketing agreement, would be holding its own and not disposing of it.

Mr. HAMPTON. Yes, sir; that's possible.

The CHAIRMAN. And they would be a residual furnisher of wheat to the rest of the country or the world.

Mr. HAMPTON. Yes. They would greatly weaken their position in aiming——

The CHAIRMAN. Yes. Well, those are the pitfalls that we have got to look into and try to prevent. And it's a subject that has been kicked around for quite some time, but I don't think that any committee of the Senate or the House has actually seriously considered the complications involved in such agreements.

Mr. HAMPTON. These are very complex problems——

The CHAIRMAN. I know they are.

Mr. HAMPTON. That you touch upon.

The CHAIRMAN. I know they are.

Mr. HAMPTON. There are no easy solutions to them.

The CHAIRMAN. I know there are none. And I don't want us to be blamed for making a big mistake. And that's why I am hopeful you can get the best talent you have to go into this matter and discuss a little more deeply the points that we have been raising here this morning, not only me but the Senator from North Dakota as well as the Senator from Iowa.

Mr. HAMPTON. Yes, sir.

The CHAIRMAN. Because we want to try to do a good job with that. It's a new field, and I certainly don't want to jump in unless I know what we are doing.

Senator YOUNG (presiding). Why don't you proceed?

Mr. HAMPTON. I would simply like to make a few summary comments on our foreign trade concerns.

GENERAL

Our earlier discussions, I think, covered these main points, but I just want to emphasize that the national council is greatly concerned over protectionist actions and threats in both the United States and abroad and especially these activities that we have talked about in the European Common Market this morning which seriously hamper our opportunities for continued expansion of exports of U.S. farm products.

We have given strong support for the elements of Public Law 480 which do contribute to such market expansion abroad, and we would like to commend this committee for its prompt action in approving extension of that bill.

Mr. Chairman, I appreciate the opportunity of presenting these views here today.

Senator YOUNG. Well, you are a very good witness.

May I ask one other question. I wasn't here at the start of your statement.

Has your organization taken a position on the International Grains Arrangement?

Mr. HAMPTON. Yes, sir; we have.

Senator YOUNG. Are you for or against the arrangement?

Mr. HAMPTON. We favor this agreement.

Senator YOUNG. All right. Thank you.

(Mr. Hampton's prepared statement is as follows:)

I am Robert N. Hampton, Director of Marketing and International Trade of the National Council of Farmer Cooperatives. The National Council is a nationwide federation of farmer-owned businesses engaged in the marketing of agricultural commodities or the purchasing of farm production supplies, or both, and of 34 state cooperative councils. Our membership includes about 100 regional cooperatives which in turn represent some 5,000 local cooperatives and about 3 million farmer memberships. The organizations making up the Council are owned and controlled by farmers as the marketing and purchasing departments of their farm business operations.

The Council appreciates this opportunity to appear before the Committee, and I would like to comment today on several aspects of farmer bargaining and marketing strength as dealt with in the Mondale bill, S. 2973. I will also comment briefly on foreign export subsidies and other threats to our markets abroad for U.S. farm products.

Member cooperatives of the National Council have continually sought to reduce the problems of low farm income due to farmers' weakness in markets for farm supplies and farm products.

Disorderly marketing of agricultural commodities and products continues to be a widespread problem, however, due not only to weakness in negotiating, but also to supply fluctuations, problems of quality and perishability, and failure of farmers in some cases to avail themselves of group action instruments of self-help.

Not only do farmers need to make more extensive use of marketing cooperatives, but they should also be assisted in making more and better use of the kind of marketing order authority now available to certain commodities under the Agricultural Marketing Act of 1937.

The National Council strongly favors the expansion of marketing order authority to provide for any agricultural commodity to be eligible for marketing orders if a majority of producers so desire. The current policy of the Council is expressed in this statement:

Marketing Agreements and Orders.—Experience in recent years confirms the conclusion that legislative authority of the type contained in the Agricultural Marketing Agreement Act of 1937 has made a substantial contribution to the bargaining power of producers of specific commodities and thereby to maintaining and raising their income. The National Council favors legislation for the continuation and liberalization of the marketing agreement and order type authority to:

1. Provide for inclusion of additional commodities under the marketing agreement and order authority; and to specifically provide that fruits and vegetables for processing now excluded may make use of federal marketing orders and agreements whenever such orders or agreements affect the farmer-producers primarily and are approved by a majority of these producers affected. Whenever they regulate the processed product, such orders or agreements may become effective only upon the voluntary assent of a majority of the handlers affected, and should be administered jointly by producers and handlers.
2. Enlarge and clarify the authorization for agencies established under marketing orders to engage in or finance, within reasonable limits, research and/or market promotion activities, including any aspects of production which are pertinent to improved marketing, from funds collected pursuant to the marketing order.
3. Provide for the continuous operation of marketing agreements and orders despite short-term price variations where necessary to assure orderly distribution throughout the marketing season.
4. Provide for the expansion of this type of authority to encompass such geographic areas as are most desirable to carry out the intent of the order.

Furthermore, the following portion of a related policy statement reflects the Council's endorsement of "producer marketing orders" to be established by a two-thirds vote of producers as provided for in Section 608 c (8) and (9) of the Agricultural Marketing Act of 1937.

Federal Producer Marketing Orders.—The National Council of Farmer Cooperatives favors the development of federal enabling legislation to make possible the formulation of producer marketing orders and agreements to develop intra- and interstate and national marketing programs. These programs are to be based on producer initiative and approval through referendum by farmer-producers of the commodities affected, before the order can be adopted.

All regulations and projects initiated by these programs are to be effective up to that point where the producer makes delivery of his product to a handler. Such orders and agreements should enable producers to develop marketing programs in the following categories:

1. Grade, size and quality standards
2. Container standards
3. Promotion-advertising
4. Market service—merchandising
5. Research
    a. market statistics
    b. economic price analysis
    c. production problems
    d. handling and engineering problems
    e. new product development
6. Third party grading
7. Surplus control

These programs should be administered by the Secretary of Agriculture with the help and advice of the producers being regulated.

We accordingly urge that the Agricultural Marketing Agreement Act of 1937 be amended, as proposed in Title II, Section 201(1) of S. 2973, to provide that farmers be given the opportunity to establish eligibility for marketing orders for any commodity, by majority vote of producers. As we understand it, the establishment of the marketing order itself would require approval by at least two-thirds of the producers in a further referendum, through procedures which safeguard the public interest as already required by the Agricultural Marketing Agreement Act.

The need for farm commodity groups to have such broad enabling legislation which would permit their use of marketing orders for self-regulation of their own joint marketing operations was set forth very well in these words from a March 1968 editorial of *Broiler Industry* magazine:

"One suggestion (of S. 2973) that deserves isolation and study is an omnibus amendment to the 1937 Agricultural Marketing law which permits *any* commodity group to seek, at its own convenience, marketing order legislation.

"Responsible trade associations should not reject this feature of the Mondale Bill out of hand, using the pat excuse that it 'puts the government's foot in the door' for production controls.

"Rather they should view it as a method of keeping some options open—if and when we feel we may need some means of legally sanctioned production restriction.

"There is no need, at this time, to become emotional about the structure of a marketing order proposal. We may never need one. All that the Mondale Bill should propose—*or a substitute bill that may be tendered later by the Administration*—is that any commodity group can have a marketing order if it wants one . . . without making the mechanics subject thereafter to special action by Congress.

"In these days of 'consumerism', an urban dominated Congress will become increasingly critical of legislation that, in effect, will give producer-processors the license to increase the cost of food by restricting supply. To subject busy legislators to single interest farm proposals on a perennial basis is silly business at best; it may become impossible in the future.

"The intent of such an omnibus amendment should be to pass this standby option back to the respective commodity groups—beef, hogs, eggs, broilers, etc. Such legislation should shield any commodity group from irresponsible requests to the Secretary of Agriculture for a marketing order referendum.

"In other words, if ever we wanted to test such a proposal in our industry, we'd do it internally, instead of through Congress, and because most of us desired such action. We propose no more, no less, than that. To that point, at least, in the uncertain days that lie ahead, both in the mood of Congress and the structure of our own industry, omnibus enabling legislation would appear to be prudent insurance."

When they are well-conceived, well-supported and well-administered, marketing orders have done and can do useful jobs in allowing farmers to work together for improved marketing. Not only in such vital programs as surplus disposal, but in improved quality standards, research, promotion and merchandising, marketing orders have often complemented cooperatives' orderly marketing efforts—which in the long run benefit consumers and the entire agribusiness complex just as they do farmers.

Farmers deserve to be allowed to use marketing orders when they have developed the unity of purpose and strength of organization needed to make such orders successful instruments of self-help. This proposal of the Mondale bill should be given special consideration, as a means of providing another "strategic reserve" self-help measure which can be considered or used without undue delays by commodity groups which may be suffering acutely from some of the ills of disorderly marketing.

The National Council also favors the Title II proposal of S. 2973 that procedures for collective bargaining be established as one of the activities which may be administered under a marketing order. As we understand it, this would require "bargaining in good faith" procedures between elected producer committees and designated handlers or groups of handlers, but would not establish an ultimate or compulsory price-fixing authority. We suggest that the language of Section 201(5) of S. 2973 be amplified to permit an association of producers to act as the producers' bargaining agent if a majority of producers so desire.

Other provisions of Title II of S. 2973 would appear to generally strengthen the steps which producers might choose to take in order to improve their bargaining position. Pooling of prices for commodities for various processing uses is a desirable step as marketing order authortiy is expanded to cover more commodities which are used for various kinds of processing. Designation by species as well as grade or other quality differentials becomes more important as livestock or other commodities may be made eligible for marketing orders.

More specific authorization for applying quantity allotments which any producer may be allowed to market appears to be a change in degree only, as the

1937 Act already specifies that handler purchasing allotments "shall be apportioned equitably among producers."

The proposal for mandatory collective bargaining procedures through a National Agricultural Relations Board, as outlined in Title I of S. 2973, appears to be too sweeping for acceptance by farmers and the agri-business community at this point. The more gradual and voluntary approaches of cooperative action and marketing orders seem to be more appropriate at this point for stepping up our search for more orderly marketing methods to serve consumers better and reward farmers more equitably. At any rate, the provision for price-fixing without a correspondingly high degree of control over market supply could prove to be impossible to administer effectively. Until farmers are indeed ready to impose upon themselves more voluntary group restraint to "administer" output (and thereby prices) as many industries do, this approach could not be an effective remedy.

FOREIGN TRADE PROBLEMS

The National Council wishes to express special concern over the current proliferation of foreign trade barriers which are hampering opportunities for continued growth of U.S. farm exports, in contravention of the principles of the General Agreement on Tariffs and Trade. We also deplore the evasion by foreign exporters of legally established procedures for imports into U.S. markets, as in recent disruptive inroads into our domestic markets for dairy products.

One current case of flagrant use of export subsidies is the Australian support program for canned peaches, which is seriously damaging important European markets for U.S. exports. While efforts are being made by U.S. trade negotiators to relieve this problem, little progress is being made.

Serious barriers also continue to be erected by the European Common Market against poultry, fruit, grain and other U.S. exports. A series of variable levy devices are widely used, and the National Council has joined with other U.S. farm groups in vigorously opposing these measures which arbitrarily and unfairly restrict the expansion of international trade.

Increasing use of new and cumbersome import regulations for fruits and other products are another of the trade hampering devices which cause the EEC system to be increasingly known as a "bureaucratic nightmare." Arbitrary changes, without notice, in European levies or import regulations, are also very damaging barriers for U.S. exporters.

Remedies for these problems of great importance for U.S. agriculture must be sought, through more effective GATT or other negotiations and through improved trade expanding legislation. We believe that imposition of a series of U.S. import barriers at this time would not be the appropriate solution, however. Such a move would undermine GATT still further and step up the threat of a runaway trade war at the expense of all major trading nations.

While we realize that some of the steps toward solutions of these problems are not the direct responsibility of this Committee, we feel that you should be aware of our deep concern over these threats. We have consistently endorsed the P. L. 480 program for its important export expansion benefits, and wish to commend the Committee for its prompt action in approving the extension of this program. These and other export expanding efforts should be stepped up at the same time we intensify efforts to reduce trade barriers to U.S. products in foreign markets.

Thank you, Mr. Chairman and distinguished members of the Committee, for the opportunity of presenting our views here today.

Senator Young. The next witness is my old friend, Glen Hofer of the National Association of Wheat Growers.

You may proceed to either read your statement, or summarize it and put it in the record, whichever you want.

STATEMENT OF GLEN HOFER, EXECUTIVE VICE PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS

Mr. Hofer. Yes, sir. My written statement is rather brief, and it is all about the 1965 Farm Act. I have some other information about the wheat approach to the marketing order. When Senator Ellender comes back, he may have some questions on that.

Senator YOUNG. Yes.

Mr. HOFER. But I will go ahead with this statement.

My name is Glen Hofer, and I am executive vice president of the National Association of Wheat Growers.

WHEAT

Our association, at its recent national convention in Wichita, Kans., reaffirmed its strong support for the provisions of the Food and Agriculture Act of 1965.

We feel that our support has been justified by the virtual disappearance of the wheat surpluses which plagued us for so many years—and by the popularity and practical usefulness of such producer options as the substitution clause and the overseeding privilege.

We are convinced that the administrative tools embodied in the 1965 act comprise the most effective program yet devised to govern the production and marketing of U.S. wheat.

In reviewing program provisions at Wichita, the association advocated that:

1. A full parity price be sustained for domestically consumed wheat in any future wheat program.
2. An export certificate to cooperators be established.
3. The substitution clause, permitting the substitution of wheat and feed grain acres be continued and realistic adjustments be made for present inequities in feed grain bases.
4. Wheat allotments be adjusted each year after careful estimates are made in order to keep production in line with domestic and export requirements to prevent the building of excess stocks.
5. The U.S. Department of Agriculture make advance payments on certificates due wheat farmers cooperating in the program.
6. The USDA continue its effective policy of keeping U.S. wheat competitive in the world market through use of export payment.
7. Provision should be made for increased diversion payments for land devoted to permanent or rotation grass mixtures.
8. No farm should have its allotment base or projected normal yield reduced more than 5 percent in any one year due to natural disaster such as drought, hail, insects, and flood.
9. Farmers should not incur penalties for acting on incomplete or inaccurate information supplied through official USDA channels.

In addition to the preceding recommendations, the National Association of Wheat Growers is strongly in favor of the establishment of strategic commodity reserves as a part of the farm program. We have submitted a proposal for such reserves to Senator Holland's Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices. The proposal, if passed, we feel would insure our country of adequate reserves in emergency, reduce the tendency of the Secretary of Agriculture to plan allotments in order to make certain of wheat production on the safe, high side, and give assurance to our world wheat customers that we aren't going to run out when they are depending on us for supplies. Insulation of the major part of the reserves from the marketplace would reduce the depressing effect any extra stocks would normally exert. We hope favorable action will soon be taken.

Aside from the foregoing review of the program provisions, there are two major points we would like to make before your committee.

The first is a reminder of the crucial battle that the farmer is waging—and losing—to keep spiraling input costs from consuming his financial base. The much heralded U.S. farmer efficiency which has produced bargain grocery prices for the U.S. housewife and enabled the United States to take a leading role in feeding the hungry world has been expensive to us as individuals. All of our production costs—chemicals, fuel, tires, machinery, repairs, labor—are up sharply. Real estate taxes and interest rates march steadily upward. Our personal cost-of-living items—clothing, medical, education, utilities—all are up. Wheat prices? The national farm gate price for wheat during the 1967–68 marketing year is anticipated to be around $1.43 per bushel. Recent production cost studies in widely separated wheat producing areas (Oregon and Nebraska) have indicated that those farmers surveyed are spending $1.40 to $1.50 per bushel to raise wheat. Profit margin? Without the dollar returns from domestic certificates there is little or none.

We do not believe that the price weakness can be construed as an indictment of the entire farm program—as some would use it. Without the program there would be no certificate and there would be no way to keep a checkrein on our overwhelming production capability. We believe it simply points up the fact that a particular effort should be made to see that any extension of the 1965 act includes provisions to strengthen producer income.

The second point concerns the timeliness of legislative action on an extension of the present law. Although the present legislation regulates the production and marketing of the 1969 crop, it should be remembered that the 1970 winter wheat crop starts early in 1969. The planning of crop rotation, fertilizer application, and tillage practice has to be completed by early spring. Actual field work on the seedbed to be planted to wheat in the fall starts in March or April. Credit arrangements for operating expenses—and it is a rare farmer who is not on credit—must be made early. The decisions concerning the 1970 crop will have to be made by the farmer—and the banker—within the first 2 or 3 months of the next congressional session. With the almost certain prospect of a new President, new Agriculture Committee assignments, new members in both the Senate and House, it is very unlikely that there would be the inclination to move swiftly on major farm legislation in 1969.

The National Association of Wheat Growers therefore, urges an extension of the 1965 Food and Agriculture Act and further urges that the necessary action on the extension be taken during the second half of the 90th Congress.

Thank you, Mr. Chairman.

Senator YOUNG. Yours is a very good statement, and I think you represent the thinking of farmers. I agree with you that farmers are in a difficult situation. They could hardly be otherwise with the prices lower today than they were 20 years ago and the cost of production rising every day to new record-high levels.

If a vote were taken among wheat farmers today to abolish or lower the present $1.25 a bushel price support loans, what do you think the result would be?

Mr. HOFER. I think it would be a negative vote to abolish or lower it.

- Sentaor YOUNG. How many percent? How many wheat producers would vote to abolish $1.25 price supports?

Mr. HOFER. I think a high percentage, Senator. I would hesitate to name a figure.

Our association, as you know, represents the commercial wheat States, but there is a great deal of wheat that is raised on highly diversified farms in areas, and we don't talk to those people as often as we do the commercial wheat farmer. Amongst our people I would say the vote would be 70 or 80 percent against abolishing the support price.

Senator YOUNG. Would the same be true of the wheat certificate payments? If there was a vote taken among commercial wheat producers as to whether or not we should abolish wheat certificate payments what would the outcome be?

Mr. HOFER. You would approach 100 percent. They would just be voting against any net profit they are making now?

Senator YOUNG. I think you are correct.

Has your organization taken a position on the International Grains Arrangement?

Mr. HOFER. Yes, sir. We have Allen Tom testifying today in favor of the ratification of the International Grains Agreement.

Senator YOUNG. Mr. Hofer had some observations regarding some questions you raised on farmer bargaining awhile ago, Mr. Chairman.

Mr. HOFER. Yes, sir; on the Mondal bill.

The CHAIRMAN. Yes.

FARM BARGAINING

Mr. HOFER. And cooperative bargaining. Our association has viewed this as something we are very interested in. We would like to see an omnibus bill which would allow commodities to seek this kind of legislation. As a practical matter, we could not see its application right now to wheat as a commodity because of many of the problems that you outlined when you were talking to the previous witness. Wheat is grown all over the United States. It would be very hard——

The CHAIRMAN. Well, what commodities can you foresee that would come within the purview of the act?

Mr. HOFER. Yes, sir. I think the commodities such as eggs, or commodities which are used domestically and speak to a smaller area of consumption where the bargaining could be centralized enough to be effective.

The CHAIRMAN. You mean in one area?

Mr. HOFER. Yes.

The CHAIRMAN. Well, wouldn't it be possible, though—let's take eggs—to fix the price of eggs in one region at, say, a minimum—let's say 50 cents a dozen, and the next one might fix it 40 cents. That would be possible, wouldn't it?

Mr. HOFER. That would be possible.

The CHAIRMAN. And eggs are sold all over the country.

Mr. HOFER. Yes, sir.

The CHAIRMAN. They don't produce enough in one area to feed all the people of that area, and a lot of them are shipped in.

Mr. HOFER. That's true.

The CHAIRMAN. And I can foresee a lot of difficulty there, don't you see?

Mr. HOFER. Oh, yes, sir. Another thing about wheat, about 60 percent of it goes into export trade and 80 percent is raised under production control of Government programs. We just don't see the application right now.

There is one point I would like to make because it bears on something you asked.

Ten of our commercial wheat States have sought State legislation, permissive legislation to allow them to set up a quasi-State agency to tax themselves to have promotional activities, to do production research and things like that.

So we are approaching the idea, and it has worked and our people are enthusiastic about it. But we just haven't seen its application to cooperative price fixing or things like that in wheat.

The CHAIRMAN. Well, now, would you want this to apply to milk and dairy products?

Mr. HOFER. We like the idea of producers getting together in cooperative bargaining.

The CHAIRMAN. Well, the milk people can do that now if they use the law, as I interpret it.

Mr. HOFER. Yes, sir.

The CHAIRMAN. Because I authored it, or coauthored it way back, and the idea was, as I saw it, to protect the producers of milk for direct consumption, but somehow they came in with the blend price.

Mr. HOFER. Yes.

The CHAIRMAN. So that in the milk shed in Chicago, let's say, only 39 percent of the milk that was produced in that shed went for direct consumption and the rest to make cheese and butter. And there was no need of having the farmers to go to the big expense of producing this milk under the conditions that they had to under the original law. And what they do there is to take the price of class I milk as fixed by the Secretary, the minimum, and then the manufacturers' price, add that together, divide by 2, and that was the price received. And I think that's been the trouble in a good many areas where milk is produced and where the farms are not making ends meet. And if we would use the laws on the statute books that we now have in keeping with the way we thought it would be handled, I don't think the milk people would be in the trouble they are in now.

Now, even though there is a law on the statute books now by which the milk producers could protect themselves, would you advocate that this bargaining, that the bargaining intended under this new law be extended to the milk people? Wouldn't there be a conflict there?

Mr. HOFER. There perhaps would. I must confess that my background in the milk market orders is not extensive. I think that the previous witness made a good point in saying that we get an omnibus bill now, that individual commodities could seek this order, and it would be useful because it's a very good reasoning, I believe, that urban-oriented people are not going to be sympathetic toward this increase as years go on.

The CHAIRMAN. Well, as I said, I am not too familiar with the way that the Mondale bill would operate or what the President has advo-

cated. But I can see conflicts that will take place in respect to commodities that can now be protected under the law.

In other words, you are going to make it so that they can go under two laws instead of one.

Mr. HOFER. I see your point.

The CHAIRMAN. And repeal the other. So those are questions that I think will need deep study, especially by people who have the exerience who can point out the pitfalls that may happen in the event that we do pass such a law.

Mr. HOFER. Yes, sir.

Senator YOUNG. Mr. Chairman.

The CHAIRMAN. Yes, sir.

Senator YOUNG. I think it would be easier to operate with some commodities, say, flax, which is produced in a relatively small area, malting barley or Durum wheat, or something like this. It would be different than all wheat, some classes of which are produced to some extent in every State on the mainland of the United States.

Mr. HOFER. It would be very hard to pass a referendum all over the country, I am sure.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Mr. Goeppinger.

Senator MILLER. Mr. Chairman, I would like to say that Mr. Goeppinger is from my home State of Iowa. He is president of the Corn Growers Association and a longtime friend of mine. I am sure what he has to offer the committee will be very helpful.

The CHAIRMAN. Very well. That's the kind of man we want around, somebody to tell us about this law.

STATEMENT OF WALTER W. GOEPPINGER, PRESIDENT, NATIONAL CORN GROWERS ASSOCIATION, BOONE, IOWA

Mr. GOEPPINGER. Well, Senator, we appreciate being invited here, and I think our testimony will be somewhat redundant, according to what you said this morning. We are directly supporting the 1965 Farm Act, and if you will permit, we will go right into our testimony.

The CHAIRMAN. Proceed.

Mr. GOEPPINGER. I have with me the director of the National Corn Growers Association, Mr. John Curry, from Victoria, Ill., who is going to say a few words on the financial side of the corn picture in addition to what I have to say.

National Corn Growers Association wishes to thank the Senate Committee on Agriculture and Forestry for giving us the opportunity to testify before you relative to U.S. Government farm programs now in effect relating to feed grains and regarding suggestions for their improvement in the future.

This testimony will cover the following subjects:

(1) Corn's position in the U.S. economy.

(2) Extension of 1965 Farm Act.

(3) Strategic reserve as an adjunct to the extension of the 1965 Farm Act.

(4) Extension of present conservation reserve contracts.

FEED GRAINS

1. Corn's position in the U.S. economy.

Corn is by far and away the largest crop raised in the United States and has the greatest dollar value. The 1967 crop of 4,700 million bushels is valued at $5,100 million by USDA. Wheat in second place was 1,500 million bushels with a value of $2,154 million, and soybeans at almost 1 billion bushels had a value of $2,400 million. So what happens to corn is extremely important to the Corn Belt and the economy of all the United States. Of all the various U.S. industries, farming is by far the largest—first in workers, first in spending for equipment, first in assets and second in income.

In addition, corn along with grain sorghum is our largest foreign earner of hard-dollar exchange. Of the approximate one billion bushels of feed grains exported, corn constitutes about 80 percent, and of that 95 cents out of every $1 of corn shipped overseas is sold for hard dollars. The importance of U.S. corn exports is underscored by the fact that 1 out of every 6 acres produced is shipped to destinations outside the United States. We produce half the world's corn each year and account for one-half the world's export of it.

United States corn is the basis of our high protein diet of meat, milk, and eggs in the United States, and is now bringing this wonderful diet to much of the rest of the world too.

2. Extension of the 1965 Farm Act.

National Corn Growers Association considers it of utmost importance that the 1965 Farm Act be extended by Congress this year. The feed grains section of this act provides for voluntary compliance in a program that adjusts supply to probable market demand but still is not so restrictive as to cause the ultra "freedom conscious" farmers to rebel. However, the majority of corn farmers realize that we must have a feed grain program that provides flexible year to year controls of supply. Even though voluntary, the act is binding enough to have a predictable influence on total supply. The following two paragraphs concerning 1968 signup describes this.

No one can deny that farmers like the voluntary feed grain program. This is evidenced by the fact that 1,497,000 farmers signed up for the voluntary feed grain program this year—an alltime record. Of the 81-million acre national corn base, 58 million acres are on the farms that are signed up or approximately 73 percent are thus participating.

About 8-million acres of milo will be diverted and around 26-million acres of corn this year. This means that approximately 32 percent of the Nation's corn base has been contracted for retirement in 1968. This will assure some drawdown of our excess corn stocks unless the disturbed international monetary picture creates a sizable drop in exports. However, with exports having held up very well the first half of this year it looks as though we are going to have another record corn export year.

The importance of extending the act this year is great because of the interplay of the feed grain and wheat segments of this law. In most of the Corn Belt, wheat is an important crop and, as you know, there is a substitution clause allowing feed grains to be planted on wheat-allotted acres. In the vast dry land areas of the United States where following of the land the year before is practiced, farmers must

know well in advance of the 1968 fall planting season for winter wheat what the program will be for 1970. If we do not have extension of the present act this year the whole picture will be garbled by the necessity of a national wheat referendum in March of 1969. This would force Congress into an unnecessary rush job on farm legislation.

National Corn Growers Association believes that the voluntary feed grain law has worked very well. Some people condemned its operation in 1967 because of recent low corn prices. These were caused by strong pressure to completly do away with all restrictions on 1967 corn planting. As a result, the maximum amount of compliance was set at only 20 percent of diversion in 1967 versus 50 percent in the previous 6 years. This brought about the smallest diversion of feed grain acres in the 7-year period. As a result, larger domestic supplies came about in 1967. At the same time good weather brought large crops overseas too. In 1966 the United States, like the rest of the world, was caught up in the world famine scare and, as a consequence, the production faucet was opened a little too far. This proved that we need to have a feed grain supply-management program. If we had no U.S. Government feed grain program at all and the acres now diverted were brought into corn production, we could easily produce 7 billion bushels of corn annually. This is about 2½ billion more than the market we have today, both domestic and export, can absorb.

Now, here is an impirtant point that I feel very few people realize, and that is 7 billion bushels is more corn than we can sell or even give away with our present marketing and transportation structure. There just aren't enough trucks, railroad cars, barges, and handling facilities at ports to take care of a 7 billion bushel crop. Responsible agricultural economists continue to state that for the foreseeable future we can easily furnish our own and world markets with all the corn that is needed. We call upon the 90th Congress to extend the 1965 Farm Act beyond 1969 by eliminating the termination date in the present act.

The CHAIRMAN. Before you continue, is this the consensus of the people in your area, that we extend the act as is?

Mr. GOEPPINGER. Yes, sir; it is.

The CHAIRMAN. Are you speaking for the corn people only?

Mr. GOEPPINGER. In this morning's discussions, I think that's all we should speak for, Senator.

The CHAIRMAN. Well, yes. We had quite a discussion with the Farm Bureau. Of course, they are opposed to the bill.

Mr. GOEPPINGER. I am aware of that.

The CHAIRMAN. And I am just wondering what percentage of the corn growers in your area is represented by the American Farm Bureau.

Mr. GOEPPINGER. I think that the Farm Bureau people would represent about a cross-section of compliance in the Corn Belt. And we are going to have this year, for instance, in Iowa approximately 68 percent of the farmers participating in the 1968 program.

The CHAIRMAN. You mean number of farms?

Mr. GOEPPINGER. Number of farms, yes.

The CHAIRMAN. Now, what——

Mr. GOEPPINGER. I will answer your question about the Farm Bureau. Many of these people are Farm Bureau members, and many,

many people who are Farm Bureau members participate in the voluntary feed grain program, every year.

The CHAIRMAN. Now, what percentage of the corn produced is represented by this 68 percent.

Mr. GOEPPINGER. Of the corn produced—68 percent of the corn farmers are participating in the 1968 voluntary feed grain program.

The CHAIRMAN. 68 percent—corn farmers.

Mr. GOEPPINGER. Right.

The CHAIRMAN. Well, what percentage of the corn grown does that represent?

Mr. GOEPPINGER. That is going to represent around 50 percent—58 million to 81, or 73 percent.

The CHAIRMAN. Of the corn grown.

Mr. GOEPPINGER. Right.

The CHAIRMAN. Now, is that for Iowa only?

Mr. GOEPPINGER. No, this is for the Nation.

The CHAIRMAN. Oh, the Nation.

Mr. GOEPPINGER. I will repeat—just at the moment I read that you were looking at something over here—of the 81-million acre national corn base, Senator, 58 million acres on farms that are signed up this year.

The CHAIRMAN. I see.

Mr. GOEPPINGER. Or about 73 percent. So this shows that there is a high percentage of people who think this program is valuable and need to participate in it to make our economy in the Corn Belt work.

The CHAIRMAN. Well, now, we may have a little trouble because one of the—there has been some view expressed that we should curtail the cost of this program.

The program, for instance, in 1968 cost the taxpayers just on corn and other feed grains, but primarily corn, $1,540 million.

Mr. GOEPPINGER. I am aware of that.

The CHAIRMAN. Now, have you any suggestions as to how we can decrease that cost?

Mr. GOEPPINGER. No; I don't. But I would like to point out that the U.S. food consumer is only paying 17 percent, 17$\frac{6}{10}$ percent of the after-tax income in the United States for food, and a lot of that is accounted for by corn in one form or another. And this is the lowest of any country in the world.

Europe by comparison, the next area of high standard of living, is paying out about 30 percent, and Japan, with a very high tension economy coming along in great shape, is paying out 46 percent.

The CHAIRMAN. I am familiar with that.

Mr. GOEPPINGER. Food is a real bargain in the United States to the consumer. And if we add $1,500 million to the cost through the corn program, I think it is a pretty cheap price for a very efficiently raised crop that gives them cheap food.

The CHAIRMAN. I understand all of that, and I am familiar with the figures that you have cited; but we have to sell a bill of goods to the Senate. And you have many people in the Northeast—Senator Ribicoff, for instance, has a bill here that would do away with supports altogether, as I understand it. Now, of course, I am not to be counted in that category. But to be frank with you, this program has cost the taxpayers a good deal more than I anticipated.

When we put the 1965 act on the statute books, I think the record will show that some folks thought that by the end of 4 years the supply would be in balance with demand and that the farmers would more or less look to the marketplace for their prices. But it don't seem to work that way.

Mr. GOEPPINGER. It isn't going to work that way, either.

The CHAIRMAN. And we may have a problem—I don't mean to say now that we will lose out, but we may have a lot of questions to answer. And when you proceed to admit that the program for 1968 cost over $1.5 billion, that is quite a heap of money, and with money as tight as it is now you can, I am sure, see what we are up against.

Mr. GOEPPINGER. Well, this is, of course, a broad subject to discuss, but if we do away with and overstimulate the production in total number of farmers, it's just going to complicate the problems of the cities. It's going to complicate the problems of Main Street. I am sure that the Senators and Representatives in this Congress from the country districts of the United States recognize the importance of the strength of the banks, the implement dealers and all the people that are up and down Main Street in the small towns that depend upon the farm.

Now, if we hasten by reducing farm income the liquidation of the farm country as we know it today, we are going to have problems that will cost a good deal more than $1.5 billion a year.

And I would like to point out that the depletion allowances that are granted to the minerals people and the tax credits that are granted to industry are very sizable and comparable to the figures which you quote, and that there are many areas of the U.S. population that receive subsidies of various kinds that make our economy tick and do better than it would otherwise.

There are good reasons for all of these things that we have here in the way of help from the U.S. Government, and I think that we have sound reason to believe that the aid that has been given to feed grain growers has been really helpful to the economy of the United States rather than derogatory toward it. I believe it's money well spent.

The CHAIRMAN. Of course, aside from corn, we have wheat and other commodities that will make this figure come up about $5 billion a year.

Mr. GOEPPINGER. Right.

The CHAIRMAN. And you can see the problems we may be facing with an economy-minded Congress.

Mr. GOEPPINGER. And this is one reason that we think that the extention of the 1965 Farm Act, without trying to change the face of it in any way, shape or form, an act that's worked well so far as we believe agriculture is concerned up to the point where they opened production faucet a little too much in 1967, should be left alone and not tampered with. If it's extended in its present form, we will be better off than if we try to change it.

The CHAIRMAN. Well, of course, we haven't had any suggestions yet as to how to change it, as I said awhile ago, except in a very minor manner. And I am tempted to disagree with you about getting that this year. We are holding these hearings now and hope that come next January we can enact that law without any trouble in a very short period of time. These hearings will form the basis of the bill that we are going to present to the Congress early next year. And it is my

hope that in the fall we can get all of this evidence from the grassroots put together, and then get the Department's idea on it and analyze all of that, and by the time the 91st Congress convenes we will be able to put before the Congress, within a matter of a few weeks, a bill in order to extend the act.

Now, it is my belief that this bill should be extended for maybe 3 or 4 years or more, and the administration is asking for an indefinite period. What's your view on that?

Mr. GOEPPINGER. I would say this, Senator, that we would honor your judgment on this matter; that you have a long tenure of experience in this task here as chairman of this committee. We have admired your work for many years and appreciate it. We probably haven't said so as much as might have, but, nevertheless, we know that you have a very keen mind on many facets of agriculture, and if you think this is what ought to be done, why we certainly would not resist it in any way, shape or form.

The CHAIRMAN. Well, you know, after you put an act on the statute books and it works well, it's really hard to change it.

I can well remember in the case of wheat, somebody stuck an amendment in the wheat bill in 1937 or 1938 whereby the Secretary of Agriculture would have no authority to reduce the wheat acreage under 55 million acres.

Mr. GOEPPINGER. I recall that.

The CHAIRMAN. At that time the production of wheat was about 11 and a half bushels per acre, but when it got to 26 we were stuck with the 55-million-acre minimum, and that's why we had so much wheat grown. And it took this committee 7 years to effectuate the change.

So that's what prompts me to say that I believe that what we ought to do is to try this bill for another 4 years, and, of course, if it works well we might be able to change it permanently later on. But I would hesitate to do it now until we have a thorough going over.

Senator MILLER. Mr. Chairman.

The CHAIRMAN. Yes, Senator.

Senator MILLER. I would like to make the point that I thoroughly agree with Mr. Goeppinger on the amount of the cost to the taxpayers of other areas of industry. This is the reason why I have voted for the appropriations bills ever since I have been here. But I think I ought to make this point, and that is while there has been a pretty good signup I don't believe that it's been as strong in my own State of Iowa as it has been for the overall corn base acreage in the Nation.

I have talked to a good many farmers who signed up. That doesn't mean that they like the program. It means that they think it's better than nothing. And I don't believe there are very many farmers out in Iowa who don't think we should have a farm program, but I would suggest that the mere fact of signing up does not mean that they like the particular program. They think it's better than nothing, but they would like to see some improvements.

Now, about 3 years ago, Iowa State University conducted a computerization program through their economists showing what various types of farm programs, including this one, would result in, as far as costs to the Government and as far as farm income is concerned. There are other programs besides this one which will cost no more to the taxpayers and which, in some cases, will result in more income to the farmer, according to their survey.

I have asked Iowa State to update this survey, and I am hopeful that they will have it done by late this year. It would help guide this committee in determining what to do about a follow-on feed grain program. But even Secretary Freeman at the time of the President's farm message over in the White House agreed that there may be some improvements that can be put into this act. And I think we ought to very seriously consider those because there is great unrest in the agriculture community over the present situation as far as net farm income is concerned, especially last year with the substantial decline in net farm income.

The CHAIRMAN. Well, of course, all of us—I know I have been struggling here for many, many years now to help the farmers to the extent of my ability in seeing that they get their just share in our economy, because except for the farmers our whole economy would die on the vine. A good many people don't seem to realize that, but the only criticism that I have had up to now of trying to improve this bill is to provide more money. That seems to be the cry. And if we go and change it as to be more liberal than we have been in the past, I think we are going to meet with some difficulty in the Congress.

Senator MILLER. Well, all I can say to the chairman is that that Iowa State survey of 3 years ago, which I think has been cited by the Secretary of Agriculture on several occasions, could show that there are varieties of land retirement programs and the like which can cost no more and possibly a little less and can result in improved farm income. Whether or not the updating of this will show the same thing, I don't know. I would guess that it will. But I am hopeful that we will have that by the year's end. And it will be very well done. I am sure Mr. Goeppinger is familiar with the work they do up at Iowa State, and I think it's about as good as any we can get. And usually they bring in other economists from other land-grant colleges to check each other out.

I got a letter from the president of the university not long ago indicating that they were ready, willing, and able to do all they could to update these figures and improve upon them so that we will have a research job done in depth on the various combinations.

As I recall, they had about 15 different types of farm programs which they computerized out. And I think it will be very helpful to the committee, but they won't have it ready before the fall, I'm afraid.

The CHAIRMAN. Well, it was my thought that something might be done along these lines. I am familiar with what a lot of farmers have done since this act has been on the statute books. Some of them never expected to raise corn, but because you have an attractive program they have gone into the corn business, you see.

Senator MILLER. That's right.

The CHAIRMAN. They have put a few acres into production and have gotten paid by the Government for that. And I think we ought to stop such things as that.

Mr. GOEPPINGER. Of course, this is very difficult in our area to do because you have to have a history of corn production prior to the program in order to get any payments at all.

The CHAIRMAN. Well, I understand that, but we could get the Department to tighten up on that, you see, because I know that a good many were enticed to go into the business, and they did go into it. Of

course, they had a corn history, you understand, but they grew about 20 bushels per acre and they got more money by not planting than planting.

Farmers, to me, are very smart. They are very able. They can take their pencil, take and sharpen their pencil and sit there and dream at night as to how much they can get by pursuing this program rather than this one, you see. And I don't blame them for it. But it's under a law with Uncle Sam paying the bill.

Mr. GOEPPINGER. Programs are designed so that you have to think of all the alternatives.

The CHAIRMAN. You may proceed, sir.

COMMODITY RESERVES

Mr. GOEPPINGER. I want to discuss the possibility of a strategic reserve for a little bit with you as an adjunct to the extension of the 1965 Farm Act.

The CHAIRMAN. Well, now, before you start that, you know what caused us to change this law and what gave birth to this bill is the fact that you had so much on hand at the time. As I remember it, you had 85 million tons.

Mr. GOEPPINGER. Of feed grains.

The CHAIRMAN. And now, in my opinion, since that gave birth to this act, I don't want to put anything in this act so that it would revert to that. I think we can keep enough on hand by way of surplus, that is, carryover, rather than lock it up and let it dangle over the market there and depress the price of corn or wheat.

Mr. GOEPPINGER. Well, our invitation to appear before you included the coverage of subjects that relate to the feed grains program.

The CHAIRMAN. Yes.

Mr. GOEPPINGER. And I will cover this, and if you don't see eye to eye with us on it, why that's fine. We just want you to know what our views are.

The CHAIRMAN. Very good.

Mr. GOEPPINGER. If the Secretary of Agriculture had had a strategic reserve in existence when planning the total amount of acres to be diverted from corn for the 1967 season, he would not have had to open the production faucet as far as he did in 1967 to feel that he had a safe supply of feed grains, wheat and soybeans. We suggest a three-segment strategic feed grains reserve structured by:

(1) A U.S. Government-owned reserve of 600 million bushels of feed grains. This would be usable only in the event of natural disaster, adverse food production conditions for one or more years, military action, and to assist other patrons of the world in any food emergency. Present uncommitted stocks of CCC-owned feed grains would apply toward these goals. On February 1, 1968, there were uncommitted CCC stocks of feed grains totalling about 350 million bushels made up of 137 million bushels corn, 191 million bushels grain sorghum, and the balance composed of barely, oats, and rye. CCC would make open market purchases to bring the Government-owned total up from the present 350 million bushels to the suggested 600 million bushel level. The Secretary of Agriculture and President could only remove grains from this reserve to meet national or international emergencies and

then only sell same at parity for the grain, less any price support differentials in existence (in the case of corn—parity of $1.61 bushel minus 19 cents present adjusted price support—sale price of $1.42).

We suggest a safety valve in this segment of our reserve proposal and it relates to the above. If in any marketing year USDA determines that the estimated production from feed grains will exceed estimated domestic and export needs by more than 10 percent, the reserve under this Government-owned portion could be increased by another 300 million bushels (from 600 million up to 900 million). However, subsequently, it could be resold in another year when grain stocks were pulled down by production adjustments, at a price not less than 115 percent of the loan plus storage and interest (roughly $1.25 per bushel for corn currently).

(2) The second segment of the suggested reserve is that USDA will offer to enter into 2- and 3-year agreements with farmers under which farmers agree to keep as much as 300 million bushels of corn, grain sorghum, barley, oats, and rye under loan and in storage under farmer control. Farmers cannot choose to sell during the agreement period but the Secretary or the President could call the grain under the storage contract for delivery to (a) meet national or international emergencies and then only if (b) the prevailing market price for corn was parity minus the price support ($1.42 bushel). The Secretary would be authorized to give added incentives such as interest free loans and higher than normal loan rates to attract farmers to utilize these contracts for 2 or 3 years.

(3) The Secretary would make available to farmers an extended loan program for the feed grains involved in the reserve if the production for the year is estimated to be greater than total domestic and foreign demand (this was the case in 1967). Producers could put up to 300 million bushels of feed grains into this program. Farmers would have a right to redeem this grain at any time by paying off the loan and selling or feeding same themselves. CCC would pay reseal storage costs.

Not only would this strategic reserve program be helpful in improving grain prices to the farmer but it would also assure the consumer of an adequate reserve of grain on hand for any great emergency. It would also help to stabilize poultry, red meat, eggs, and dairy product prices for the consumer. With the above three-segment program, the Secretary of Agriculture would know that he had a cushion to work against in determining the next year's feed grain program compliance and thus not have to be on the safe side by a big margin when figuring what acreage is needed, causing an oversupply if the acreage called for was too high.

The CHAIRMAN. Well, we have had testimony before this committee for a bill that is now pending along the same lines, but all of that will be an additional cost to the program.

Mr. GOEPPINGER. Right.

The CHAIRMAN. And plenty costly, too.

Mr. GOEPPINGER. The President asked for this in his message to the Congress this winter, and this is our suggestion along that line.

The CHAIRMAN. Yes. I understand.

Mr. GOEPPINGER. All right. Extension of present conservation——

Senator MILLER. May I ask a question at this point on this phase of the testimony?

The CHAIRMAN. Yes, surely.

Senator MILLER. If an objective of this is to be sure that there is an adequate amount of grain on hand in this country to meet emergencies, why shouldn't the amount of the Government-owned reserve fluctuate upwards or downwards depending upon the rest of the supply in the country?

In other words, if there is a relatively low amount in farmers' on-farm storage or private trade grain storage on hand, I could understand the need for a high Government-owned reserve. But if, on the other hand, there is a large quantity of stocks on farms or in the independent or private grain trade, it would seem that you would need a very low, possibly even no Government-owned reserve.

Mr. GOEPPINGER. Well, Senator, I think the difficulty with that would be to bring it about. In other words, if the amount was high in the farmers' hands and you would wish to have it low in the Government's hands at that time, it would mean that you would have to pull out of Government stocks at the time, in this kind of a reserve, at a very high cost. It calls for parity minus the support price differential, which would be about $1.42. And selling it at this figure would be an impossibility, because the farmers at that time would not—they wouldn't sit and wait for a price of that type. If they had a lot of corn, they would be selling corn for around $1.05 or $1.10 perhaps, and this $1.42 would be a figure——

Senator MILLER. Maybe I haven't made myself clear.

Let's say right now we are going to have a Government-owned reserve, if we need it, to provide for the adequate reserves to meet a great emergency. And we look at the overall national supply and the Secretary of Agriculture says, "We have plenty on hand to meet any emergency without a Government-owned reserve."

All right, so we don't have the Government acquire any Government-owned reserve this year. Then next year the Secretary looks at the situation and he sees what the onfarm and private grain storage and everything else is, and he says, "Well, we are down to where we might need 300 million bushels in reserve."

Well, then, they start to build up those stocks.

Mr. GOEPPINGER. If they did that at the time when it looked like there was a shortage about to take place, and then started in with Government purchases, you would skyrocket the price and you would get the very opposite effect. You would make your prices low like this rather than leveling them off.

Senator MILLER. Well, of course, I have been waiting for such a long time to see high prices that doesn't bother me very much. And it would make the farmers quite happy, I think. But it seems to me what we are looking for here is whether or not in the United States of America there is an adequate reserve of these grains on hand to meet our emergencies.

Now, that reserve might all be in the private grain trade. It might all be in CCC. It might all be on the farm.

As I see it here, you are suggesting that the reserve be in the Government-owned stocks with some possibility of shifting some of it onto the on-farm storage. But this doesn't take into account the private

grain trade storage, too. What I am worried about is whether or not we are losing sight of what really counts, which is the Nation's supply, whether it's with CCC, whether it's onfarm, or whether it's in the private grain trade. And I haven't yet seen one of these reserve proposals which seems to have taken that into account adequately.

Mr. GOEPPINGER. Well, this is a stock over and above the thing that you are talking about. This is a stock——

Senator MILLER. I understand.

Mr. GOEPPINGER (continuing). Up here which is an absolute frozen type. It would be resolved, certainly, to keep it fresh.

Senator MILLER. I understand.

Mr. GOEPPINGER. But what goes out would have to immediately be replaced by fresh material and some go in.

Senator MILLER. I understand.

Mr. GOEPPINGER. But this is over and above the stocks that you are talking about where you have the fluctuations in the farmers' hands and the private grain trade, and so on.

Senator MILLER. But what do you do if the Secretary of Agriculture says the stocks out here and onfarm and in the private grain trade are plenty to meet our great emergencies? Do we still have this additional amount sitting out here? And if we do, isn't there some way of having the quantity of that adjusted to take into account the supplies elsewhere? Because if we don't, I am afraid we are going to find that we are going to get into an extra cost which is not needed to meet the emergencies.

Mr. GOEPPINGER. Well, this is definitely an extra cost type of thing, and I would like to point out that back when we had large supplies, as you referred to, Senator, it was costing about $1 million a day for storage. You will recall that was the figure that was quoted. We figured up the cost of this storage on all commodities that were involved by the U.S. Government, and in the case of corn we had at that time about a 3-month supply on hand.

Now, basically, this means meat, milk, and eggs when you have corn on hand. It takes a little while to convert it over. But costs us more to run the refrigerators in homes of the people of the United States, $365 million a year, that only had a 2- to 3-day supply of food for the family that it did to store these bulk commodities by CCC. And they only had 2 or 3 days and we had 3 months on hand.

Now, which was cheaper for the consumer? And when you store these bulk commodities you have some extra costs. There would be interest cost in carrying the investment, certainly, Senator Miller. You would have your interest cost; you would have your storage cost. But from the point of the welfare of the country, we think this is something that has been desirable for a long time. But it isn't desirable if it's a free reserve. If it is a free reserve, it becomes a weight on the markets, a drag on the market, and can hurt the price. I think if we had a choice where we could have a reserve but it wasn't frozen off the market we could help the reserve growers. But if we need a reserve for the Nation's good as a whole and the good of our customers overseas, then don't hurt the farmer in order to do it.

Senator MILLER. Right. Now, my only point is that if there is going to be some money going somewhere, I would rather see it go to the on-farm storage so the farmer gets the benefit of it. But I think that

my problem is how do we determine the amount of this Government-owned stock without taking into account the Nation's reserve stocks on the farm and in private grain trade. And if we don't do that, if we don't provide for some fluctuation, I can see trouble.

Now, what you have done is you have provided for a fluctuation upwards of 300 million bushels, so you and I are talking about a fluctuating reserve.

Mr. GOEPPINGER. Safety valve.

Senator MILLER. I am not sure we are talking about the same way to get the fluctuation, but I think you recognize the merit of some fluctuation taking into account the Nation's stocks.

That's my point. And I am not clear on how this would work out without having some reserve sitting out here which just isn't needed.

Now, there are some people who will say we don't need any reserve at all; we have plenty of stocks on hand today; no need to have any CCC-owned reserves at all. We have plenty to meet a national emergency. And they will oppose a grain reserve as a result of that, and next year they might say, no, we don't have all that on hand. It might be a good idea to have one.

I don't know where we start and where we end on it, but I am troubled by this problem.

Mr. GOEPPINGER. Well, this is one thing that will help—this suggestion is a suggestion to help improve the 1965 Farm Act so that the Secretary doesn't have to call the turn so close, try to guess the weather—the Secretary of Agriculture doesn't have to try to guess the weather when he is determining what the acreage need may be. And if he had a strategic reserve to work against, he wouldn't then have to open up production quite as much. If he thought it was possibly going to be needed, he could say, well, now, we have got this strategic reserve and if we get into trouble, if we don't get quite enough production, we have got the strategic reserve to fall back against. And in the meantime it isn't hurting the price.

Senator MILLER. I think you have a good point there. I must tell you, though, that I regret to advise that some of these grain storage bills are not quite as tight in their disposal provisions as your recommendations are. There are escape clauses which give a tremendous amount of discretion which could, I think, cause a lot of trouble with the price. If they were nailed down to your recommendations here and nothing else, that would be one thing, but I am afraid they aren't.

The CHAIRMAN. Well, thank you very much, sir.

Mr. GOEPPINGER. I have one other subject.

The CHAIRMAN. Are you through? I thought you were through.

CROPLAND ADJUSTMENT

Mr. GOEPPINGER. I have the extension of present conservation reserve contracts.

If the presently existing conservation reserve contracts—also known as soil bank land contracts—covering about 9½ million acres of productive U.S. cropland expiring mainly in 1968 and 1969 are not recontracted and held out of production, then the crop diversion of land under the present voluntary feed grain program must be expanded by just that much more. The same applies to wheat and other crops which

the existing conservation reserve contracts are holding out of production.

The conservation contract farms have rested now for 10 to 12 years and are big potential producers if they are brought back into production. We are anxious that the delicate balance between agricultural production and probable usage be maintained. This year we are attempting to keep at least 32 million acres of cropland out of corn and grain sorghum production via the 1968 voluntary feed grain program over and above the land which is now under conservation reserve contracts, and under the newer cropland adjustment program. If the old conservation reserve contracts are allowed to expire and the owners of the land not given opportunity to renew the contracts, there will be a big upsurge in production of feed grains and other crops just from these lands alone. We urge your committee to promptly activate a program that will give the present landowners opportunity to extend the current contracts now in existence. Unless this is done, farmers will soon plow up this seeded down land to get it ready for wheat seeding this fall and corn or sorghum in 1969. USDA studies concerning cost comparisons show that it will cost about $70 million to extend these contracts versus about $90 million if the same productive capacity is removed under the annual voluntary feed grains program. This, they say, holds true up to about a level of 20 million acres.

This touches, I think, on what you were saying. It's possible you can do some things cheaper by a different form of program, but USDA studies show that with up to 20 million acres it's cheaper to take it out under the attraction of the conservation-type reserve program. When you get above that, then you get into higher costs and the voluntary program.

Now, in conclusion, and before closing our testimony, we wish to again emphasize the most important point we desire to make with you. It is that the 1965 Farm Act should be extended by this Congress as soon as possible by eliminating the termination date in the present act. No other changes need be made at this time. Such action would give the 91st Congress ample time to consider what polishing up and changes or additions it would like to make to the act.

Now, you have a point that you want to elicit here on the financial side.

STATEMENT OF JOHN W. CURRY, NATIONAL CORN GROWERS ASSOCIATION, VICTORIA, ILL.

Mr. CURRY. If I might. I would like to concur—I am John W. Curry from Victoria, Ill.

I, also, would like to thank you for the opportunity to appear here. I would like to just emphasize a few points.

FEED GRAINS

In a few hours I will leave this fascinating place and return to my place of business which is a working family farm in northwestern Illinois, and I would like to give you here just a typical economic situation that faces us as corngrowers.

When I go home, I will find that my seed corn has been delivered, and it will cost me from $5 to $7 an acre. Much of the fertilizer on my farm has been spread, and it is costing me in excess of $25 an acre. Insecticides and herbicides are due to be delivered in the next few days. They will cost me $8 an acre. Taxes will be due in May. In our area they are costing from $6 to $10 an acre. Interest on land and equipment on many farms in my area is running from $30 to $50 an acre. Tomorrow night is payday for the men who work for me. One earns $142 and the other $144 a week. I assume they earned it. I have been gone a week. The implement company that furnishes me with repairs and new equipment and skilled labor does a wonderful job for me—they are charging me right now $7 an hour for labor. Just as a sidelight, we did not buy any new tractors this spring. Utilities, depreciation, harvest and storage, and all these other items, I have them itemized here.

So that when we finally run down these figures—and, by the way, I haven't included my labor and management as a cost or a value yet—we have spent, by all good accounting procedure, over $100 an acre on a crop of corn, most of it committed before the seed goes into the ground.

Now, obviously, if we raise at the national average of 78 bushels and sell it at a dollar a bushel, we are going to lose considerably. We do expect to exceed the national average, weather permitting.

Our hope for any reasonable return for my labor and management rests on about four things: One is a good yield on 80 percent of our base acres. We are in the program. We are diverting 20 percent. We have been in the program every year, I suppose, for the last 40 years and certainly ever since 1960.

The CHAIRMAN. How many acres have you?

Mr. CURRY. 1,500 acres.

Our second point for hope this year is a reasonable price increase as a result of, or a reasonable increased price, I should say, as a result of a more favorable balance between the supply of corn to the demand of it. And I think this will be brought about in 1968 by the feed grain program working as it was designed to work.

The third point is in our ability to put efficiency in our operation as a result of good management.

And our fourth premise rests on the good will and confidence of my banker. We have experienced in our county—and this is in the Galesburg area, Knox County, Ill.—a severe deterioration of financial statements, with a number of farms to be reorganized this spring and many difficult decisions in arranging short-term credit.

I sat down with the bankers in our area and discussed this situation this spring. We think this situation is arising from the clamor of people in 1967, late 1966, for unlimited production and this cry for feeding the world philosophy. It brought about an expansion of corn and feed grains.

Now, the banker can only loan us money when he can confidently expect it to be repaid.

So we feel that there is much to be gained as a farmer in renewing and showing up the confidence of the farmers and bankers and agribusiness, and we feel that one good way to start would be an extension of the 1965 Farm Act.

The CHAIRMAN. Now, you say you have 1,500 acres.
Mr. CURRY. Yes, sir.
The CHAIRMAN. What percentage did you divert last year?
Mr. CURRY. Twenty. That was the limit.
The CHAIRMAN. 1968.
Mr. CURRY. Twenty was the limit, yes.
The CHAIRMAN. That's the——
Mr. CURRY. Crop of 1967.
The CHAIRMAN. Crop of 1967. Well, how much were you paid by the Government not to plant—what was your average, do you know?
Mr. CURRY. Let's see. I don't know if I have the dollar per acre, but I think our county average yield was 90 bushels, and my township is county average. I would have to calculate that out.
The CHAIRMAN. Well, how much per acre?
The CURRY. I think it runs around $59.
The CHAIRMAN. $59 not to plant.
Mr. CURRY. I believe that's right.
The CHAIRMAN. Now, what was your average production?
Mr. CURRY. My average production in 1967—we are in a very favorable part of Illinois—to the extent of the amount of corn we had weighed and dried—we didn't weight and dry all of it so it is an estimate—our yield was 128 bushels.
The CHAIRMAN. 128 bushels.
Mr. GOEPPINGER. Was this the best you ever had?
Mr. CURRY. Yes, this was the top yield. This is based on weighed, dried, grading about one-half of it. We are estimating that the other half, based on shelling out these cribs and other ears——
The CHAIRMAN. Well, I understand that the average production in Illinois, taking the State as a whole, was in excess of 100 bushels.
Mr. CURRY. 101 bushels, I believe.
The CHAIRMAN. 101.
Well, think you very much, gentlemen. Glad to have had you.
Mr. GOEPPINGER. Thank you very much, Mr. Chairman.
The CHAIRMAN. Mr. Mennel.

STATEMENT OF DONALD M. MENNEL, CHAIRMAN, GRAIN & LEGISLATIVE COMMITTEE, NATIONAL SOFT WHEAT MILLERS ASSOCIATION, FOSTORIA, OHIO

Mr. MENNEL. Well, while we are distributing these exhibits, possibly, with the Chairman's indulgence, I can go through some of the preliminaries of my statement.

The CHAIRMAN. All right, you may proceed. I want you to first state what you brought here and the purpose of it, if you will.

WHEAT

Mr. MENNEL. All right, sir.

In my statement, I have said in the past, we have said that wheat is not wheat; it's many kinds of wheat. Now, we are running into a situation, because of the wheat certificate program, that we not only have to say that wheat is not wheat, but it's almost not corn and not sorghum and not rye because many of these products here have sub-

stitute products in them which they didn't use to have before the wheat certificate's program. They were broken up into the ones that had nothing but soft wheat flour in them, ones that have milo or sorghum flour, ones that have rye flour, ones that have corn flour, and some that have at least three of the four types of substitutes. And in my testimony I have said that cereal economists from the various different kinds of companies have admitted to as much as a 20-percent substitution for soft wheat flour of these other kinds of flours.

So it's our position that at least a part of the wheat certificate program is self-defeating, that it will end up in the use of less wheat in the country while we are spending a great deal of money trying to raise more wheat. So this is part of the purpose of this exhibit.

The CHAIRMAN. All right.

Mr. MENNEL. These cookies that I have here have been baked in our laboratory using just a standard cookie formula that we use to test all the cookie flour that we ship out.

This is by adding 20 percent of yellow corn flour to a regular cookie flour; adding 20 percent of sorghum flour; adding 20 percent of rye flour, and this is medium rye. This isn't even the white rye. And then this is our standard cookie.

The CHAIRMAN. Which has all flour?

Mr. MENNEL. Which has all flour, all wheat flour. The substitute ability of the products is quite obvious. There was no effort made in this to do anything other than follow the standard formula. There was no effort to make any one better than the other. They were baked according to standard procedures. And I personally couldn't discover a taste differential. I took the taste test to our vice president in charge of sales without telling him which was which, and he insisted that the rye cookie had corn in it, and the corn cookie had rye in it. So I don't know. But I do dwell on this quite a bit.

I have heard during the testimony this morning and during some of your comments that there hasn't been too many things suggested to change the certificate program. We do have some suggested changes we would like to see.

The CHAIRMAN. Well, that's what I want to hear.

Mr. MENNEL. I have my statement here. The time is getting late. May I enter the statement in the record and try to summarize it?

The CHAIRMAN. Yes, your whole statement will be put in the record, and you may summarize it.

Mr. MENNEL. These are all soft wheat products, incidentally. It shows the tremendous diversity of products that are made out of soft wheat flour, whereas hard wheat flours are used primarily in breads and rolls. And the Durum flour is used primarily in the pasta goods.

In general, our organization would prefer to see the end of the wheat certificate program. If, however, realistically, this cannot be done at this time—and I would suggest that it can't be done at this time—we would hope that it would continue on a year-to-year basis. We are certainly not in favor of a long-term program of this nature.

The soft red wheat and soft white wheat raised east of the Mississippi River by so very many small farmers are a vital part of our total wheat system. They are raised for specific purposes, by highly efficient family farmers, and are mainly used in the production of domestic foods.

We found in regret in the past that we have had to review the whole wheat system. An action that would solve the farmers problem in the State of Washington, where most of the wheat is raised for export, may raise a whole new set of problems in the East for an Ohio farmer whose primary market is for domestic food.

We believe the current certificate program would be improved if it recognized the purpose for which wheat is raised. It seems contradictory to us to award the same portion of the domestic certificate to all farmers regardless of whether it is eaten by Americans or Japanese or Pakistani. The cost to the U.S. Treasury is considerably different. Also, it seems most illogical to give the same portion to the farmer who delivers his wheat to the Commodity Credit Corporation under the loan program and subsequently defaults on his loan because there was no other real market for it in the first place.

We believe this arrangement perpetuates illogical growing practices, is uneconomic and should be corrected.

Under the program wheat can be raised without limitation provided the producer waives his claim to the certificate payments. This has had an unforeseen result of increasing production of wheats in areas not formerly farmed for wheat and where there is no real domestic market. It increases export cost, reduces the market for both hard and soft wheats, and I have some examples.

Arkansas, down near your home State, has increased. In 1959 to 1963, the average was a little over 4 million in Arkansas. The estimated crop in 1968 is 18 million, over 18 million.

The CHAIRMAN. Bushels.

Mr. MENNEL. Bushels. This is a 440-percent increase.

Mississippi has increased from 1 million to over 16 million, which is 1,558 percent increase.

Ohio during the same period of time is only going to produce 96 percent of this historical period; Indiana, 99½ percent; and Michigan, 97 percent.

The soft wheat exports under the various programs had to be doubled and even tripled in order to maintain balance. Most of this increase has been through the gulf, in part displacing hard winter wheats, but also displacing some soft wheat through the lakes and the seaway. And this is costly to the Treasury and, I believe, helps create unfavorable trade balances.

Personally, I believe strongly in freedom to farm, but I note that many authorities, believing also in freedom to farm, agree that the return to such freedom should be gradual.

It wasn't planned that way, but the wheat certificate program seems to favor the large farmer, the larger the better. The giant corporate farm can hire the finest talent to maximize the benefits given it by the U.S. Government. The small family farmer spends most of his energies trying to survive.

An improvement in the program, we believe, would be a sliding scale of benefits paid for domestic consumption. We recognize this has many problems, such as definition of ownership of the farm. We suggest, however, these can be resolved and a scale of payments could be determined through the use of USDA statistics which would support the small farms and be reduced as the economies of size allow the larger farmer to be less dependent on Federal payments. It amounts to a Federal income tax in reverse.

For example, and we do not mean this as definitive, because we do not have access to the statistics necessary to divide the scale and only mean to illustrate the idea—all farmers could be paid 75 cents per bushel regardless of compliance or sign up for the first 1,000 bushels. All farmers raising more than 1,000 bushels would have to comply to receive any benefits. Then the scale might be: The next 4,000 bushels, 40 cents; the next 5,000, 20 cents; the next 15,000, 10 cents; for the next 25,000, 5 cents; and for the last 25,000, 2 cents. This would mean that any farmer raising over 100,000 bushels would receive no subsidy for the amount over 100,000 bushels. Obviously, these figures would have to be redone to balance probable payments to farmers with probable income from domestic processing, but a number of us feel such a device might reduce the exodus from the family farm, alleviate rural poverty, without additional cost to the Treasury. It should encourage intensive farming rather than extensive farming.

Another improvement we strongly recommend is to establish a reasonable statute of limitations such as 1 year after which processers can feel safe from further audit. We are aware that a program as expensive and extensive as this one requires auditing procedures.

Incidentally, the auditor's in my office today. But, excluding——

The CHAIRMAN. He is there to see that——

Mr. MENNEL. We have kept the proper records for the payment of the certificates.

The CHAIRMAN. I see.

Mr. MENNEL. Our small company pays about $300,000 every 4 weeks for wheat certificates, and this is quite a bit of money, and they do like to audit us.

The CHAIRMAN. How much do you pay on the certificates?

Mr. MENNEL. Seventy-five cents a bushel for every bushel we grind.

The CHAIRMAN. And what did you have to pay for the wheat to the——

Mr. MENNEL. Our average price has been running about $1.45, $1.50.

The CHAIRMAN. A bushel?

Mr. MENNEL. Yes.

The CHAIRMAN. Well, how did that compare with before this program?

Mr. MENNEL. I have some information in here on this.

The CHAIRMAN. All right. Good.

Mr. MENNEL. Excluding judicially proven fraud, millers should be able to close those books audited by USDA without fear that a later examination, by a different examiner, possibly using different interpretations, will reopen them and penalize him for some supposed infraction despite the prior clearance. We have had a number of reports of such things happening. And it's, frankly, happened to me. We have been audited several times by examiners, and then a later examiner will come in and change the rules of the road. And in one case it cost us $3,400. This isn't a great sum, but it smarts when you hadn't planned on it.

The CHAIRMAN. You mean they were auditors from the Department?

Mr. MENNEL. Yes.

The CHAIRMAN. Well, what was the trouble?

Mr. MENNEL. Well, you recall the . . . . . amendment of flour for nonhuman consumption is exempt, and the way the regulations were written we interpreted them one way and the Department of Agriculture interpreted them another way, and so they disallowed our exemption.

We understand, incidentally——

The CHAIRMAN. You didn't consult with them before you put on your own interpretation?

Mr. MENNEL. We did not. We thought that the regulations were clear.

They then, following penalizing us, issued an amendment, or a clarification of the regulations which spelled it out more clearly, and we have just been told in the last week that they are going to reamend the clarification to go back to the way we had interpreted it in the first place.

The CHAIRMAN. Well, you will get your $3,400 back.

Mr. MENNEL. It will not be retroactive.

The CHAIRMAN. I say you will get your $3,400 back.

Mr. MENNEL. We are going to try.

The CHAIRMAN. Well, if you need help, let me know.

Mr. MENNEL. Thank you, sir. I may call upon you.

We recommend that USDA adopt a procedure somewhat similar to that used by the much older and more experienced taxing authority, the Internal Revenue Service, and issue a statement that the recent examination has disclosed no change to be necessary and that the report will be accepted as filed.

There is another similar improvement we would like to recommend. There is no appeal or arbitration machinery provided within USDA other than the varied general, and normally ineffective one of appealing to the Secretary.

We feel a step-by-step procedure should be provided to obtain administrative review within the Department to adjudicate problems which are bound to arise in such a vast program, prior to the very costly step of appealing to the Federal courts for relief.

We know Congress is aware of the magnitude of the problems arising from the wheat certificate program. It doesn't take a very large flour mill to grind 1 million bushels of wheat in a year. According to Roy A. Goldberg's recent book, "Agribusiness Coordination" on a study of the records of milling companies grinding nearly half of all the wheat ground in the United States, the miller in a recent 6-year period averaged less than 1 cent per bushel net profit after taxes from his milling operations. Thus, if the miller is average, he can expect to earn less than $10,000 after taxes for the owners.

On the other hand, the Commodity Credit Corporation will receive $750,000 for wheat certificates on this same grind. Even the graduated personal income tax does not provide a 75 to 1 ratio. The implications of this, to me, are very far reaching. There is just a tremendous spread between what we have to pay the Government every 4 weeks and what we can expect to keep ourselves. I am an honest man, but this kind of temptation placed before lots and lots of people is something that should be considered. It's a temptation both on the examination, the examiner's side, and on the processer's side.

If the wheat certificate program must be continued, serious consideration should be given to reduction in the charge per bushel. In a tight budget year, the administration is faced with a great temptation to shift more of the cost for the wheat program on to the consumer. We certainly urge you to withstand any such move vigorously.

The size of the certificate charge has an additional effect. Bakers, particularly of soft wheat flours, are well aware of the more than $1.70 per hundredweight imposed. And now I refer to the chemists' meeting that I was talking about where one chemist said, "Since the recent increase in the cost of wheat flour, more and more cookie bakers are finding that the replacement of 10 to 15 percent wheat flour by corn flour results in a significantly lower production cost." And we have corn flour in many of these products.

A grain sorghum chemist, speaking at the same meeting, mentioned the use of sorghum flours in pancakes and cookies. And another chemist rye flour, pointing out that rye flour in Chicago last fall—this was 1966—was $2.10 per hundredweight cheaper than wheat flour. As a result, quite a few cracker and biscuit manufacturers have found it advantageous to use some rye in their products. The addition of small amounts, 10 to 20 percent, have given them a cost advantage.

Now, practically all of these cracker boxes here have rye flour in them.

The CHAIRMAN. Well, is there any—is it right on the package?

Mr. MENNEL. Yes. Food and Drug requires an ingredient statement, and here, for instance—did I pick one up that had something? Yes. This one says corn flour, flour here, and then corn flour. Here is a rye flour ingredient list.

Now, this didn't use to be prior to the wheat certificate program.

The CHAIRMAN. Well, did you ever—to your knowledge, did any of the manufacturers of these products use corn flour or rye flour or——

Mr. MENNEL. Before the wheat certificate program?

The CHAIRMAN. Yes.

Mr. MENNEL. Not to my knowledge.

The CHAIRMAN. Not to your knowledge.

Mr. MENNEL. Now, there are certain products that have used it for years.

The CHAIRMAN. Yes.

Mr. MENNEL. Such as pancake mixes and some of the things like breading mixes have used some for years but not generally.

This is Mr. Huffman, counsel for the National Soft Wheat Millers' Association, and secretary of it.

STATEMENT OF RONDAL M. HUFFMAN, SECRETARY AND COUNSEL, NATIONAL SOFT WHEAT MILLERS' ASSOCIATION, CHICAGO, ILL.

Mr. HUFFMAN. I can say briefly, Senator, when this was first called to my attention by Mr. Mennel, I got in the practice of checking the food shelves in our local store every Saturday when my wife and I went grocery shopping, and at the time it was first called to my attention, which was in 1967, none of the crackers—there are six brands of crackers on sale in that market and none of them mentioned rye, and I have been watching ever since, and there is an increasingly number of labels mentioning rye. I assume they were not adding it in or were

being permitted to use old labels, as frequently happens. But the situation is vastly different now.

The CHAIRMAN. I see.

Mr. MENNEL. Since 25 percent of all the wheat consumed in the country is soft wheat, the amount of substitution can be a sizeable quantity of wheat. So I believe that this program is self-defeating to that extent.

There are about a thousand items out of 6,000 items on the shelves of supermarkets that have flour in them, and soft wheat is in the great majority of these, as you can tell.

Early debate on this program had much to say about the certificate cost making no difference to the miller, that it was the same difference whether the miller paid the certificate or whether it was added in the form of a higher support price, driving the market up to the level. If the domestic use of wheat is 500 million bushels, the processors' wheat certificate cost is about $375 million. I believe some of this is paid by the American consumer.

You asked earlier about wheat prices. I have made several studies of wheat prices, and I think they are important. The average price of soft red wheat in Chicago for the 16 years prior to the program was $2.16. The average price, with the certificate added, for the 4 years of the program—and that's through February, 1968—was $2.33. During the same period the support price, including domestic certificate costs, was down 5.75 cents per bushel. Thus, the farmer has received more than 17 cents per bushel more under the program for his domestic wheat, which has been charged through in large part to the consumer, when, if the earlier arguments had been valid, he should have received 5 cents less. I can't explain it.

The CHAIRMAN. How did you come to get wheat at $1.43?

Mr. MENNEL. Well, $1.43 plus 75 cents comes out to $2.18.

The CHAIRMAN. Oh. The price you gave me was ——

Mr. MENNEL. The farm price, and we still have to pay the 75 cents on top of that.

The CHAIRMAN. That's $2.18.

Mr. MENNEL. Yes.

Now, I made another study. This occurred to me after—

The CHAIRMAN. Well, how does that price compare with what you paid before this program went into effect, do you know?

Mr. MENNEL. I don't have averages for our own company, I am sorry to say. I picked these figures out of the Chicago market because they were published figures, and I felt they were authentic, probably more authentic than something I would put together.

The CHAIRMAN. Well, now, to what extent did the price of wheat that you have to buy fluctuate? You certainly could have bought it cheaper than $1.43, or did you buy some for less than that?

Mr. MENNEL. Bought some for less and some for more, yes.

The CHAIRMAN. Well, I wonder what caused it to fluctuate. Do you know?

Mr. MENNEL. The fluctuation of the Chicago future's market. The cash wheat is related to the Chicago future's.

The CHAIRMAN. It's not scarcity.

Mr. MENNEL. Not this year; no, sir.

The CHAIRMAN. Well, that's what I am wondering, whether a bunch of gamblers are getting more than the farmers are getting.

Mr. MENNEL. The market always does fluctuate.

The CHAIRMAN. Yes, I understand that.

Mr. MENNEL. One of the interesting things that I have not yet analyzed to my own satisfaction is the way that this market is so far over the loan, the support price, whereas prior to the certificate program it ran under the support price consistently.

The CHAIRMAN. Well, you know, the purpose of the act was more or less to let wheat be sold at world prices so that we could compete with other countries producing wheat. And that was the idea behind the whole scheme.

Mr. MENNEL. So it would be logical to infer from that that the world price was actually above the support price that the Department decided upon so that the market has been held over the support price as a result of this?

The CHAIRMAN. I don't know how it has worked in respect to wheat, but we tried the same program on cotton, and instead of having a two-price system for cotton as we heretofore had, we have only one price so that the domestic mills will pay the same price for cotton as the foreigners did. As a result of that the foreigners thought that the loan price would fix the world price of cotton, but it didn't. It's going higher than the loan price, you see.

But the idea behind it all was to let the cotton, let the wheat, let the other commodities seek their level depending on what the world price was.

Mr. MENNEL. Well, its very possible this is the reason that it's been above the support price right along.

The CHAIRMAN. Well, the Secretary of Agriculture is going to testify before us, and I expect to have all of that information in the record so as to see exactly how it worked under the present law in contrast to before the law went into effect.

Mr. MENNEL. One of the interesting——

The CHAIRMAN. And if you are interested in getting a copy of the hearings, certainly the committee can get it to you.

Mr. MENNEL. I certainly want that, and I have received it before. We have an idea that we had had after we prepared this testimony that I brought along as a separate page. I don't know whether you are interested in it or not.

The CHAIRMAN. Do you want to add that to your statement?

Mr. MENNEL. I would like to add this to my statement.

The CHAIRMAN. Well, now, this record will be open for some time, and I want all the information I can get.

Mr. MENNEL. Fine.

The CHAIRMAN. And if you can think of anything additional, just mail it down to the clerk of the Committee on Agriculture and Forestry, and we will see to it that it goes into the record.

Mr. MENNEL. Fine.

The CHAIRMAN. Because we don't anticipate reporting a bill out this year. But we are preparing all this evidence so as to form a basis for the bill we will introduce come January.

Mr. MENNEL. That's very important, to have a good broad base on it.

The CHAIRMAN. Yes. And any information you have that will be of assistance—and if you have any plans—you see, a lot of witnesses come here and state, well, we don't like the certificate plan. All right, what have you got to substitute for the certificate plan? Give us a better plan.

Now, if you have one, let us have it. I don't mean to call on you today for it, but if you have any other plan that will reach the objective that is being sought, we might accept it.

Mr. MENNEL. Historically speaking, for a miller to propose a farm program is usually accepted with a grain of salt. [Laughter.]

The CHAIRMAN. Of course, you must realize, though, that this is a Committee on Agriculture and Forestry, and we are supposed to help the farmers.

Mr. MENNEL. Yes, sir.

The CHAIRMAN. But not at the expense of the consumers or the millers. We have got to be fair with everybody.

Mr. MENNEL. My experience has been that you always have been, too.

The CHAIRMAN. Well, I appreciate that.

Mr. MENNEL. And we greatly appreciate it.

The CHAIRMAN. We have tried to do it. We wrote in a lot of provisions that weren't suggested by the Department.

Mr. MENNEL. I am very aware of this, and we thank you.

The CHAIRMAN. And for your information that's why we are holding these hearings now and not obtaining a bill from the Department.

Mr. MENNEL. To keep the pressure down some.

The CHAIRMAN. Well, we hope to draw our own bill based on the facts we get.

Mr. MENNEL. Wonderful. Fine.

The CHAIRMAN. I want you to understand, though, that we will try to write it so that the farmers can get a fair return, because, as you know, farming is the cornerstone of our economy.

Mr. MENNEL. We are extremely interested in that, too.

The CHAIRMAN. Why sure you are. And you think, do away with that cornerstone and see what's going to happen to the whole economy.

Mr. MENNEL. I have found, personally, in our company that we always do better in a strong wheat economy than we do in a sloppy one.

The CHAIRMAN. Sure.

Mr. MENNEL. Our profits are directly related to the welfare of the farmers in our areas.

The CHAIRMAN. Now, will you tell us where in your testimony you want to put this additional page, at the end or——

Mr. MENNEL. Yes, I would like to put this on page 8, right in the center of the page.

The CHAIRMAN. After the first full paragraph?

Mr. MENNEL. Yes.

The CHAIRMAN. After the first full paragraph. All right.

Mr. MENNEL. The average of the May future prices for the last 4 years which the wheat certificate has been in effect, compared to the 4 prior years when it was not in effect for each date nearest April 3, adding the certificate cost at $0.7375—the first year it was 70 cents; the last 3 years it's been 75 cents—and converting all bushels to 100

pounds shows this interesting fact: Since the certificate came into being, the spread between wheat and corn has advanced 20 cents per hundred pounds and between wheat and rye it has advanced 57 cents per 100 pounds, which is one of the reasons why we have had so much more substitution in addition to the roughly $1.70 that we pay in certificate costs.

We believe that this increased cost falls heaviest on the low-income families. Ninety percent of Americans use flour as flour, but only 20 percent of Americans consume more than 65 percent of all the flour used. Rural low- or depressed-income families consume over 500 pounds of flour annually per person compared to the 113 to 115 pounds consumed on the national average. Add to this the fact that the lower-income families eat more white bread than their richer neighbors, it all adds up to taxing those who can least afford it.

The National Food and Fiber Advisory Commission in their issue of July 1967, recommended that "Freely functioning markets are the best mechanisms for guiding the changes in agricultural production and marketing that will be required in the future that the United States adopt its policies to accomplish a market-oriented agriculture."

We believe continuation of the wheat certificate program delays accomplishment of these objectives.

In summary, we say, first, that the wheat certificate program should recognize the purposes for which wheat is raised and relate this to cost to the U.S. Treasury and consumer as well as the national welfare.

Second, while believing strongly in freedom to farm——

The CHAIRMAN. Do you want to tell us how to do that?

Mr. MENNEL. I wish I could.

The CHAIRMAN. Well, there you are.

Mr. MENNEL. This is something that I will work hard on.

The CHAIRMAN. Well, you see——

Mr. MENNEL. But it's a terribly difficult situation.

The CHAIRMAN. You know, we get a lot of those answers from some of these farm organizations. This is what we want. All right, I ask how do you do it? I got the same answers I got from you just now. And if you will work on that and suggest amendments and tell what you intend by these amendments, we might be able to help out.

Mr. MENNEL. We have suggested one in the sliding scale to help the smaller farmer rather than everybody just carte blanche. We have suggested in that the logic of paying a farmer to raise wheat to put it into commodity credit's hands and then paying the domestic certificate on this escapes us. So we have suggested some things, but we haven't suggested a broad program.

The CHAIRMAN. Well, now, in respect to your graduated scale of payments, the purpose of these payments is to, as a rule, particularly where you have acreage control, reduce acres. And when that reduction comes about, by taking a certain percentage off of 10 small farms or one big farm makes no difference, because the idea is to reduce production.

Mr. MENNEL. The cost of raising grain on a small farm is higher than on a large farm. The exodus from the farm is causing some of the urban problems. If we want to reduce the exodus from the farm, we probably ought to try to support the smaller farmer more than the corporate farmer.

The CHAIRMAN. Well——

Mr. MENNEL. This gets into philosophy, I suppose.

The CHAIRMAN. But, as I said, if you look back as to the reason for it, we argue that if the purpose is to cut back our production, you can get—you would get the same cut back if you impose a percentage on a large farm as you would on a small farm. In other words, if you cut the 10 percent on 10 acres—let's say 10 farms have 100 acres, and you cut 10 percent on those acres, or if there is only one farmer producing on 100 acres, you get the same result, that is, you get the same reduction.

Mr. MENNEL. On the national basis.

The CHAIRMAN. That's what I am talking about.

Mr. MENNEL. But you get severe disruptions in the domestic consumption demand because if wheat is raised not for a domestic market but for the Government, for instance, cutting that wheat back 10 percent doesn't really accomplish anything for the consumer, whereas cutting back 10 percent from a guy who is raising 99 percent of his wheat for the consumer may create a serious disruption.

The CHAIRMAN. Well, of course, you realize this, that this program is voluntary.

Mr. MENNEL. Yes.

The CHAIRMAN. It's not like it used to be. Farmers don't vote themselves into the planning of so many acres and then—but in order to obtain the benefits that are to be derived from the act, they have got to comply. But many of them don't comply at all, as you know.

Mr. MENNEL. Most of the ones that don't comply are the small ones, too. It works both ways. Down in Arkansas and Mississippi they are the big ones that don't comply because they double crop the land down there and they don't need to comply. Up in our area it's the little guy who can't cut because he's already got too small a plot.

The CHAIRMAN. Well, don't you underestimate the farmer when it comes to him using his head.

Mr. MENNEL. Not ever. He has far more time to think about it than you or I do, sir.

The CHAIRMAN. That's right.

Mr. MENNEL. We do believe that we should have a statute of limitations.

The CHAIRMAN. Yes.

Mr. MENNEL. We do believe there should be an appeal and arbitration mechanism written into the law in some way.

The CHAIRMAN. Now, as to those two points, you have got a smart lawyer next to you there. Let him write the language to carry that out and tell us what he intends to do with this language, or what's the purpose of it.

Mr. MENNEL. You have got your job cut out for you.

The CHAIRMAN. Have you got the idea?

Mr. MENNEL. Yes.

The CHAIRMAN. In other words, any amendments you propose, submit them for the act. You have got a copy of the act. If you don't, we can let you have one. And try to place this amendment in the proper place, give us the language, and then tell us what does that language mean, what do you intend to do by it, and we might be able to use some of your suggestions.

Mr. MENNEL. All right, sir.

Now, one section that I skipped over in my briefing of this testimony is that we believe that the certificate costs should be charged on all grain used for food or for none. In other words, we have here corn being used in food. We have rye being used in food. We have milo being used in food. If the idea of charging the consumer directly through the Treasury is a good idea, then let all grains bear their burden. I am sure that all grains get something from the Treasury. This, I am sure, wouldnt be very popular with the corn growers and a few other people, and it wouldn't be very popular with the corn processers, I don't expect, but it would be more acceptable than the situation we have at the present time where the wheat people are bearing the entire load and in the case of other grains the Treasury is bearing the entire load.

Thank you very much.

The CHAIRMAN. Thank you. It was very interesting.

Mr. MENNEL. We would like to leave these things here.

The CHAIRMAN. And if you can think of anything else, why send it over.

Mr. MENNEL. We will.

The CHAIRMAN. Because, as I said, this record will remain open until probably May, the middle of May. It is my hope that in the early part of May we will call, be able to call the Secretary of Agriculture here so that he can review all that you said and others have said and give us his idea what ought to be done, bearing in mind what you suggested and other witnesses here have suggested.

Mr. MENNEL. We will try very hard to have some words for your record before that time.

The CHAIRMAN. Fine. All right.

Well, you say you are going to leave all of that with us?

Mr. MENNEL. Yes, sir; we carried it over here; we don't want to have to carry it back.

The CHAIRMAN. Well, I guess these hungry boys around here can maybe make use of it.

(Mr. Mennel's full statement follows:)

Mr. Chairman and Gentlemen, my name is Donald M. Mennel. I am President of The Mennel Milling Company of Fostoria, Ohio, and I am here today as Chairman of the Grain and Legislative Committee of the National Soft Wheat Millers' Association. I have with me Rondal M. Huffman, who is Secretary and Counsel of the National Soft Wheat Millers' Association. This Association has member companies representing approximately 80% of the total commercial soft wheat milling production of the United States.

We thank you very much for granting us the opportunity. We have appeared a number of times in the past, and we hope, because of our intense interest in soft wheat and the welfare of the Eastern farmers who raise it, that we will be invited back again when there is need for it.

In general, most of the members of our organization would prefer to see the end of the Wheat Certificate Program. If, however, realistically, this cannot be done at this time, we would hope it would continue on a year-to-year basis and would also be amended to improve it in several ways which we will try to present today.

The soft red winter and soft white wheats raised east of the Mississippi River by so very many small farmers are a vital part of our total wheat system. They are raised for specific purposes, by highly efficient family farmers and are mainly used in the production of domestic foods.

While our interest may seem limited in scope, we have found, often to our regret, that we must view the wheat system as a whole in order to prevent disaster, or at the least, serious consequences. An action appearing to solve a

wheat farmer's problem in the State of Washington, where most of the wheat raised is exported, may raise a whole new set of problems for an Ohio farmer whose primary market is for domestic food.

The current Wheat Certificate Program would be improved if it recognized the purpose for which wheat is raised. It seems contradictory to us to award the same portion of the domestic certificate to all farmers regardless of whether it is eaten by Americans or Japanese or Pakistani. The cost to the U.S. Treasury is considerably different. Also, it seems most illogical to give the same portion to the farmer who delivers his wheat to the Commodity Credit Corporation under the loan program and subsequently defaults on his loan because there was no other real market for it.

We believe this arrangement perpetuates illogical growing practices, is uneconomic and should be corrected.

Wheat can be raised without limitation, if the producer waives his claim to any certificate payments. This has had the unforeseen result of increasing production of wheats in areas not formerly farmed for wheat and where there is no domestic market of any real significance. This tends to increase the export cost, reduce the market for both hard and soft wheats from the historical export areas and disrupt orderly marketing of crops. Arkansas and Mississippi have greatly increased their production of soft wheat during this program while Ohio, Michigan and Indiana have reduced. The extent of this dislocation can be seen by this table:

[In thousands of bushels]

	Average, 1959–63	Estimated, 1968	Percent 1968 of average
Arkansas	4,191	18,468	440.7
Mississippi	1,046	16,300	1,558.3
Ohio	43,715	42,126	96.4
Indiana	42,434	42,217	99.5
Michigan	35,893	34,884	97.2

Soft wheat exports under the various programs have had to be doubled and even tripled in order to maintain balance. Most of this increase has been through the Gulf, in part displacing hard winter wheats, but also displacing some soft wheat through the Lakes and Seaway. This is costly to the Treasury and helps create unfavorable trade balances.

Personally, I believe strongly in freedom to the farm, but I note that many authorities, believing also in freedom to farm, agree that the return to such freedom should be gradual.

It was not planned that way, but the Wheat Certificate Program seems to favor the large farmer, the larger the better. The giant corporate farm can hire the finest talent to maximize the benefits given it by the U.S. Government. The small family farmer spends most of his energies trying to survive.

An improvement in the program, we believe, would be a sliding scale of benefits paid for domestic consumption. We recognize this has many problems such as definition of ownership. We suggest, however, these can be resolved and a scale of payments can be determined through the use of USDA statistics which would support the small farmers, and be reduced as the economies of size allow the larger farm to be less dependent on Federal payments. It amounts to a Federal Income Tax in reverse. For example, and we do not mean this as definitive, because we do not have access to the statistics necessary to devise the scale and only mean to illustrate the idea. All farmers could be paid 75¢ per bushel regardless of compliance or sign up for the first 1,000 bushels. All farmers raising more than 1,000 bushels would have to comply to receive any benefits. Then the scale might be: The next 4,000 bushels—40¢, for the next 5,000—20¢, for the next 15,000—10¢, for the next 25,000—5¢ and for the last 25,000—2¢. This would mean that any farmer raising over 100,000 bushels would receive no subsidy for the amount over 100,000. Obviously these figures would have to be redone to balance probable payments to farmers with probable income from domestic processing, but a number of us feel such a device might reduce the exodus from the family farm, alleviate rural poverty, without additional cost to the Treasury. It should encourage intensive farming, rather than extensive farming.

Another improvement we strongly recommend is to establish a reasonable statute of limitations such as one year after which processors can feel safe from further audit. We are aware that a program as expensive and extensive as this one requires auditing procedures, but, excluding judicially proven fraud, millers should be able to close those books audited by USDA without fear that a later examination, by a different examiner, possibly using different interpretations, will reopen them and penalize him for some supposed infraction despite the prior clearance. We have had a number of reports of such things happening.

We recommend that USDA adopt a procedure somewhat similar to that used by the much older and more experienced taxing authority, the Internal Revenue Service, and issue a statement that the recent examination has disclosed no change to be necessary and that the report will be accepted as filed.

There is another similar improvement we would like to recommend. There is no appeal or arbitration machinery provided within USDA other than the very general, and normally ineffective one of "appealing to the Secretary."

We feel a step-by-step procedure should be provided to obtain administrative review within the Department to adjudicate problems which are bound to arise in such a vast program, prior to the very costly step of appealing to the Federal Courts for relief.

We know Congress is aware of the magnitude of the problems arising from the Wheat Certificate Program. It doesn't take a very large flour mill to grind one million bushels of wheat in a year. According to Ray A. Goldberg's recent book, "Agribusiness Coordination" on a study of the records of milling companies grinding nearly half of all the wheat ground in the United States, the miller in a recent six year period averaged less than 1 cent per bushel net profit after taxes from his milling operations. Thus, if the miller is average, he can expect to earn less than $10,000 after taxes for the owners. On the other hand, the Commodity Credit Corporation will receive $750,000 for wheat certificates on this same grind. Even the graduated personal income tax does not provide a 75:1 ratio. The implications from such a situation are very far reaching.

If the Wheat Certificate Program must be continued, serious consideration should be given to reduction in the charge per bushel. In a "tight" budget year, the administration is faced with a great temptation to shift more of the cost for the wheat program onto the consumer. We urge you to withstand any such move vigorously.

The size of the certificate charge has an additional effect. Bakers, particularly of soft wheat flours, are well aware of more than $1.70 per cwt. imposed. At a recent symposium of cereal chemists, a chemist stated in his prepared text: "Since the recent increase in the cost of wheat flour more and more cookie bakers are finding that the replacement of 10 to 15% wheat flour by corn flour results in significantly lower production costs . . ." A grain sorghum chemist, at the same meeting, mentioned the use of sorghum flours in pancakes and cookies for the same reason. Another speaker said: "The increase in wheat flour prices created a large spread in price between rye flour and wheat flour so that food manufacturers have taken a look at using rye flour in their products. Rye flour in Chicago, for example last fall (1966) was $2.10 per cwt. cheaper than wheat flour. As a result, quit a few cracker and biscuit manufacturers have found it advantageous to use some rye in their products. The addition of small amounts (10–20%) have . . . given them a cost advantage. . . ."

Since cookies and crackers are the largest markets for soft wheat flour we are alarmed at this artificial competition created by the Wheat Certificate Program. Since more than 25% of all the wheat consumed in this country is soft wheat, the amount of substitution can be a sizeable quantity of wheat.

We have often said before this Committee that "Wheat is not wheat, but many kinds of wheat, for many different purposes." We must now add to that by saying: "Wheat is not only not wheat, but wheat also is not rye, not corn, not sorghum, and not any other cheap source of starch." The only real reason for this is the extreme cost differential created by the Wheat Certificate Program.

Since all farmers of all the various grains raised in the United States receive some benefits from the U.S. Treasury, we suggest that all grains, not just wheat, when used in foods, should bear a similar certificate cost, or that no grain should bear it. It is most contradictory to induce a domestic reduction in the use of wheat through this discrimination while major efforts are being made to increase its use.

To illustrate the kinds of products using soft wheat, we have brought along a few examples. Flour is used in an estimated 1,000 of the more than 6,000 items on the shelves of an average supermarket. In general, soft wheat is used in most of them except for bread, rolls and the pasta products.

Please note the number of these products now listing some substitutes for some of the soft wheat flour in their ingredients.

I have also brought along cookies baked in our laboratory using some substitute ingredients. No formula changes were made to accommodate these and you can see the ease with which replacement can be accomplished. Thus, we believe the program carries within itself the seeds of self defeat both for the wheat farmer, and for us.

The average of May future prices for the last four years during which the wheat certificate has been in effect, compared to the four prior years when it was not in effect for each date nearest April 3rd, adding the certificate cost at $0.7375 (1 year at .70 and 3 at .75), and converting bushels to 100 pounds shows this interesting fact.

Since the certificate came into being, the spread between wheat and corn has advanced 20¢ per hundred pounds and between wheat and rye has advanced 57¢ per hundred pounds.

During earlier debates on the program much was said about the certificate cost making no difference to the miller, that it was the same difference whether the miller paid the certificate or whether it was added in the form of a higher support price, driving the market up to it If domestic use of wheat is about 500 million bushels, the processors' wheat certificate cost is about $375 million. Some of this is paid by the American consumer.

The average price for red wheat in Chicago for the sixteen years prior to the program was $2.16. The average price, with the certificate added, for the four years of the program, through February, 1968 was $2.33. During these same periods the support price, including domestic certificate cost was down 5¾¢ per bushel. Thus, the farmer has received more than 17¢ per bushel more under the program for his domestic wheat, which has been charged through in large part to the consumer, when, if the earlier arguments had been valid, he should have received 5¢ less.

This increased cost falls heaviest on the low income families. 90% of Americans use flour as flour, but only 20% of Americans consume more than 65% of all the flour used. Rural, low or depressed income families consume over 500 pounds of flour annually per person compared to 113 to 115 pounds consumed as a national average. Add to this the fact that lower income families eat more white bread than their richer neighbors and it all adds up to taxing those who can least afford it.

We concur with those recommendations of The National Advisory Commission of Food and Fiber, issued in July, 1967, which state: "freely functioning markets are the best mechanisms for guiding the changes in agricultural production and marketing that will be required in the future . . . that the United States adopt its policies to accomplish a market-oriented agriculture."

We believe continuation of the Wheat Certificate Program delays accomplishment of these objectives.

In summary, the National Soft Wheat Millers' Association believes the Wheat Certificate Program requires improvement in the following ways:

1. The Wheat Certificate Program should recognize the purposes for which wheat is raised and relate this to cost to the U.S. Treasury and consumer as well as the national welfare.
2. While believing strongly in freedom to farm, such freedom should be given gradually to allow for proper adjustment to a market-oriented economy.
3. We believe a sliding scale of domestic subsidy would accomplish the purpose for which the program was designed better than the flat distribution system now used.
4. A statute of limitations is very necessary to treat processors equitably.
5. Mechanism for appeal and arbitration prior to appeal to Federal Court is highly desirable.
6. The burden of being an unpaid tax collector should be removed or reduced from the processor, with all of its implications.
7. The certificate cost should be charged to all grains used for food, or for none. Anything less is self-defeating.
8. The consumer is being charged a part of the cost of the program without being aware of it, or being able to object effectively to it.

Again, we thank you very much for this opportunity and sincerely hope we will be invited again when consideration of a specific bill or bills occurs.

The CHAIRMAN. Mr. Bromley.

STATEMENT OF W. S. BROMLEY, EXECUTIVE VICE PRESIDENT, AMERICAN PULPWOOD ASSOCIATION, NEW YORK, N.Y.

Mr. BROMLEY. Mr. Chairman.

The CHAIRMAN. I hope you don't mind us getting through with you now.

Mr. BROMLEY. I appreciate your patience. If you can stand another 10 minutes, we have a brief statement.

The CHAIRMAN. Well, I have a lot of that. If I didn't, I guess I would be dead by now.

Mr. BROMLEY. Mr. Chairman, I have with me Mr. J. Edwin Moore, forester for the American Pulpwood Association. He had extensive experience in State forestry work in Tennessee and Florida before he came with us, and he will participate in any discussion we might have.

FARM BARGAINING

Mr. Chairman and members of the committee, my name is W. S. Bromley. I am executive vice president of the American Pulpwood Association, and I am appearing here primarily on behalf of that organization. I would like to point out that the views expressed in our statement also have the support of the Forest Industries Council which includes the American Paper Institute, the American Pulpwood Association, and the National Forest Products Association. The members of these three national trade associations consume a major portion of all forest products harvested annually in the United States.

It is the purpose of this statement to point out that forest trees and forest products such as pulpwood, poles, pilings, sawlogs, veneer logs, railroad ties, fence posts and similar forest products should be specifically excluded from the procedures outlined in the National Agricultural Bargaining Act, S. 2973, Senator Mondale's bill.

Our reasons for requesting this exclusion are as follows:

1. It seems to have been the intent of the sponsors of this legislation not to have forest products included.
2. In spite of some few interpretations to the contrary, forest products should not be regarded as included in the term "agricultural products."
3. It is difficult and in some cases impossible to define the "commodity" to be priced under this bill in the forest products industries.
4. The terms "producer" and "production" in this and similar legislation are poorly defined and lead to great misunderstanding in the forest industries.

Now if I may I would like to go into a little more detail on each of these four reasons.

First, we can point out it does not seem to have been the intent of Senator Mondale or other sponsors of this act to include forest products because neither forest trees nor forest products are referred

to in S. 2973 or in any statements issued from their offices or in any public statements that have come to our attention. When President Johnson referred on February 27, 1968, to the need for farmers to have legislation of this type, he made no reference to forest products or forest trees being included in a National Agricultural Bargaining Act.

Second, while there have been interpretations that agricultural products include "lumber and wood products," we do not feel they are appropriate to this legislation. John C. Bagwell, General Counsel of the U.S. Department of Agriculture, in an interpretation appearing in the Congressional Record of April 17, 1962, came to the following inconclusive opinion: "As may be seen, some of the definitions for the immediate purposes involved in the legislation, include forestry products only in part. However, we believe even in these instances, this serves as an indication that where the terms 'agricultural commodities' or 'products thereof' are used without qualification it is reasonable to include timber in the concept." From this limited interpretation it seems to us that unless this committee specifically excludes forest trees and forest products from the provisions of this act, Congress and the U.S. Department of Agriculture will assume it was the intent of this committee to include forest products regardless of the original intent of the sponsors. I would like to give you our primary reasons for taking exception to Mr. Bagwell's interpretation.

A. While there are some minor activities in the growing and harvesting of trees where conditions are very close, if not identical to practices followed in agriculture, these are clearly limited to the growing of fruit trees, nut trees, Christmas trees, and small forest tree seedlings or cuttings which are cultivated in forest tree nurseries. We believe that these minor activities involving trees should not establish any precedent or interpretation that all forest trees or the products thereof are involved in agriculture.

B. The term "forest products" involves the use of wood which comes from forest trees grown under forest conditions, but these conditions in no way resemble the conditions under which agricultural crops are grown.

C. Forest tree harvesting is not done annually as are most agricultural crops, but when trees have matured economically or naturally in 30 to as much as 100 years.

D. Even when trees are economically or silviculturally mature they do not have to be harvested in any particular year. Harvesting may be deferred sometimes for many years. This characteristic does not apply to any agricultural crop with which I am acquainted, nor does it fit the concept or definition of "marketing year" found in section 113 (4) of the proposed legislation.

The third reason for exempting forest products and forest trees is that it is not clear what "commodity" would be covered by this act if applied to our industry. Would it cover the prices of trees (stumpage) sold to loggers; or of trees sold to dealers; or of trees sold to pulpmills; or of pulpwood logged and sold by farmers to pulpmills; or of pulpwood sold by "farmer dealers" to pulpmills? In short, it is not easy to define the "commodity" being priced in our industry—as trees may be sold and bought at three or four stages of activity as

trees are transformed into pulpwood—which is transported to pulpmills by truck, by barge, and by train.

As an industry we are concerned about the concept of forcing all growers of forest trees and forest products in a specific area to meet a minimum price agreed to by a bargaining committee governing their pricing in that area. The logging and pricing of forest trees and products are subject to too many variables to be frozen into unrealistic economic patterns.

Incidentally, Senator, the farmers who have been bona fide farmers may form and participate in forest cooperatives right now. Forest products are being sold through cooperatives today under the Capper-Volstead Act. There are some problems, but we are working with the Secretary on them, so we don't feel this particular legislation has application to our industry. Farmers can participate in forest cooperatives through the Capper-Volstead Act.

The fourth and last reason is that our industry refers to most of all pulpwood logging operations or logging contractors as pulpwood "producers." This is the same term used in S. 2973 to describe farmers and five other classes of "producers" who might be eligible to bargain collectively under this bill. All of these persons are obviously engaged in "growing" agricultural products but the bill says in section 301(b) that they are engaged in the "production" of agricultural products.

Mr. Chairman, if the term "production" in section 301(b) means "growing," we do recommend that the latter term be used as we find the use of the term "production" here very misleading.

In the pulpwood industry most "producers" are independent logging contractors—not growers. Unfortunately, if S. 2973 were applied to our industry as it now reads, it could create a situation where some "logger producers" might use its procedures thinking they could fix prices collectively when in fact all the loggers who are not farmers (or growers of agricultural products) would be in violation of State and Federal antitrust laws. Very few pulpwood producers are farmers but under the definitions and procedures outlined in the bill, it might be possible for these few to establish completely unrealistic and uneconomic prices for pulpwood.

In conclusion, Mr. Chairman, and members of the committee, we feel that any one of the four reasons we have outlined would justify the exclusion of forest trees and forest products from the provisions of the National Agricultural Bargaining Act outlined in S. 2973. Certainly the consideration of all of them will, we hope, justify your acceptance of our recommendation in this respect.

In our opinion, this exclusion could be provided in one of several ways. One example would be to add another paragraph to section 301 stating:

(e) The term "agricultural products" shall not include forest trees or forest products such as pulpwood, poles, piling, sawlogs and veneer logs, railroad ties, fence posts and similar forest products.

If this is not adequate and if cotton and tobacco are excluded from the provisions of this act, as we understand they have been in section 3(e) of S. 109, then section 301(b) of S. 2973 should be amended to include the word "edible." The paragraph would then read:

(b) The term "producer" means a person engaged in the growing of edible agricultural products such as a farmer, planter, rancher, dairyman, fruit, vegetable, or nut grower.

Only two words have been changed there, Senator. The word "growing" has been put in in place of "production" and the word "edible" introduced in front of "agricultural products."

If these examples of how forest trees and forest products may be excluded from this bill are not adequate, we will be glad to work with members of the committee, or of the staff of this committee, on the wording or action that would bring about the purpose of this statement; namely, the exclusion of forest trees and forest products from S. 2973. We will appreciate your consideration of this recommendation, and thank you for the opportunity of presenting our views.

The CHAIRMAN. Well, to be frank with you, I didn't understand there was even an idea of putting forest trees under this.

Mr. BROMLEY. We're glad to hear you say this. It was only because of some previous expression of the Department of Agriculture that we covered in this statement.

The CHAIRMAN. Well, I don't think you need worry about it, but I am glad that you brought it to our attention and suggested ways and means of excluding it.

Mr. BROMLEY. We hope that it will come out of the bill.

Thanks very much. We appreciate your time and attention.

The CHAIRMAN. All right, Mr. Bromley. Thank you.

The committee will stand in recess until Monday, April 8 at 10 o'clock.

(Whereupon, at 1:10 p.m., the committee recessed, to reconvene Monday, April 8, 1968, at 10 a.m.)

FARM PROGRAM AND FARM BARGAINING

MONDAY, APRIL 8, 1968

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The Committee met, pursuant to recess, at 10 a.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender and Young of North Dakota.

The CHAIRMAN. The committee will please come to order.

This is an continuation of hearings on an extension or renewal or amending the Agricultural Act of 1965, and such other bills as may be before us, particularly the so-called Mondale bill, S. 2793.

The first witness is Mr. Edwin E. Marsh—is he present? And I understand Mr. Jack Crowder is with him.

Mr. MARSH. Yes, sir.

The CHAIRMAN. Please identify yourself for the record.

STATEMENT OF EDWIN E. MARSH, EXECUTIVE SECRETARY, NATIONAL WOOL GROWERS ASSOCIATION, SALT LAKE CITY, UTAH, AND JACK A. CROWDER, PRESIDENT, NATIONAL ASSOCIATION OF WOOL MANUFACTURERS

WOOL

Mr. MARSH. Yes. Mr. Chairman, I am Edwin E. Marsh, executive secretary of the National Wool Growers Association.

I regret that our president, Mr. W. E. Overton, who was to be here to present the statement with me, was unable to get here today.

Accompanying me is Mr. Jack Crowder, president of the National Association of Wool Manufacturers, and I am authorized to state that his association fully endorses our position in favor of the National Wool Act.

To briefly identify the National Wood Growers Association, I will say that it has been in existence for 103 years, and we speak for the farmers and ranchers of the Nation who produce both lambs and wool, and our principal membership is in a 22-State area where 88.7 percent of the Nation's wool is produced.

At our convention this year, a resolution was adopted urging further extension of the National Wool Act which, as a part of the Food and Agriculture Act of 1965, is presently scheduled to expire December 31, 1969.

This committee was most instrumental in formulating the National Wool Act in 1954. You have been most helpful in extending

the act on three occasions since that time, namely 1958, 1961, and 1965. We, therefore, feel since the committee is familiar with the act that it is not necessary to take too much of your time in presenting our testimony today. I am, therefore, going to summarize my written statement, but I would appreciate the complete statement being made a part of the record.

The CHAIRMAN. It will be, without any objections.

Mr. MARSH. Thank you. We do feel that the Wool Act is a unique program in that it has had consistent and almost unqualified support from the administration of both parties as well as all major segments of the wool industry from producer through manufacturer.

Wool, like sugar, is in deficient production in this country. Part of the congressional policy in establishing the Wool Act was to encourage domestic production of wool. Congress in establishing the Wool Act also recognized that sheep are not only important to the economy of many semiarid regions where crop production is not feasible, but has recognized the importance of having a supply of domestic wool so that our mills will not be entirely dependent on foreign supplies.

Furthermore, Congress established the Wool Act in 1954 in lieu of a tariff duty increase on imported raw wool recommended by the Tariff Commission at that time.

While several major factors not related to the Wool Act have caused contraction of sheep numbers in recent years, the Wool Act should be given credit for substantially lessening this decline. I can say unequivocally that the Wool Act has been the one factor that has kept a large number of growers from liquidating their flocks and going out of business.

The major factors causing a reduction in sheep numbers in the past few years are these: Lamb prices that frequently do not meet cost of production, inability to secure adequate and dependable labor, severe losses from predatory animals, drought and reduction in grazing allotments on Federal lands.

The sheep industry is endeavoring to solve or alleviate the major problems in these ways: We are working for stepped-up research on sheep production. We need to find ways to increase the number of lambs produced per 100 breeding ewes as a means of increasing the the net income to the sheep enterprise.

We are working with USDA looking toward establishment of a marketing system that will reflect greater returns to the producers who raises lambs with carcasses yielding the highest percentage of preferred retail cuts, thereby encouraging quality production.

We have a marketing committee considering ways to improve our marketing efficiency and our returns on lambs and wool.

Where feasible, more areas are being fenced to reduce labor requirements.

We are working with the Bureau of Sport Fisheries and Wildlife for better predatory animal control under existing programs and stepped-up research to develop new control methods.

We are working with Government agencies on brush removal, reseeding and other programs to increase carrying capacity of our grazing lands looking toward raising more sheep per acre.

We do hope that these efforts to improve our industry augmented by the important National Wool Act, will stem the liquidation tide in the near future.

One of the major reasons for a 7-percent reduction in stock sheep numbers in 1967 was the fact that lamb prices this past year were about at the same level as they were 20 years ago while costs of production increased approximately 42 percent in this same 20-year period. In the case of the sheep industry, the cost increase would be even greater because labor costs have skyrocketed, and labor, in our industry represents a greater portion of total costs than in most agricultural production. Wool prices in this country were also depressed last year. This was occasioned by a substantial drop in world wool prices. Competition from synthetics and a heavy importation of wool textiles which reduced the production volume of domestic mills have affected the demand for domestic raw wool. Bills are now before Congress to hold these textile imports at reasonable levels. Favorable action on these bills is of importance not only to the domestic textile industry, but to domestic wool growers as well.

I am happy to say that lamb prices have strengthened substantially so far this year and market prices for wool are now strengthening slightly both here and abroad. The wool picture does look better at this time. During the first 11 years of the operation of the Wool Act the level of incentive payments under the act was continued each year at 62 cents a pound. This level did encourage production during 1958 through 1960. However, low lamb prices commencing in 1961 started another production decline. When extension of the Wool Act was being considered in 1965, this committee recognized that after 11 years a higher incentive level was desirable in view of rising cost conditions.

Therefore, a formula was added to the act through which the incentive level is adjusted on the basis of changes in the cost index. This is the USDA index of prices paid by farmers including commodities and services, interest, taxes and farm wage rates.

Under this formula the incentive price level for the current marketing year is 67 cents. We feel the formula improved the Wool Act and that it does reflect changing cost conditions.

Another important feature of the act is the self-help promotion program established under section 708 of the act whereby producers authorize deductions from their incentive payments to finance programs of advertising and sales promotions of their products, lamb and wool. This is a means of increasing the returns in the marketplace, thereby decreasing the amount of payments required under the act and in turn reducing the cost of the wool program. Growers have voted in favor of this promotion program by a substantial majority in four referendums to date.

We have no recommendations for changes in the Wool Act because we feel it is working well. In talking with officials in the Department of Agriculture last week I was also advisd that they plan to make no recommendations for changes in the Wool Act.

The CHAIRMAN. To what extent did that change we made 2 years ago cause an increase by farmers in the number of sheep?

Mr. MARSH. You mean by the addition of the parity formula?

The CHAIRMAN. Yes.

Mr. MARSH. It hasn't had an effect in increasing sheep numbers, Senator, because of these other serious problems that we have had. I have no doubt that it has held back a decrease. I am sure of that. But it has not as yet increased production.

The CHAIRMAN. I wonder if you could furnish for the record since the inception of this act the extent to which sheep numbers have increased. In other words, we have a goal to reach as I remember of 300 million is it?

Mr. MARSH. 300 million pounds annual production of shorn wool is set forth in the——

The CHAIRMAN. I thought we had a number of sheep, also. I don't recall——

Mr. MARSH. No, the goal is based——

The CHAIRMAN. On the production of wool.

Mr. MARSH (continuing). On the production of wool, yes, sir; 300 million pounds.

The CHAIRMAN. That was the goal established when the act was put into effect?

Mr. MARSH. Right.

The CHAIRMAN. Now, how far are you from that goal now? Have you advanced in the last few years?

Mr. MARSH. No, I'm sorry to say that we have not—that since the inception of the act, wool production has gone down about 19 percent, and I know that the reduction would have been considerably more than that if it hadn't been for the act, because of low prices and drought and these other factors which I have mentioned.

The CHAIRMAN. Well, if you could put in the act, if you have it available, not now but you could furnish it later, what the goal was and what have you done from year to year up to now, just to see how the act has benefited the farmers.

Mr. MARSH. I will be happy to furnish that for the record.

(The information is as follows:)

NUMBER OF STOCK SHEEP, SHORN WOOL PRODUCTION, WOOL PRICES AND PAYMENTS UNDER THE NATIONAL WOOL ACT OF 1954 BY MARKETING YEARS, 1955 TO DATE

	Stock sheep population, Jan. 1 (head)	Shorn wool production (pounds)	Incentive price for shorn wool (cents per pound)	average price received by producers (cents per pound)	Payments required: Average, (cents per pound)	Payments required: Amount[1]
Marketing year:						
1955 (April–March)	27,137,000	234,058,000	62	42.8	19.2	$57,614,000
1956 (April–March)	27,012,000	238,569,000	62	44.3	17.7	51,915,000
1957 (April–March)	26,538,000	235,366,000	62	53.7	8.3	16,104,000
1958 (April–March)	27,167,000	[2] 243,713,000	62	36.4	25.6	85,143,000
1959 (April–March)	28,108,000	[2] 259,939,000	62	43.3	18.7	53,865,000
1960 (April–March)	28,849,000	[2] 265,277,000	62	42.0	20.0	59,490,000
1961 (April–March)	28,320,000	259,161,000	62	42.9	19.1	56,895,000
1962 (April–March)	26,719,000	246,636,000	62	47.7	14.3	39,195,000
1963 (April–December)	25,122,000	232,446,000	62	48.5	13.5	27,179,000
Calendar year:						
1964	23,455,000	212,333,000	62	53.2	8.8	20,329,000
1965	21,843,000	201,463,000	62	47.1	14.9	34,174,000
1966	21,456,000	195,053,000	65	52.1	12.9	26,300,000
1967	20,658,000	188,155,000	66	39.8	26.2	[3] 56,800,000
1968	19,184,000		67			

[1] Includes payments on unshorn lambs in support of pulled wool.
[2] Excludes Alaska.
[3] Projected. Payments for 1967 marketing year are made commencing Apr. 1, 1968.

NUMBER OF GOATS CLIPPED, MOHAIR PRODUCTION, MOHAIR PRICES AND PAYMENTS ON MOHAIR UNDER THE NATIONAL WOOL ACT OF 1954 BY MARKETING YEARS, 1955 TO DATE

	Number of goats clipped (head)	Mohair production (pounds)	Support price for mohair (cents per pound)	Average price received by producers (cents per pound)	Payments required	
					Average (cents per pound)	Amount
Marketing year:						
1955 (April-March)	2,983,000	16,923,000	70.0	82.2		
1956 (April-March)	3,164,000	18,233,000	70.0	84.4		
1957 (April-March)	3,246,000	19,072,000	70.0	88.6		
1958 (April-March)	3,417,000	20,825,000	70.0	72.3		
1959 (April-March)	3,755,000	24,151,000	70.0	96.4		
1960 (April-March)	3,888,000	24,467,000	70.0	89.7		
1961 (April-March)	4,021,000	26,411,000	73.0	85.6		
1962 (April-March)	4,236,000	27,215,000	74.0	71.4	2.6	$797,000
1963 (April-December)	4,363,000	29,007,000	76.0	88.1		
Calendar year:						
1964	4,568,000	29,736,000	72.0	94.3		
1965	4,803,000	32,420,000	72.0	65.6	6.4	1,900,000
1966	4,659,000	29,576,000	75.8	53.7	22.1	6,500,000
1967	4,104,000	26,275,000	76.4	40.9	35.5	[1] 11,400,000

[1] Projected: Payments for 1967 marketing year are made commencing Apr. 1, 1968.

Mr. YOUNG. Mr. Chairman, I believe Mr. Marsh would agree that one of the major reasons why the sheep population has decreased rather than increased is the fact that we have lost so many small farmers who used to have small flocks.

Mr. MARSH. That is certainly——

Mr. YOUNG. Since the Wool Act was first enacted I imagine we have lost at least 25 to 30 percent of our farmers, and these have usually been smaller farmers many of whom had a few sheep.

Mr. MARSH. That is correct. And one of their big problems has been the dog problem in the farm flock areas.

Mr. YOUNG. I believe that in North Dakota, there has been a greater reduction in sheep numbers percentagewise than in most States, and we only have about half as many farmers as we had back in the 1930's.

Mr. MARSH. That is correct.

The CHAIRMAN. Well, I was noticing here that the cost of the act in 1968 was estimated at $83.7 million, and for 1969 the projected estimated cost is $62.6 million. In prior years it was not quite as much as that. Actually in 1967, it was 35 million and in 1966 it was 38 million. There has been quite a jump in the last 2 years, and I presume that that is due to this change that was made in the act.

Mr. MARSH. No, Senator; it is not. For example, even though the incentive price level was raised from 62 cents in 1965 to 65 cents in 1966 under the formula added to the act, wool payments for the 1966 marketing year actually dropped $7.8 million from the previous year because the average farm price improved. We had 3 years there prior to 1967: 1964, 1965, and 1966, in which the payments were considerably under the average for the first 13 years of the act, because the wool prices were better in those years and the better the wool prices the less that has to be made up to bring the prices up to the incentive level. So we had 3 years there when the payments were considerably below the average but in 1967 with a very low wool market, it followed the world market down—it went down from 52 cents in 1966 to 39.8 in 1967, and that is the factor that is causing the payments for 1967 to be

so much larger, because for every cent that the wool price goes down it takes about two and a quarter—$2.25 million more in payments. Furthermore, while no support payments were required on mohair during 9 of the first 13 years of the Wool Act, a rather drastic drop in mohair prices in 1967 resulted in mohair payments totaling $11.4 million. Therefore, the increased cost for 1967 is accounted for by both lower wool and low mohair prices.

However, I will say that the wool market appears to have reached the bottom and is coming back now. It appears to be strengthening. And we want to see it strengthened because we centainly want to keep the payments as low as possible.

The CHAIRMAN. Well, you say 1967. In fiscal 1967 it was $35,001,000 whereas in 1968, that is, fiscal year, was 63.7, and estimated for 1967 it is 62.6. Those are the figures that I have from the Department.

Mr. MARSH. Well, the figures that they gave me are slightly different than that. Do your figures include mohair payments there?

The CHAIRMAN. Yes; it includes everything: lambs, mohair—total payments.

Mr. MARSH. The payments for 1967 are to be made this year.

The CHAIRMAN. Yes.

Mr. MARSH. You see, they are made the following year, and the figures they gave me show an estimated payment for the 1967 marketing year on wool and mohair of $68.2 million, estimated payment for the 1967 marketing year to be made this year. They show the payment for the 1966 marketing year made in 1967 of 32.8. Does that compare——

The CHAIRMAN. 35.1 in 1967; 38.2 in 1966; 22.6 in 1965, and 1964 was 73.2.

Mr. MARSH. Yes. I was quoting here the total wool and mohair payments made to growers. They are apparently including the cost of the program also in there.

The CHAIRMAN. They are including everything, administrative expenses and everything.

Mr. MARSH. Well, that would add on a——

The CHAIRMAN. Yes.

Mr. MARSH (continuing). Little more.

The CHAIRMAN. You have just the payments made to the farmers?

Mr. MARSH. Yes. Those were the figures I was quoting.

The CHAIRMAN. All right. You may proceed, sir.

Mr. MARSH. In conclusion, Mr. Chairman, we would like to emphasize again the importance of the National Wool Act in maintaining a sheep industry in the United States. We feel it is vital to the economic health of our domestic sheep industry, especially with these other problems that have decreased our production. President Johnson in his farm message has recommended extension of the Food and Agriculture Act of 1965, of which the National Wool Act is a part. The President has also recommended extension this year on a permanent basis. We endorse the President's recommendations.

Extension this year would be most advantageous to the industry. Sheep production is a long-term enterprise. It takes 2 years from the time a ewe lamb is born until she reproduces. Furthermore, in planning production for 2 years ahead or even for a longer span, growers find that lending agencies have to know something about the prospec-

tive financial condition of the industry and whether or not the Wool Act will be in operation. Passage of legislation this year to extend the program following 1969 would, therefore, be most helpful.

In closing, I would like to state that the Department of Agriculture has been most helpful and cooperative in administering the Wool Act program. We would also like to express our appreciation to this committee for the consideration you have given us both at the inception of the Wool Act in 1954 and at hearings since that time on its extension.

Thank you.

(Mr. Marsh's prepared statement follows:)

Mr. Chairman and Members of the Committee, I am presenting this statement on behalf of the National Wool Growers Association. Our organization, which has been in existence for 103 years, speaks for the farmers and ranchers of the United States who raise sheep for the production of both lambs and wool.

Our principal membership consists of 20 state and area sheep producer organizations operating in the states of Arizina, California, Colorado, Idaho, Indiana, Iowa, Kansas, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, Oklahoma, Oregon, Texas, Utah, Washington, South Dakota, Wisconsin and Wyoming. In this 22-state area, 88.7 per cent of the nation's wool was produced in 1967. Wool, however, is produced in all 50 states.

At our 103rd Annual Convention, held in January of this year, a resolution was unanimously adopted, urging further extension of the National Wool Act of 1954. The National Wool Act, as a part of the Food and Agricultural Act of 1965, applies on wool marketed through December 31, 1969.

The Wool Act is now in its fourteenth year of operation. We think it is a unique program in that it has had consistent and almost unqualified support from the Administrations of both parties, as well as all major segments of the wool industry from producer through manufacturer.

Wool, like sugar, is in deficit production in this country. Part of the congressional policy in establishing the Wool Act was to encourage domestic production of wool. The Act was also established in lieu of a tariff duty increase on imported raw wool which was recommended by the Tariff Commission in 1954. Congress in the Wool Act has recognized that sheep are not only important to the economy of many semi-arid regions where crop production is not feasible but has recognized the importance of having a supply of domestic wool so that our mills will not be entirely dependent on foreign supplies.

Under the National Wool Act, growers sell their wool in normal marketing channels. After the year is over, and the average price received for wool sold during the marketing year is known, payments are made to bring the national average price received by all growers up to the incentive level. The incentive level is determined each year by a cost index formula in the Wool Act. The payments are made at one percentage rate—the percentage required to bring the national average price for wool sold in the free market up to the incentive level. This one rate is applied to the net sales proceeds received by each grower to determine the amount of this incentive payment. By making the payments on a percentage basis, growers are encouraged to improve the quality and marketing of their wool to obtain the best price possible, because the higher the price the individual grower gets in the free market, the greater his payment.

Support for pulled wool is provided under the Act to maintain normal marketing practices; that is, to prevent unusual shearing prior to marketing just to get the payment on shorn wool. This is being handled by making payments on sales of unshorn lambs.

The National Wool Act also provides for the support of mohair by payments similar to those on shorn wool. The Act provides that mohair prices are to be supported within 15 percent of the comparable percentage of parity at which shorn wool is supported. During the first 13 years of the operation of the Wool Act, there were nine years when payments were not required on mohair because market prices for mohair in those years were above the support level.

While several major factors not related to the Wool Act have caused a contraction of sheep numbers in recent years, the Wool Act should be given credit for substantially lessening this decline. I can say unequivocally that the National Wool Act has been the one factor that has kept a large number of growers from liquidating their flocks and going out of the sheep business.

The major factors causing a reduction in sheep numbers over the past few years are these: Lamb prices that frequently do not meet costs of production, inability to secure adequate and dependable labor, severe losses from predatory animals, drought, and reductions in grazing allotments on our Federal grazing lands.

One of the major reasons for a seven per cent reduction in stock sheep numbers in 1967 was the fact that lamb prices this past year were at about the same levels as they were 20 years ago, in 1947, while costs of production, interest, taxes and wage rates show an increase of approximately 42 percent in the same 20-year period. Returns from the sale of lambs represent about two-thirds of the sheep producer's total income. When lamb prices are low, producers suffer.

I am happy to say that lamb prices are presently better than they were a year ago. In fact, the March 15th farm price of lambs this year at $24.50 per hundred pounds is $3.90 above the same date a year ago.

In addition to better lamb prices this year, we are encouraged by some strengthening of the wool market at present and a better outlook in the months ahead. While the market price for domestic wool during the first 13 years of the Wool Act has averaged 45.7 cents per pound, a price slump in 1967 brought this average down to 39.8 cents.

This reduction was due to the fact that our wool prices follow foreign wool prices, which were down substantially this past year. Competition from synthetics is another factor. Also, imports of wool textiles from countries with low wage and production costs replaced a substantial portion of the buying potential of our domestic mills for domestic wool. Bills are now before Congress to hold textile imports to the average level of the past six years. Favorable action on these bills is of importance not only to the domestic textile industry but to domestic growers as well.

The market price of mohair, which was also low this past year, also shows promise of strengthening. The average farm price of mohair was 46 cents as of March 15th this year compared to 43 cents a month earlier.

The industry is endeavoring to solve or alleviate its problems in these ways: 1. We are working for stepped-up research on sheep production to increase the number of lambs produced per 100 ewes as a means of increasing the net income to the sheep enterprise; 2. We are cooperating with USDA looking toward establishment of a marketing system that will grade lambs on the basis of their yields so that growers producing higher quality carcasses, with greater "cut out" value, will be paid for them accordingly; 3. We have a marketing committee considering possible ways through which we might increase our marketing effectiveness and efficiency to increase returns from the sale of both lambs and wool; 4. Where feasible, more areas are being fenced to reduce the need for herding labor; 5. We are continuing to work with the Bureau of Sport Fisheries and Wildlife both for better animal control under existing programs and for research to develop better control methods; 6. We are working with government agencies for brush removal, reseeding, and other programs to increase the carrying capacity of grazing lands, in an effort to raise more sheep per acre.

We earnestly hope that these efforts to improve the industry, augmented by the important National Wool Act program, will stem the liquidation tide in the near future.

The National Wool Act has given the sheep industry the opportunity to promote its own products through a self-help program. The Wool Act helps the U.S. sheep producer to compete with similar foreign products which have lower production costs and enables him to finance his own promotion organization for the development of new and larger markets for his two entirely different products—lamb and wool.

In September, 1955, sheep industry leaders formed their own promotion organization, the American Sheep Producers Council, with headquarters in Denver, Colorado. This organization is entirely supported and governed by sheepmen and almost every sheep producer in the United States contributes to the program through deductions from incentive payments he receives under Section 708 of the National Wool Act.

The purpose of the American Sheep Producers Council programs is to expand the demand for lamb and wool through a self-help program of promotion, advertising, market analysis and education on behalf of the sheepmen of the United States.

The year following each extension of the National Wool Act the Secretary of Agriculture calls a national referendum in order that sheep producers can

determine for themselves whether they want to continue with their promotion programs through their own organization, the American Sheep Producers Council. The sheep producers have voiced their approval of this self-help program in four referendums. The last referendum, in 1966, received 79.9 percent approval of the total producers who voted.

Funds for the sheepmen's promotion and advertising programs are derived by deductions from the wool incentive payments at the rate of 1½ cents per pound of shorn wool and 7½ cents for each 100 pounds of unshorn lambs.

It is to the credit of the sheep producer that he realizes the wisdom of promoting his products just as other industries in America are doing and is willing to spend his own time and money to improve the economic condition of his industry.

Mohair growers have also organized a self-help promotion and advertising program under Section 708 of the Wool Act, designed to increase demand for mohair products.

During the first 11 years of the operation of the Wool Act, the level of incentive payments under the Act was continued at 62 cents per pound. This level did encourage production during 1958 through 1960. However, low lamb prices commencing in 1961 started another production decline.

When the Wool Act was extended in 1965 this Committee recognized that a higher incentive level was desirable in view of rising cost conditions. Therefore, the Senate added a formula to the Act through which the incentive level is adjusted on the basis of changes in the cost index. This is the USDA index of prices paid by farmers, including commodities and services, interest, taxes and farm wage rates. Under this formula the incentive price level for the 1968 marketing year is 67 cents.

Mr. Chairman, in conclusion, we would like to again emphasize the importance of the National Wool Act in maintaining a sheep industry in the United States. In fact, the Wool Act is vital to the economic health of our domestic sheep industry. President Johnson in his farm message has recommended extension of the Food and Agricultural Act of 1965 of which the National Wool Act is a part. The President has also recommended extension of the Food and Agricultural Act this year, on a permanent basis. We endorse the President's recommendations.

Extension this year would be advantageous to the sheep industry. Sheep production is a long-term enterprise. It takes two years from the time a ewe lamb is born until she reproduces. Clearly our production is different from a yearly planted crop. Furthermore, in planning production for two years ahead, or even for a longer span, loaning agencies have to know what the economic outlook is going to be for the industry and whether or not the Wool Act will be in operation. Announcement in 1968 of an extension of the program beyond 1969 would therefore be most helpful. Also, under the cost index formula in the Wool Act, the incentive level can now be determined a year in advance. Extension of the Act in 1968 would enable growers to determine the 1970 incentive level very early next year.

In closing we would like to state that the Department of Agriculture has been most helpful and cooperative in the administration of the National Wool Act program. We would also like to express our deep appreciation to this committee for the consideration you have given us both at the inception of the Wool Act in 1954 and at hearings since that time on its extension.

The Chairman. All right. Any questions.

Do you wish to say anything?

Mr. Crowder. No, thank you, sir; not beyond the fact that the wool manufacturers of the United States who are the only customers of the growers have found the Wool Act in its operation most satisfactory and we strongly endorse its extension.

The Chairman. Well, how does that effect the price of wool? Does it keep it steady?

Mr. Crowder. It lets wool move to the market at open market prices.

The Chairman. You mean for domestic production?

Mr. Crowder. This is correct, sir.

The Chairman. Thank you. All right.

STATEMENT OF WALTER R. COLLETT, OREGON-WASHINGTON VEGETABLE & FRUIT GROWERS ASSOCIATION, SALEM, OREG.

The CHAIRMAN. Mr. Collett.
All right, will you identify yourself for the record, please, sir.

FARM BARGAINING

Mr. COLLETT. Mr. Chairman and members of the committee, my name is Walter R. Collett. I am manager of the Oregon-Washington Vegetable-Fruit Growers Association. The main office is in Salem, Oreg. Our association is a bargaining cooperative.

Let me first express my appreciation for the privilege of appearing before you as a proponent for the intent of the bill proposed by the Honorable Senator Mondale of Minnesota. I noted with interest the opening remarks of Senator Mondale in his introduction to the bill, and I quote:

> I expect this proposal will become a center of controversy. This, in fact is one of the main functions it is intended to serve. Farmer bargaining has been debated and considered for many years, but nothing has been done because it has been too controversial.

And certainly the center of controversy it has already become. I am grateful that this committee is again willing to hear testimony and debate the problem of agriculture that has not as yet been resolved. For the good of our total economy the dialog must continue until some solution is found to this ever-increasing serious problem.

I have been sent by my people to Washington on two other occasions to discuss with Members of Congress some of the problems we face, and again to carry their opinions to this committee. I am a simple man and I represent simple people who do not undersand all the complexities of the legislative function or the complexities of legality. So by necessity, my statement shall remain simple. Let me now say that we farmers need a self-help program and enabling legislation so that we can function at the marketplace.

I have spent 25 years in agriculture, 18 years as an active farmer, 6 years as the manager of this bargaining association. I do not feel qualified to be specific in suggesting amendments or changes in the bill as presented. My testimony will, by necessity, be directed at the intent of the bill, which is, as I understand it, to attain and furnish the necessary tools to remove the imbalance of power between the producer and buyer of agricultural products, as well as to aid in balancing the supply and demand factor. In this area I do feel qualified, because I have been active in agri-business, have had a wide exposure to farmers, and I have managed the operation of this association since it became a reality. I state simply that I know something about farming, and I know something about the economics of farming and I also know some of the problems of the farmer.

Our own bargaining association is involved directly with canning crops. It is a multicommodity group, assuming pricing responsibility for small fruits and vegetables. We have had a successful operation and have made substantial progress, but also in actual price enhancement. It is perhaps unfortunate that success in increasing raw product price often breeds failure, because it attracts producers of other

commodities. We have come to recognize that all farm products are competitive, and that success in a bargaining association is limited unless other agricultural products keep pace in pricing with the commodities you are directly interested in. Certainly this is one of the reasons why we are interested in agricultural bargaining per se. Even though we have had success on a reasonable basis on specific commodities, we cannot divorce ourselves from the total agricultural picture.

The fact that farmer bargaining is of prime importance is indicated in the wide publicity that it has received, not only in farm publications, but in the press generally. Farm magazines are published to reach farmers. They are interested in selling magazines. Its editors and reporters are constantly feeling the pulse of their readers, and in doing so they have discovered that farmers are indeed interested in bargaining power. Their exposure makes them knowledgeable in the business of farming. Bargaining power for farmers has become an issue with them.

There is some indication that people generally are concerned about the economic plight of the food producer. I was interested to note that Sylvia Porter, the financial analyst and syndicate writer, the other day stated that a New England village gave personal property tax relief to the four dairy farmers that served the town because they were in need. Certainly this does not solve the dairyman's problem, but it does indicate that others beside farmers are concerned. In our own State, an organization has been established called the Agri-Business Council of Oregon. It has gained wide support from all segments of our economy. It is directed by a board consisting of bankers and industrialists as well as farmers. Its membership is open to anyone connected with agri-business. It has gained wide support; its objective is to change the image of the farmer and to bring an understanding to the general public of the importance and the problems of agriculture. The Agri-Business Council recently conducted a statewide public opinion survey in which the majority of Oregonians stated they do not think the farmer is getting his share of the food dollar. Gov. Tom McCall recently stated in regard to this program, and I quote: "The greatest deterrent to the continued abundance of family farm agriculture is that farm income will continually be so low as to drive most farmers out of busines." The Agri-Business Council asserts that food prices must increase and this increase must be passed on to the consumer.

I could go on and on quoting people interested but out of farming, that are concerned about the plight of the farmer. I guess what I am trying to point out is that the total news media has been carrying stories showing this concern, but it seems to me so far the results of the efforts of farm leadership and government—we have been carrying out an exercise in futility. Certainly we are not near a solution, while, sure as death and taxes, the evolution continues.

The cost of food to the consumer has gone up it is true, by 20 percent in the last 20 years. Ironically, the producers are receiving 6 percent less for this food produced. Only 5.5 cents of the after-tax dollar goes to the farmers, compared with 11 cents 20 years ago.

There is no question about the efficiency of the farmer—we have the most efficient farm plant in the world, in spite of the fact that we hear opponents to constructive farm legislation say that the inefficient farmer must go. I would like to suggest that most of the inefficient

farmers have already been pushed out of business. Since 1935 the number of farmers has dropped from 6.8 million to 3.1 million. In 1967 alone, 728,000 Americans left their farms. The advice given to farmers for a period of years has been "get bigger or get out." The question is, how big must you get? There have been some very interesting studies done by land-grant colleges in various parts of the United States which indicated that there is a place when size no longer increases efficiency.

It is a good thing for our society as a whole that we have the capacity to overproduce every single commodity we grow, but as long as supply and demand determines raw product price, then there must be a method established to balance the supply and demand factor, as there is in every other industry, if our farm plant is to be healthy. It is not presently so.

If we were to examine the U.S. agricultural balance sheet, we could not help but conclude that it is on the verge of bankruptcy. Any industry that returns only 3 cents on its investment and pays its management $1.60 an hour is certainly not a sound business enterprise.

I asked the question, how big should farms get? What needs to be done to put the agricultural plant in a financially sound position? This constant problem of constantly decreasing raw product prices is going to have to be resolved. Either the present day farmer is going to attain a voice in the marketplace or someone else is going to take over the business of farming. As affluent as our society is, no economy is sound when the basic industry of that economy is not keeping pace financially with the other segments of that economy.

I have listened or read with a great deal of interest to the testimony of the opponents of progressive legislation for farmers introduced in the National Congress the last several years. This included the original Senate bill 109 and companion bills in the House of Representatives; also, legislation which would establish marketing orders on specific commodities. The cry from opponents has been "inequities"—the farmer would gain too much power. They wouldn't be able to choose their suppliers and so forth. They have fought well and presented strong arguments to continue the status quo in agriculture. I have recognized that they have fought hard and well for the inalienable rights of the farmer—to freedom of selling on an individual basis because it has been profitable for them. They have stated from the witness stand before Members of Congress that the farmer has his freedom. That he does not need any additional legislation to protect him, or to give him aid. That he does not have to farm—that if he is not satisfied with what he is growing then he can change crops. That he is free to accept or reject whatever price the buyer wants to offer for his product.

The evidence shows that the farmer by the thousands are rejecting this procedure and selling out. His land values are going up and up in spite of the fact that the financial return is decreasing, rather than increasing. Neighbors are buying out neighbors hoping for a higher degree of efficiency, but increased profits are elusive and most farmers are finding that they are not resolving their problem, but rather saddling themselves with unmanageable debt. Someway, somehow, the problem will be resolved, but it may be at the expense of the total society.

The opponents of the original S. 109 as well as recent legislation to enlarge the scope of establishing marketing orders for commodities bewailed the fact that this legislation produced inequities. I need not suggest to this honorable committee that since the farmer peddled his products from house to house or traded at the corner store, there have been gross inequities in our marketing system. These inequities need to be erased, and erased now. The opponents have suggested that to take away their right to buy raw products from producers at their price is contrary to the American system. I would suggest to this committee that a continuation of the present procedure is contrary to the American system. I know you will forgive me if I remind you that the total farm investment outweighs the investment of the total processing, distribution, and retailing segment of the food business by 8 to 1. The total value of the farm investment is equal to three-fifths of the total value of all stocks traded on the New York Exchange. The farmer has not united to attain political power through economic strength. Certainly analysis of the statements of the opponents of marketing orders and any antidiscrimination bill would remind most of us of a witch hunt, and this is what it is in my mind. But so far they have been extemely successful in killing progressive legislation.

When I analyze the facts, I am reminded of the Biblical story of David and Goliath, and I would draw an analogy as David representing the processing industry, able to put to death the farmer who is in actuality, the Goliath of agriculture. I would merely state that I do not believe that the David of my analogy has received divine direction.

From reports I have heard out of the U.S. Department of Agriculture, it is my understanding that they support the intent of the present bill. There has been a good deal of criticism on the part of farmers against the Department of Agriculture, not only on a national basis, but also on a State basis. The criticism has been directed also at the extension service and land grant colleges. The criticism has been that these departments of Government as well as the educational arm have always been consumer oriented. This was the intent when these departments were established. It is my belief that the present support for such legislation by the Department of Agriculture is because this arm of Government sincerely believes that they are serving the consumer by suggesting ways and means to continue a program of food production that has proved the best in the world, and that parity must be reached.

I would direct my closing remarks to some of the points on the Mondale bill: Our association of growers stands in support for expanding the eligibility for marketing authority to all all agricultural commodities. We all recognize, of course, that expanding this authority does not mean that marketing orders on any commodity are going to be established. This is merely enabling legislation. Farmers will then have the opportunity to present arguments for the establishment of marketing orders when and if it seems necessary or desirable. We do not favor mandatory price fixing authority indicated in title I of the bill.

But we would certainly support a national agricultural relations board arrangement. I would further state that we are not satisfied and

we are extremely unhappy with the House version of S. 109 which was recently passed by the Senate and we still believe that title III of the Mondale bill is preferable to that version. We also feel strongly about section 312, title III which states: Section 312 would protect associations and organizations of producers and their members or officers from being held responsible for acts where it is not clearly established that they participated in, authorized or ratified such acts, et cetera. This is similar to the type of protection given to labor organizations involved in labor disputes.

Mr. Chairman and members of the committee, it is difficult to present anything new to support the position of the farmer in requesting a better legal climate in which to function through cooperative effort. I am sure that the need of some changes in our food and fiber producing program as well as enhancing the farmers position at the market place is quite apparent to you from your careful examination of the economic factors involved. I am sure, also, that you recognize the transition that is going on in agriculture that will, if it continues, change the whole agricultural plant in these United States.

You are also aware of the fact that never in the history of the country has there been so much interest by farmers in organizing to get a fair share of the economy's dollar, so that he might stay in business. There isn't a day goes by but what producers of other commodities with which we are not involved call my office for information in regard to farm bargaining. The Secretary of Agriculture has repeated the statement that farm bargaining is an idea whose time has come. Let me say in closing that I certainly believe that the interest is there. I believe that farmers will continue their organizational efforts across the country. I also know from personal experience that to attain that necessary bargaining power for any group in any area is going to be extremely difficult. Just last week I had a manager of one of the largest processing firms in our area say to me, in speaking of other processors, "They may hate your guts, but they have decided that they have to do business with you."

Thus attaining bargaining power is extremely difficult. It has been difficult for us, working in a comparatively small geographic area. If it is going to be attained on a national basis, commodity by commodity, area by area, then the necessary tools must be furnished farmers as they have been furnished to other segments of our economy. Under the most favorable circumstances it is not going to happen overnight * * * but the dialog that has continued for the past 3 years in Government, in the Department of Agriculture, in the established cooperative movement, by farm leaders, is going to have to be continued on a farmer to farmer basis to get understanding and cooperation.

Unless the National Congress furnishes the tools then bargaining may be an idea whose time has come, but it will not achieve reality because the road at the present time can be hazardous and dangerous and expensive for farmers.

I am extemely grateful for the privilege of appearing before you. I pray for your continued interest in the efforts of farmers to gain bargaining power. I would hope that out of this would come something that would indicate your concern constructive enough to give encouragement to the food producers now in the business of farming.

The CHAIRMAN. Well, Mr. Collett, I can assure you that this committee is anxious to do all it can for the producer. Now, according to the title of your organization, it covers both Oregon and Washington.

Mr. COLLETT. Yes.

The CHAIRMAN. Now, can you tell us, how does your organization work?

Mr. COLLETT. Well, we are strictly a bargaining cooperative. Our corporate papers are filed in the State of Oregon, and we do business in Washington. We started as a small group of bean growers, and in our original organization we had 60 people. This has been enlarged to almost 1,200. We are now involved in six different commodities which are sold to canners and freezers. They are extremely important commodities to our area. We produce, for instance, almost 30 percent of the green beans for processing consumed in the United States. We produce 27 or 28 percent of the total strawberries that are used for processing in the United States. And we have a marketing contract signed with grower members, and we become their sole marketing agent. The association becomes the sole marketing agent. And so we negotiate with processors for market price.

We have introduced some very interesting programs that I think have been very effective. One, for instance, is on strawberries where we contract with the industry at the time of planting. Now, this integrated farm program with which we are involved, and which seems to be expanding into all segments of agriculture—and I think there is some indication that perhaps in 15 or 20 years it will even include the basic crops—allows the opportunity of organized farmers to establish a voice in the marketplace.

Now, we come to a price agreement on the annual crops before the seed is planted. And here is where a farmer has an opportunity either to reject or accept a pricing program. At the time of harvest he does not: he is committed to move that crop to market. But if the price is established before the seed goes in the ground, then he definitely has a choice, but there is no free market as far as these commodities are concerned. In strawberries we contract with the industry at the time of planting and establish a base price.

Now, this has two functions. First of all, it guarantees the producer at least production costs.

The CHAIRMAN. Do you estimate that?

Mr. COLLETT. Well, we keep production cost studies on all the commodities we are interested in in our own office. Then at the time of harvest we negotiate for market price. But when there is the distribution of responsibility for that crop then the industry becomes concerned about their market, because they share the responsibility and they do not raise their price.

The CHAIRMAN. You say your contract with the farmer is made at or before the time of planting?

Mr. COLLETT. Yes.

The CHAIRMAN. Now, do the farmers stick with you——

Mr. COLLETT. Oh, yes.

The CHAIRMAN. Or do some of them run out on you?

Mr. COLLETT. No, no; they are bound together by the contract. One thing that I have noticed with a great deal of interest is that in a farm organization such as ours the farmer has a vital interest

in that organization because any time you touch a man's pocketbook you run next to his heart, then he keeps involved. We have committees for every single commodity and these men become knowledgeable, and the responsibility is for the area they represent, and they keep their people knowledgeable. We constantly send out newsletters in which we point out the condition of the market, what we think needs to be done, and we have marvelous cooperation. We have very, very few people ever leave the association for the simple reason that they recognize, and this is the only way the farmer can continue to live in our present economy.

The CHAIRMAN. Well, the only reason why I am asking you that is there seems to be a little difference of opinion as to how the Mondale bill will act. I did not sense any opposition to it, but some witnesses do not like the way title I operates. And what I have been trying to do is to get some knowledgeable person to come before us and tell us what he thinks about it.

Now, my reason for asking you about your organization is to maybe get a paragraph from what you are doing and put in the law here and make it nationwide instead of making it regional. Now, whether that can be done, I do not know.

Mr. COLLETT. Let me say this. I made some remarks in my prepared paper that to attain bargaining power is difficult, and it is for several reasons. First of all, farmers are afraid that they are not going to have a market for their product if they join together, and bargaining associations have had a real problem. We were nothing but rabble rousers when we first started our association as far as the public was concerned and as far as our buyers were concerned. They liked the status quo, a buyer's market price at the time of harvest. This is the good way to do business, but not sound for the producer. But after we gained a position at the marketplace—and this must be done by firm contracts between association and producer, and their needs to be understanding. This is the great difficulty. In our farm population today, farmers are a little bit naive; they are not stupid, but they are a little naive. They are not exposed.

The CHAIRMAN. Still suspicious.

Mr. COLLETT. Still suspicious and they are knowledgeable but in the areas of market, as to what constitutes the marketplace—why is supply and demand necessary to function at the marketplace, these are things farmers don't understand.

The CHAIRMAN. Well, I think it's a fact, though, on the west coast you have more of these associations similar to yours than you have in any other part of the country.

Mr. COLLETT. This is true.

The CHAIRMAN. Particularly California which is tremendously organized. And it may be that we can obtain from those organizations some clues as to what ought to be done nationally.

Mr. COLLETT. Well, now, first of all, I would suggest to you, Mr. Chairman and members of the committee, that we need more protection against discrimination. I speak from knowledge. I speak from knowledge from actual experience in this area. The industry denies it, but I would say it doesn't take too much to put fear in the hearts of farmers who are in financial difficulty. Actually, it is poverty on the farms and this is indicated by subsistence. And I would say, first of

all, we need the departments of governments who are now interested in functioning agriculture to start an educational program so that farmers can be knowledgeable in this area. Under the present system their objective is to produce more for us. And this is marvelous for our society, but we all know from the statistical evidence that this has not helped the farmer. He's the low man on the economic ladder, is he not, and this has got to be resolved, otherwise we are, I think, going to have a very serious transition in agriculture in a very few years. We see it in our area going on constantly, and that in my mind is a serious problem.

The CHAIRMAN. Now, as I understood you, you are not sufficiently prepared to discuss the Mondale bill?

Mr. COLLETT. Well, as I said—I wish that our attorney was with me. He is more knowledgeable in the area——

The CHAIRMAN. Well, why don't you do this for us. It will help if you could get a statement from him. These hearings will remain open for some time.

Mr. COLLETT. I would be happy to do that.

The CHAIRMAN. And I hope to probably close them the middle of May. Now, what I would like to have is a complete analysis, let us say, by your attorney in the light of your own organization.

Mr. COLLETT. I would be very happy to do that.

(The statement is as follows:)

SALEM, OREG., *May 21, 1968.*

C. M. MOUSER,
Chief Clerk, Senate Committee on Agriculture and Forestry,
Senate Office Building, Washington, D.C.:

Our association favor an enactment of title II of the Agricultural Act of 1968, S. 2973. We urge that the committee modify the collective bargaining authority contained in section 5(j) to provide for the designation of cooperative marketing associations to bargain with handlers or groups of handlers. The bill now provides for committees or producer representatives to bargain with such handlers or groups of handlers. These committees would operate in lieu of a bargaining cooperative, thus there seems to be little place for an established bargaining cooperative under a committee system. We also recommend authority be provided to bargain for the actual selling price of commodities, rather than a minimum price. In practice, the bargaining usually is over a contract specifying prices to grower and other terms of sale.

WALTER R. COLLETT,
Manager, Oregon-Washington Vegetable Fruit Growers Association.

The CHAIRMAN. In other words, what differences are there between what we are trying to do here nationally and what you are doing locally, you see, see if we can combine it.

Now, as I understand this proposal here, it is applied to certain commodities. Now, I developed last Friday that it would not be applicable to wheat because wheat is grown all over the country. And by the same token, it may not apply to corn growers. And the witness testified in effect that it would be more regional in its application.

Now, here we are; we are trying to get information to do a good job but so far we have not been able to get anybody to tell us.

Mr. COLLETT. Well, Senator, believe me when I say we are deeply appreciative of the efforts of this committee as a whole and we recognize the problems that you are having, and the opposition to any constructive legislation, but I say to you that I believe something must be done, and I think——

The CHAIRMAN. Well, I agree, too. Whenever Congress enacts laws that make it expensive for the farmer to stay in business, we ought to help him to counteract that.

Mr. COLLETT. This is right.

The CHAIRMAN. All right. But now we are here; we try to do a good job, but if we cannot get information sufficient in order to get a consensus of what ought to be done, what can we do? We just sit here and talk about it, unable to perform.

Mr. COLLETT. Now, the expansion of marketing orders—or enabling legislation would be extremely helpful, but you are never going to get support for marketing orders unless you have farm organizations organized on a commodity-by-commodity basis, and you have to have some incentive for the farmer to join organizations. Then you can get support—when the need arises—for a marketing order on a national basis that would be effective, in my mind.

The CHAIRMAN. Well, if you will do what I suggest, it might be of help.

Mr. COLLETT. I would be very happy to.

The CHAIRMAN. And we will give you a copy of the bill. What I would like to have is analysis of what your lawyer thinks of the bill and how it will operate as written. And then in another place he could put improvements that could be made to this.

Mr. COLLETT. Yes.

The CHAIRMAN. In other words, let us have it analyzed as the bill is and then what improvements should be made in order to make this more workable and then how would it affect your organization.

Mr. COLLETT. Thank you very much, sir.

The CHAIRMAN. What I have tried to do, Mr. Collett, is to get information as to how this bill would affect cooperatives. You know, cooperatives have been organized in order to help farmers to get better prices and be able to buy more cheaply. It strikes me that there is an area where I can see a conflict between cooperatives and the administration of this act. Now, if you are aware of that—

Mr. COLLETT. Yes; I am aware of it.

The CHAIRMAN. I know it, and that is what we want to try to develop, because I don't want us to go in here blindfolded. It is a big problem.

Mr. COLLETT. I know it is.

The CHAIRMAN. The other day I was at the White House and the President suggested to a group of us that one of the important things to do was to put a bill like this in effect. All right, I am willing to do that, but let somebody come here and tell us how to do it. And so far, there has been nothing but conflict. Somebody said they do not like title I. We got to change it. All right, if you have to change it, tell us how.

Mr. COLLETT. We will sit down with counsel, sir, and we will do the best we can to come up with something constructive.

The CHAIRMAN. All right. And as I say take your time and make it anyhow by the middle of May.

Mr. COLLETT. I appreciate it very much.

The CHAIRMAN. All right, sir. OK.

STATEMENT OF EDWARD BROWN WILLIAMS, COUNSEL, NATIONAL ASSOCIATION OF FROZEN FOOD PACKERS

The Chairman. All right. Mr. Williams.

Mr. Williams. Mr. Chairman, I am somewhat embarrassed.

The Chairman. You should not be.

Mr. Williams. The statement which we had prepared was to be reproduced Friday afternoon at the National Association of Frozen Food Packers. Instead of doing that, they went home, like a lot of other people.

The Chairman. You mean—well, the curfew, you know.

Mr. Williams. Well, they went home.

The statement will be reproduced and furnished to you for the record.

The Chairman. That is all right.

Mr. Williams. I do not propose to read my copy of the statement.

The Chairman. Is your copy the statement——

Mr. Williams. It is the same.

The Chairman. Well, if you could give it to the——

Mr. Williams. I would like to have it incorporated in the record.

The Chairman. It will be, as written.

Mr. Williams. The purpose of my coming here instead of simply filing the statement is that I want to register the opposition of the National Association of Frozen Food Packers, which is, as you will see from our statement, widely representative of the frozen food industry, to the kind of provisions which are contained in titles I and II of the Mondale bill.

The Chairman. So you are in opposition to the bill.

Mr. Williams. Yes, sir.

The Chairman. Now——

Mr. Williams. Now, the last title of the Mondale bill, of course, is similar to S. 109, the Agricultural Fair Practice Act. I understand that that bill has passed the Senate now, having already passed the House.

The Chairman. Yes.

Mr. Williams. Whether it has been signed by the President or not, I am not certain.

The Chairman. Well, this title III is different from what has been——

Mr. Williams. It is somewhat different, but it is very similar.

The Chairman. And you have no objection to title III?

Mr. Williams. Yes; I would object to title III as it is written.

The Chairman. You mean in the Mondale bill?

Mr. Williams. Yes.

The Chairman. Why?

Mr. Williams. Well, mainly the endorsement provisions through Secretary of Agriculture. The Mondale bill—I mean is one as passed has much simpler endorsement procedures.

The Chairman. Well, now, what we are trying to do here is obtain better prices for the farmer, if we can, to keep him in business, and if we do not a lot of people will suffer, and your own clients may suffer.

So if we could get from you your objection to this bill and how it could be improved, if at all, I would like to get that from you.

Mr. WILLIAMS. Well, Senator, we have about a 10-page statement on the bill.

The CHAIRMAN. Well, is that in opposition?

Mr. WILLIAMS. Yes.

The CHAIRMAN. And there is no—you have no alternatives to suggest. You are just taking a negative attitude?

Mr. WILLIAMS. Well, Senator, let me say this. The bill provides for compulsory and arbitration and price fixing in title I. It also envisages the development of a scheme for allotments for processors as well as for producers. I do not know of any alternative to price fixing which would not be price fixing, and certainly we are opposed to price fixing. We do not see how it would work in the first place. I do not see how the canners and the freezers, to take two important sets of processors, could have a representative committee which would be fairly representative of those two parts of the industry to price fixing along with the producers. It just does not make too much sense to us.

The CHAIRMAN. Now could you tell us in a nutshell how will title I work, what is your conception of it?

Mr. WILLIAMS. I do not think it will work, Senator.

The CHAIRMAN. No, no; when I say how it will work——

Mr. WILLIAMS. You mean how is it conceived?

The CHAIRMAN. How is it conceived. What results can be obtained from it?

Mr. WILLIAMS. Well, as I understand the purpose of it—some of the language is ambiguous and difficult to understand, but as I understand it, you would have a committee of producers and a committee of processors who are supposed to be representative on the one hand of producers and on the other of processors who would get together and attempt to fix prices.

The CHAIRMAN. No; they would conduct first a referendum, and that is to determine whether the producers want this. It is all started by the producers' referendum.

I just want to be sure I have analysis of this. In other words, as you say, the producers with the purchasers would conduct a referendum to——

Mr. WILLIAMS. No, sir. I am sorry, Senator. The referendum is conducted by the National Agriculture Relations Board.

The CHAIRMAN. Yes; but at the request——

Mr. WILLIAMS. Among the producers, at their request.

The CHAIRMAN (continuing). At the producers' and——

Mr. WILLIAMS. No; just producers.

The CHAIRMAN. Just producers. All right.

Mr. WILLIAMS. The whole thing is started at the request of the producers.

The CHAIRMAN. And that request—the request made is (1) to determine among a majority vote whether a marketing committee should be established; (2) elect from ASC county committee nominations the members of such committee. The marketing committee would negotiate minimum prices and sale terms with the purchasers' committee.

Mr. WILLIAMS. Yes.

The CHAIRMAN. They would negotiate.
Mr. WILLIAMS. That is accurate.
The CHAIRMAN. Now, if they do not agree, issues would be settled by a joint settlement committee, is that right?
Mr. WILLIAMS. Yes, sir.
The CHAIRMAN. Now, that is what you object to because it amounts to price fixing, is that it?
Mr. WILLIAMS. Well, Senator, yes, I object to the price fixing aspect on principle, but I also cannot foresee how a representative committee could be selected.
The CHAIRMAN. Why not?
Mr. WILLIAMS. Well, who is going to do it? There is no machinery in existence to do such a thing.
The CHAIRMAN. You mean producers cannot get together?
Mr. WILLIAMS. Well, I would envisage this as a program in which the canner, for example, and the freezers, who are both processors of the fruits and vegetables, would be regarded as a segment of an industry for the purpose of invoking this machinery. Now, how you could select a representative committee of canners and freezers to price fix, I do not know. In the first place, even if you could do it, Senator, they are not going to agree to price fixing. It is going to wind up with the board appointing an arbitrator and fixing the prices with the representatives of the commodity groups, or going to court and having the court tell them to fix prices.
That is the way it is going to work. I do not see how it can work any other way given the basic objection of the processors to fixing prices.
The CHAIRMAN. But you see, as I understand it, the marketing committee would negotiate minimum prices and sale terms with the purchasers' committee. That would be you.
Mr. WILLIAMS. They will attempt to do that, yes.
The CHAIRMAN. Yes. And you say that that would be impossible?
Mr. WILLIAMS. I cannot foresee that it would work. Senator, let me mention one aspect of that since you have gone into it.
The CHAIRMAN. Well, I want to get to the bottom of this, if I can, with somebody knowledgeable. Now, you take the negative, and I want to take the affirmative for the time being, and of course, if you have your side of it written in that report——
Mr. WILLIAMS. Yes, sir. If I might refer to the report of the National Planning Association Agriculture Committee on National Policy. The report was entitled "Bargaining Power for Farmers by Group Action," published in January of 1968. It stated:

> The Committee concludes that the possibilities for improving farm income through market bargaining are limited and are confined largely to specialized groups of commodity producers, usually in compact geographical areas. Market bargaining is likely to be of little value for major farm commodities produced on a national scale because of inability of such a large number of diverse producers to control their production.

Now, this report continues to note the practice, which is growing fast, of bypassing the terminal markets and going directly, going directly to the producer to obtain the processors' products, the product for processing.
And I would like to mention that the principal method of this direct purchasing is through contractual arrangements between the pro-

ducer and the processor, in the case of fruits and vegetables. The National Commission to Food Marketing reported, and this is a quote:

> About 75 percent of the supply requirements of freezers and 70 percent of those for canners were obtained through contractual arrangements in 1964.

Now, these arrangements involved such thinks as seed, fertilizer, herbicides, pesticides, harvesting equipment, and other unspecified equipment. Harvesting costs, harvesting labor, information on production technology, delivery and credit, all of these things are furnished by the processor as a part of his contract with the producer. And how you can set the terms of these things by bargaining committees of the type which we have been discussing, contemplated in the Mondale bill, I do not know. I just do not see how it could be done, Senator.

The CHAIRMAN. Well, have you an alternative?

Mr. WILLIAMS. No, sir.

The CHAIRMAN. You do not?

Mr. WILLIAMS. It works beautifully right now as far as the processors are concerned.

The CHAIRMAN. Well, it might work beautifully for your clients but not the farmers.

Were you here when Mr. Collett testified?

Mr. WILLIAMS. Just at the end.

The CHAIRMAN. He represents the Oregon-Washington Fruit & Vegetable Growers Association in Salem, Oreg. And as I understood the proceeding there, the farmer groups get together and they fix a minimum price or bargaining price. The processors either take it or leave it.

Mr. WILLIAMS. And that is permitted under present law, Senator. It can be done under the exemption from the antitrust laws for such bargaining associations, and S. 109, the Agricultural Fair Practice Act which was just passed, was intended to prevent discrimination by handlers or processors against such bargaining associations in their activities in this respect. And it seems to me that with that bill there which was pressed so hard in order to get just what they got in the bill, that it ought to be tried before we go into anything so untried and unknown as price fixing, and also I might add the extension to all agricultural commodities of marketing orders which title II of the bill would provide a basis for, of the Mondale bill.

The CHAIRMAN. Well, what difference would you make in having a committee like this to provide a minimum price to Congress enacting an act wherein we have established acreage allotments with a loan on the products produced and that this loan would establish the minimum prices? That is the way it has worked in the past for wheat, for corn, and for other commodities.

Mr. WILLIAMS. I am not sure of the relevancy of that to this, Senator.

The CHAIRMAN. Well, I am saying Congress did it indirectly that is, by having farmers voting themselves to an acreage allotment of so many acres of cotton, so many acres of wheat, so many acres of this, in the past, in order to protect the farmer and to prevent them from having to dump their commodities on the market all at once. We have provided there instead of doing that you can come to us and we will loan you so much money or a certain percentage of parity on what you produce. Now, what would be the difference between that

and having the minimum fixed under the procedure that is provided in the Mondale bill?

Mr. WILLIAMS. I am sorry. I am being dense, but I do not see the connection.

The CHAIRMAN. Well, my idea is to fix a minimum someway, someway, either through government—and I hate to see that, but if it can be arranged between those who buy and those who produce it would be so much better, to try it at least, so that both of you can stay in business, particularly the producer.

Mr. WILLIAMS. The forum is there for that to be done now, if they can agree, but under this proposal they are going to be required to agree. And if they do not, then somebody is going to decide for them. And how you can find a single neutral arbitrator who is qualified to set minimum prices in an industry which operates mainly under contracts of the type I was talking about, I cannot see. But that is what you end up, with one man deciding this whole thing.

The CHAIRMAN. Well, it is really a committee.

Mr. WILLIAMS. Well, it would be one man who would decide with one of the other two on the Settlement Committee.

The CHAIRMAN. Well, it would be a joint Settlement Committee arrording to the bill.

Mr. WILLIAMS. There would be three people on it.

The CHAIRMAN. Well, you would be represented though.

Mr. WILLIAMS. Yes.

The CHAIRMAN. And still you do not see any prospect——

Mr. WILLIAMS. Senator, it is quite obvious what is going to happen.

The CHAIRMAN. Well, I would like to see it tried, if possible, if there is anyway to do it. But for you folks just to take a negative attitude, I do not see how we can go about it. If you could maybe offer some alternative or offer some amendments to the bill to make it more compatible, all right. But you seem to just want to take an absolute negative position.

Mr. WILLIAMS. Now, you seem to be implying that we are taking this negative attitude just because we are industry, but did not the Farm Bureau come up here and take the same position we have?

The CHAIRMAN. Well, listen, as chairman of this committee I am just trying to find a way, if I can.

Mr. WILLIAMS. Well, did the Farm Bureau suggest any alternative?

The CHAIRMAN. No, they did not testify on it at length. I hope to get——

Mr. WILLIAMS. Well, maybe they did not and maybe we do not because we do not know of any, Senator. I do not know of any, except letting the forces of competition work in the way that they have been trying to from the beginning of this Government.

The CHAIRMAN. Well, of course——

Mr. WILLIAMS. I think that is the only alternative I know of.

The CHAIRMAN. I tell you if this Government had not done for industry, for labor, what it has in the past, why the farmers would not want anything. In other words, if everybody could start from scratch here and put you all on the same basis, the farmers would not need any assistance, but when Congress passes laws jacking up wages to $1.60 per hour—and you suffer by that, too—and when Congress

sets up tariffs to protect you and others, and when they do this, that and others, I would like to see something done for the producers, if possible. That is my main objective.

Mr. WILLIAMS. Senator, you are referring in part to the Labor Management Relations Act, the old NLRA.

The CHAIRMAN. That is right. And I am sorry to say, off the record——

(Discussion off the record)

The CHAIRMAN. Back on the record.

Mr. WILLIAMS. I think you were talking in part about the National Labor Relations Act, or the Management Labor Relations Act. You know, it is interesting that the proposal for compulsory bargaining, collective bargaining in the Mondale bill goes way farther than does the Labor Management Relations Act or the old NLRA, because under that act it was specifically provided that agreement was not required, concurrence of the parties was not required, whereas, under the Mondale bill you've got to come to a decision on prices. If you do not, you will get an arbitrator or the court will make you. Now, this goes much further than even the present National Labor Relations Board can go. Now, I think that is something that is important in this picture.

The CHAIRMAN. Well, as I understand it, it was somewhat patterned after the——

Mr. WILLIAMS. Except for this, except for this point. I do not mean that is the only point of difference, but it certainly is an important one.

The CHAIRMAN. How about title II?

Mr. WILLIAMS. Title II deals with marketing orders and allotments and would make eligible for marketing orders any agricultural commodity as contrasted with the present limitations.

The CHAIRMAN. One single commodity, any one of them.

Mr. WILLIAMS. Any one of them, yes. It would also provide, as I think I mentioned earlier, for a scheme of allotments for producers and for handlers as well.

The CHAIRMAN. That would be under title I. When a principal price is established, the marketing committee may develop——

Mr. WILLIAMS. Well, the allotment is provided for under both, Sentor, title I and title II.

The CHAIRMAN. Without acreage allotments or production limitations for submission to a producer referendum?

Mr. WILLIAMS. Yes, the allotments are provided for under both, both title I and title II. But I have explained in this statement and we have explained in numerous statements submitted to this committee in the past that the result of the kind of proposal that is being made with respect to marketing orders attaching to vegetables and fruits for processing as distinguished from those for the fresh market just means that the grower committees and the Secretary are going to run the processors' business. That is what it comes down to in the last analysis. and we explain why in the statement.

The CHAIRMAN. All right. And since you have no alternative then we——

Mr. WILLIAMS. Senator, I wish I were smart enough to have one to make you happy.

The CHAIRMAN. Oh, you are smart enough, but the only thing is, you represent a certain group. You do not want to offend them.

Mr. WILLIAMS. Oh, Senator, how could you think such a thing.

The CHAIRMAN. All right, Mr. Williams. Glad to have you, sir.

(Mr. Williams' prepared statement follows:)

My name is Edward Brown Williams. I appear before your Committee on behalf of the National Association of Frozen Food Packers, for which I am counsel. The members of the Association pack more than 85 per cent of the United States production of frozen vegetables, fruits, and juices and a large volume of other frozen foods. These products are marketed in all 50 states of the country.

I realize that no particular bill is before the Committee for its consideration. Various proposals have been made to deal with agricultural problems, including those suggested in S. 2973, which was introduced by Senator Mondale for himself and others. Since we, as processors, are primarily concerned with the kind of proposals made in the Mondale bill, it provides a convenient reference point for our comments.

At the outset, let me emphasize our conviction that the impressive progress which has been made by the vigorous and highly competitive frozen food industry during the relatively few years of its existence, would not have been possible had the industry been subjected to some of the regulatory programs which have been urged before this Committee in the past or which are suggested in S. 2973.

In 1942 the production of frozen fruits and vegetables amounted to 348 million pounds. In 1966 it was 4 biliion 123 million pounds. To this figure must be added more than 800 million pounds of frozen citrus products and 2 billion 146 million pounds of prepared frozen foods. Production of frozen potatoes alone rose from 71 million pounds in 1953 to 1 billion 460 million pounds in 1966.

This development has been achieved in an economic climate relatively free of outside restraints and controls, such as those which have been proposed in the past and are again before us.

We submit that an industry with such a record of progress should not be subjected to compulsory marketing controls imposed by government in an attempt to solve the farm problem, with no assurance that such controls will have the desired effect and that they will not result in a dislocation of the present food marketing structure, to the disadvantage of farmer and purchaser alike. Such control programs appear periodically and apparently inevitably despite the abundant evidence of the superiority of competition to government controls.

I want to emphasize that I am talking about restrictions and obligations imposed by statute, or by the Secretary of Agriculture and grower groups pursuant to statutory authority. I am not talking about voluntary arrangements such as marketing agreements (as distinguished from marketing orders) nor am I referring to the restrictions which would be imposed upon handlers by S. 109, the Agricultural Fair Practices Act, to which I shall again refer later.

The frozen food industry, through the National Association of Frozen Food Packers, has consistently objected to compulsory marketing orders for crops for freezing, when legislation authorizing such orders has been proposed. We are equally opposed to the imposition of a statutory requirement of compulsory collective bargaining and price fixing between purchasers and producers of agricultural commodities, and to allotments for handlers specifying what they can purchase from such producers, for basically the same reasons that we are opposed to marketing order legislation.

Title I of S. 2973, would compel direct price fixing for particular commodities by non-governmental committees of producers and processors (if a majority of the producers want price-fixing) and would provide for systems of marketing allotments to be worked out by producers' marketing committees and the Secretary of Agriculture. Another price-fixing program is suggested in Title II of S. 2973, which would authorize the inclusion of provisions for such a program in marketing orders. Marketing Orders are, of course, administered by committees of producers and the expenses of their activities are paid by handlers or processors.

Title II of the bill also resurrects a portion of S. 1643, in the 87th Congress, 1st Session (1961), upon which hearings were held before this Committee. The

provision of S. 2973 in question (Section 201(6)) would authorize the inclusion in marketing orders of provisions for allotments for handlers, including processors, and producers.

The compulsory bargaining and price fixing proposal put forward in Title I of S. 2973 is even more drastic than the scheme of the Labor Management Relations Act, applicable to management and unions, since it would *require by law*, not only that producers bargain in good faith with purchasers, but that minimum prices actually be established as a result of the bargaining process.

Section 8(d) of the Labor Management Relations Act (21 U.S.C. 158(d)) expressly provides that the obligation to bargain collectively "does not compel either party to agree to a proposal or require the making of a concession." On the other hand, if a producers marketing committee and a purchasers committee, or a joint settlement committee, provided for in the bill are unable to agree on minimum prices the National Agricultural Relations Board would appoint a person designated as a "neutral" who, by siding with one of the other two members of the settlement commitee, can determine minimum prices for the commodity involved.

In the event of failure of the parties to agree the aid of a federal court may be invoked by the Board "to compel action unlawfully withheld or unreasonably delayed under this section." (Section 103(i)(1)).

The delegation of authority of this nature to private groups, as proposed in Title 1 of the bill, would raise serious constitutional questions under the decisions of the Supreme Court relating to delegations of the authority of Congress to private individuals who are not employees of, or even responsible to, an agency of the United States Government.[1] The validity of such a delegation is made even more questionable by the absence of any standards to guide the parties in arriving at a decision.

The National Agricultural Relations Board would be *required* (Section 103(a)) to conduct a referendum whenever a representative group of producers of a commodity files a petition "stating" that the average market price is below a fair and reasonable price to producers. No substantiation of the petition is required. No facts need even be alleged in the petition to support its conclusion. Thus, the entire process leading to the establishment of bargaining committees and minimum prices may be put in motion without any economic data to justify it. There is nothing to require that the committees even consider such data, although presumably they would do so.

Here then it is proposed that, at the wish of producers and without regard to economic considerations other than the belief of producers that the market price of a commodity is too low, processors would be forced to join in a price-fixing program even though they consider it without justification, economically unsound, and harmful to both themselves and producers.

As a purely practical matter it seems evident to us that no compulsory bargaining scheme yet suggested will work in the agricultural and food processing industries. Whatever might be the problems of producers in selecting a marketing committee, we find it hard to believe that a committee could be agreed upon by prospective purchasers of a commodity which would be fairly representative of all of them. There is simply nobody, no machinery for selection. The result would be that the Board would select the committee itself.

The National Planning Association Agriculture Committee on National Policy, in a report on Bargaining Power for Farmers by Group Action (January 1968), stated that—

"The Committee concludes that the possibilities for improving farm income through market bargaining are limited and are confined largely to specialized groups of commodity producers, usually in compact geographical areas. Market bargaining is likely to be of little value for major farm commodities produced on a national scale, because of inability of such a large number of diverse producer to control their production", (Report, pp. 1–2)[2]

The NPA Committee also recognized that the highly organized food processing and distribution system demands raw materials in forms and under conditions suited to the mass merchandising and production methods in use "with the result that many companies bypass terminal wholesale markets in favor of direct purchase close to the source on the farm" (p. 4).

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[1] *A.L.A. Schechter Poultry Corporation* v. *United States*, 295 U.S. 495 (1935); *Carter* v. *Carter Coal Co.*, 298 U.S. 238 (1936).

[2] The prospect seems remote that the majority of the growers of a commodity produced on a national scale would agree to production controls on such a commodity, as apparently contemplated by Section 111 of S. 2973.

The principal method of direct purchasing is through contractual arrangements between the producer and the processor, in the case of fruits and vegetables. The National Commission on Food Marketing reported that "about 75 per cent of the supply requirements of freezers and 70 percent of those for canners were obtained through contractual arrangements in 1964." [3]

We cannot conceive how a system of compulsory collective bargaining and price fixing, either on a national or regional scale, could function in the area of the practice of crop contracting, without destruction of the contractual system, which in its nature depends upon a direct understanding between the parties—a factor incompatible with rigid rules and minimum prices. Such a result would be detrimental to the interest of both grower and processor and the agricultural economy generally.

Technical Study No. 4 of the National Commission on Food Marketing, on the Fruit & Vegetable Industry, in Table 8–14 (p. 228) lists a number of the services specified in the grower-freezer contracts studied. Those listed are: seed, fertilizer, herbicides, pesticides, harvesting equipment and other unspecified equipment, harvesting containers, harvesting labor, information on production technology, delivery, and credit.[4]

Those items, sometimes referred to as non-price items, do not lend themselves to the formulation of the kind of fixed obligation which would be imposed under a compulsory collective bargaining scheme administered by a few representatives of an entire commodity-industry.

The controls imposed in S. 2973 would be applicable to all agricultural commodities.[5] Producers of such commodities, and the Secretary of Agriculture could impose collective bargaining obligations and marketing orders with allotment provision, upon freezers *without their consent*. This pattern of imposition of controls upon processors at the desire of producers is a familiar one in the agricultural commodity field and we would expect that it will be characteristic of other versions of the proposals made in S. 2973.

It is also characteristic of such proposals that they would effectively hand over to producer committees and the Secretary of Agriculture (or an National Agriculture Relations Board, in the case of Title I of S. 2973) substantial control of the processor's business.

Thus, the restraint of purchases by a processor, which may be included in a marketing order, would obviously constitute a fully effective limitation up production of the processed food. A commodity which cannot be bought by the freezer cannot be processed. In this way the very basis of the freezers business is placed under the control of the government and the grower committees who administer the marketing order.

Provisions for allotments for handlers in marketing orders, both those proposed in the the 87th Congress and those in S. 1973, open the door even wider for control of the processor's business. Under such provisions the Secretary would be empowered to determine the supply of each commodity available for processing from each producer and the quantity of each grade, size, or quality which the processor could obtain from the producer. One of the tests available to the Secretary for determing individual producer allotments would be the amount of a commodity produced or marketed in such prior period as the Secretary determines to be representative.

We seriously question the competence of the Secretary of Agriculture to make the business decisions in determining the amounts, sizes, grades and quality of the commodities for freezing required by processors.

In fact, we are certain that neither he nor the growers who will advise and assist him and control the machinery for administering marketing orders possess such competence. Even were the Secretary and the growers equipped to make such decisions. We would protest their interference with the processing businesses in the manner proposed, as unjustified and contrary to the basic economic principles upon which the frozen food industry has built so well.

I want to emphasize the effect of the contemplated controls upon the growth factor which is such a prominent feature of the frozen food industry, as indicated by the production figures which I have quoted. The historical basis which the bill would establish as determinative of quotas would inevitably operate as

[3] Food from Farmer to Consumer, Report of the National Commission on Food Marketing, June 1966, p. 53.

[4] Food from Farmer to Consumer, Report of the National Commission on Food Marketing, June 1966, p. 53.

[5] S. 2973 would make eligible for a marketing order, any agricultural commodity for processing if a majority of the producers voting in a referendum favor its eligibility.

a deterrent to the founding of new businesses and the expansion of present business units. The Secretary and the grower committees would be the arbiters of whether a new business was desirable. The same would be true with respect to expansion of existing businesses. Certainly this would amount to an effective stifling of the competitive urge and an abrupt departure from the conditions which have made for industry growth and improvement of its products. The allotment feature of such proposals would constitute a positive notice to entrepreneurs that, even if they could obtain a place for themselves in the frozen food industry, they would be subject, in vital business functions, to the dictates of government and producer regulation. The hazard inherent in dependence upon administrative decision for commodity supply would be discouraging to the most venturesome of investment capital.

The pending Agricultural Fair Practices Act, S. 109, which was amended in the House and passed as H.R. 13541, is designed to protect producers against discrimination by handlers by reason of the producers' membership in cooperative associations. Title III of S. 2973 is similar in purpose to S. 109 and H.R. 13541 but contains objectionable provisions which have not been the subject of critical analysis at a public hearing.

In the Legislative Findings and Declaration of Policy set forth in Section 2 of H.R. 13541 and S. 109 it is declared that "the marketing and bargaining position of individual farmers will be adversely affected unless they are free to join in cooperative organizations as authorized by law" and that it is the policy of Congress and the purpose of the legislation "to establish standards of fair practice required by handlers in their dealings in agricultural products."

The proponents of those bills have insisted that such legislation was needed to carry out the purposes stated in the Legislative Findings & Declaration of Policy. Certainly the legislation must be regarded as offering every reasonable opportunity to cooperative associations and their members to exercise their full rights of bargaining with handlers on prices and other terms of sale of agricultural commodities, without interference by handlers. In view of the deficiencies of compulsory bargaining, price-fixing, and marketing order and allotment programs to which I have referred, we submit that the field of price negotiations and related commodity controls should be left to the individual grower and his cooperative organization, operating with the protection of the Agricultural Fair Practices Act.

STATEMENT OF HERSCHEL C. LIGON, PRESIDENT, REGISTERED FARMERS, LEBANON, TENN.

The Chairman. All right. Mr. Ligon.

Mr. Ligon. Do you mind if I stand at the other end of the table back there, sir?

The Chairman. No. why? What are you going to do that for?

Mr. Ligon. I feel a little better back there, sir.

The Chairman. You sit there. All this committee is trying to do is to get information as to how to help the producers.

Mr. Ligon. Fine. Do you mind if I stand, sir?

The Chairman. No. That is all right.

Mr. Ligon. Mr. Chairman, you might be interested in knowing that I built a lot of REA in your State.

The Chairman. Is that right?

Mr. Ligon. And my wife agrees that if we ever leave Tennessee we are coming to Mississippi or Louisiana.

The Chairman. Good. Well, come to Louisiana, skip Mississippi.

GENERAL

Mr. Ligon. Gentlemen, I am honored that you have invited me, a farmer, to testify before you. I think I represent the only farm organization in the world, or the only organization in the world in which you have to be a farmer to be a member. I have deep roots in agricul-

ture—my farm, my father's farm has never belonged to anybody but the family. My father's house is the oldest house in Wilson County, built in the first administration of George Washington. But the thing that bothers me most is until this economic situation changes, I will be the last farmer of that family because I cannot conscientiously encourage my two boys to farm because they cannot make a living.

The CHAIRMAN. What is the size of your farm?

Mr. LIGON. My father and I own and operate 250 acres.

The CHAIRMAN. That is the original size of it?

Mr. LIGON. No. The land grant was several sections, I guess.

Well, we have not, but people ahead of us—you see, my father's house was built in 1781 so they have sold several acres since then, but we own and operate 250 acres. We raise registered Poland Chinas, registered polled Shetlands, and registered Hampshire. I have two boys. They would love to farm; they are excellent farmers. They can do anything on the farm that I can do. For the second consecutive year my oldest son has been chosen Mid-Tennessee's FFA livestock farmer. My youngest one has won awards in 4-H. He's won county and district awards in 4–H. But this situation gets rougher and rougher, and I figure I am an average farmer, you see, sir. I don't mind telling you we get deeper in debt, and if it was not for my wife working we would have a hard time wearing decent clothes.

Now, I am proud of my Government. I am proud I served 4 years in World War II and I have given many years since then in the National Guard Army Reserve. If my Commanding Chief asked me to come out of retirement, I would be glad to go to Vietnam right today. That is the way I feel about it.

I well remember the depression days. I remember my father getting 3 cents a pound for hogs. I remember his getting a check for the total of 3 cents for cream.

I was most happy when President Roosevelt came up with the Federal farm program, because I think it saved the Nation's farmers' economy. But since then——

The CHAIRMAN. That was during his second term. During the first one the Supreme Court declared it unconstitutional.

Mr. LIGON. Well, we start getting ahold, we got a little confidence.

The CHAIRMAN. Well, you are looking at the man who handled this legislation during Roosevelt's second term, because I have been on this committee now since 1937 when President Roosevelt started his second term, and I was at his office with other Senators from this committee and he agreed to call a meeting of the Congress on November 15, 1937, if we could go in the previous summer and gather information that would form the basis of that act, and we did. That act is now on the statute books for the five major crops. We did it. I was a member of the committee that did that.

Mr. LIGON. Well, I think you saved the economy of the Nation.

The CHAIRMAN. Well——

Mr. LIGON. But I did not know you were that old, Sir.

The CHAIRMAN. I am only 78.

Mr. LIGON. You do not look it. I will tell you that right now, sir.

But for a number of years, in my opinion the Federal Government has meen putting registered farmers out of business. Now, when I say registered farmers, that term means people who get at least 75 percent

of their total income from farming. If you refer to that sheet, you will see it described. Purpose 10 on that, purpose 10, down there describes how a registered farmer is determined.

The CHAIRMAN. How many are there in your organization?

Mr. LIGON. Sir, my organization is young and small, and it will never be large because there are not many eligible farmers to join it. But the Federal Government has taken all the risk out of farming for nonregistered farmers. I guess you can surmise who I mean by nonregistered farmers. And you know there is great risk in farming. But today a nonregistered farmer can buy woods, he can have it cleared, and that is written off. He can get the ASCS to terrace it, lime it, fertilize it, seed it, put him a pond on it, fence it, and he goes to the marketplace with cattle in competition with me.

The CHAIRMAN. Well, he does not do it that easily.

Mr. LIGON. In 1965, of the 119 millionaire farmers, only 16 paid income tax. Over half of the people with a $50,000 annual income or more with farming operations showed a loss on their income tax returns.

The Nation's average taxpayer is tired of this nonregistered farmer using farming for tax writeoff purposes. The Nation's average taxpayer is also tired of his money financing a Federal program that is putting us registered farmers out of business who it was originally established to assist. Now, we have an alternative, and our alternative is this: Give registered farmers 100 percent parity of price for agricultural products they produce or finish and sell one established markets by grade, not allow nonregistered farmers who participate in the Federal program, not allow nonrequested farmers to use farm for tax writeoff purposes.

The CHAIRMAN. In other words, you want to do away with all price supports that would be——

Mr. LIGON. Sir, I think——

The CHAIRMAN. I am just asking.

Mr. LIGON. Yes, yes, I am going to explain. I really believe if our program is adopted to give us registered farmers 100 percent parity prices——

The CHAIRMAN. Now, let me put in the record what you call a registered farmer: The income tax return of farmers determines whether or not they are registered farmers. That is, if you make a profit?

Mr. LIGON. Whether their income, whether they get 75 percent of their total income from the sale of agricultural products. That is what determines whether they are registered or not. See it could go from a year-to-year basis. See, each year when he files his income tax, if he's earned at least 75 percent of his total income from farming, he is a registered farmer, otherwise he is a nonregistered farmer.

The CHAIRMAN. I see.

Mr. LIGON. And to answer your question on price supports; yes, sir——

The CHAIRMAN. Well, what you have in mind then is to keep people out of farming who do not make their living at it.

Mr. LIGON. I want to eliminate the unfair competition, sir.

The CHAIRMAN. I say that is what you have in mind.

Mr. LIGON. Yes. Do not mind how much they farm, but we do feel it is fair that the average taxpayer pays his taxes every year——

The CHAIRMAN. Then that would not exclude price supports?

Mr. LIGON. Well, getting down to that, I think if we would adopt this program, and I just pick 5 years out of the air, but I think it is possible that if you would give us registered farmers a regular 100 percent parity of price for 5 years and eliminate this unfair competition on the other end, it is possible that supply and demand could get near balance to where we would not have to have a farm program, to where the economy would get near balance. Back in the forties the Nation's economy was near balanced and we farmers prospered in those days.

The CHAIRMAN. Well, of course, you had good buyers. It was during a war. And at that time we were giving away a lot of stuff abroad, sending it out there with Government money being used to pay the farmer. But that was not a normal period by any means.

Mr. LIGON. Well, sir, I have also seen it proven from the President's Economic Report that a dollar spent by a farmer puts $7 into the national economy. I have also seen it proven from the President's Economic Report that for the past 16 years we farmers have been underpaid $422 billion.

The CHAIRMAN. $422 billion?

Mr. LIGON. Yes, sir. Multiply that $422 billion times $7 and you have $2,943 billion that the Nation's economy has been shorted and to make up for that the Nation has gone into debt a thousand billion.

The CHAIRMAN. Well, you are talking about such big figures I cannot follow you.

Mr. LIGON. Well, sir, I have seen that program from the President's Economic Report.

When farmers have money to spend they spend their money, much of their money with small business. And all of us know that small business is hurting now just as much as—well, maybe as much as farmers are hurting, nearly as much anyway.

In 1966 all the farmers of this Nation received $3,218,670 from ASC payments. I suspect I got the $70. I ask you what percent of that went to registered farmers? I think you will find that a small percentage went to registered farmers, because we registered farmers cannot match them in this thing. We do not have the finances to match this Federal farm program this ASC program.

Everybody tells us registered farmers that we have the simplest and fairest solution to the farm problem they have ever heard. Nobody fighting us. That is amazing. Nobody is fighting us. And as you asked me a minute ago, how many members do you have, sir? We are a very young organization. We do not have many members, and we never will have many members but the average taxpayer is for us. They are the ones that are going to help us get this thing done because they feel—they are in sympathy with us and they feel this is the fairest and simplest solution they have ever heard of.

The CHAIRMAN. Well, I want to repeat now the essence of your program is in order for a farmer to be able to obtain any assistance from the Government, 75 percent of his income must come from the farm?

Mr. LIGON. Right, sir. From the sale of agricultural products.

The CHAIRMAN. I understand. I understand.

Mr. LIGON. Yes.

The CHAIRMAN. That is a pretty good idea.

Mr. LIGON. Now, I got this word registered from the National Grange. I proposed this thing about 4 years ago, and at that time we were talking in terms of licensed farmers. The Tennessee State Grange adopted this resolution unanimously and it has been before the National Grange ever since, and in their discussion they preferred to substitute "registered" for "licensed" farmers.

Now, one of my reasons for going at it this way is this. You do not find any farmers in the American Bar Association. You do not find any farmers in the American Medical Association, but we got a world of them in the farming organization, and we think it is time to separate them. And another thing that comes to mind on this thing is the economic situation, and the fair competition. Now, my veterinarian will tell you that I can inoculate a hog just as well as he can. My State veterinarian will tell you that he would much rather have a farmer's signature on a health certificate than to have a veterinarian's signature on a health certificate, but I cannot officially inoculate a hog because it is against the law, but there is not a thing in the world to keep that veterinarian from raising hogs and cattle in competition with me.

Just 2 weeks ago we had a consignment sale. A veterinarian sold a bull for twice as much money as I did, and his blood line was no better than mine, but simply because he had enough money to spend to put that bull in top bloom, he looked better than mine; he was larger than mine, but you see that veterinarian could not lose because if he lost money fitting that bull for that sale it could not counterbalance his profit on his veterinary practice, put him in a lower income tax bracket, and these nonregistered farmers cannot lose. But when we registered farmers lose it is gone. As I told you a minute ago, I think if we could adopt this policy why maybe in 5 years we could eliminate the Federal program. I say maybe. But that is what we think is possible.

Now, if surplusage is a problem, I think you will find that surpluses are produced by nonregistered farmers because we registered farmers cannot afford the risk and we do not have the money and we have already borrowed more than we should have borrowed. I will tell you that much right now. So I think you will find that surpluses are produced by your nonregistered farmers. For example, at home the other day a man said he put a thousand pounds of fertilizer under corn. They say how can you afford that. He said he cannot lose; if I make corn, I got money; if I do not make anything I write it off my income tax. So that is the reason I say your surpluses are produced by nonregistered farmers and not registered farmers.

And then, too, I think you will find most of your family farmers, they are not anxious to get rich. All in the world they want is a decent living for the family. So I do not think that the registered farmers are producing surpluses.

And, too, I think you will find that you get surpluses when prices are cheap because we have to produce that more to meet our obligations, and 100 percent parity of price will eliminate that.

It has been said—I am sure everybody has heard that statement that we have too many farmers. I contend we do not have a surplus of farmers; we have a surplus of people farming.

The CHAIRMAN. I do not think anybody ever contended that. We are losing a lot of farmers.

Mr. LIGON. Well, I have heard the statement made that we had a surplus, that we had to get rid of so many farmers. I do not think we have too many farmers; we just have too many people farming.

Many say the farmer has to become more efficient. Well, I have had a lot of experience in efficiency and other things; building REA, for instance. I fully contend that parity or price will improve efficiency more than anything you can do.

The morale of farmers is the lowest it has ever been. When I say farmers, I say registered farmers. It is at its lowest. I am telling you I have never seen farmers as low over the situation as they are now. In Tennessee, we are losing 15 every day. This family farm system goes with the American way of life like pie does a picnic. We have got to save this family farm.

Many of the Nation's leaders have come from farms, and speaking of that we fully realize that our leading lawmakers have farms, but we know they are the caliber of people that will put what is best for the Nation first and foremost when they attempt to solve the farm problem. The strongest and greatest society is a balanced society. And boys and girls coming from this family farm furnish that balance for the society. How many family farm reared boys and girls will you find in your student riots today?

Many people do not realize the greatest product that comes from the family farm. And that is boys and girls that know how to work, will work and above all have good character.

Thank you, sir.

The CHAIRMAN. Thank you, sir. You made a very good statement. It gives me a good idea.

Mr. LIGON. I will be glad to try to answer any questions you have, sir.

The CHAIRMAN. I do not. I asked you all I desired to, but that one idea you have got there of not compensating farmers, that is, people who claim to be farmers if they make most of their income from other, in other endeavors and other businesses, I think it might be the thing we can work out some way.

Mr. LIGON. Everybody we discuss it with says it is the fairest thing.

The CHAIRMAN. We will see about that, see how far we can go with it. I want to get some information to see exactly the percentage of the farmers who are now receiving aid from the Government who make 75 percent of their income from the farm.

Mr. LIGON. Yes, sir. Thank you.

The CHAIRMAN. And base it on that. We might get somewhere.

Mr. LIGON. Thank you, sir.

The CHAIRMAN. Is there anybody else present who desires to be heard?

If not, the committee will stand in recess until 9:15 tomorrow morning.

(Thereupon, the committee was in recess until 9:15 a.m., Tuesday, April 9, 1968. Committee recessed at 11:40 a.m.)

FARM PROGRAM AND FARM BARGAINING

TUESDAY, APRIL 9, 1968

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 9:20 a.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Talmadge, Jordan of North Carolina, and Young of North Dakota.

The CHAIRMAN. The committee will please come to order.

We are continuing our hearings on a revision of the Agricultural Adjustment Act of 1965, and such bills as may be before us particularly, the so-called Mondale bargaining bill.

We have as our first witness this morning, Mr. Collier Wenderoth, Jr., chairman of the agriculture committee of the Chamber of Commerce of the United States, of Fort Smith, Ark. You may proceed, sir.

I notice that you have a rather lengthy prepared statement. Suppose that we place this in the record and then you proceed to give us the high points of it.

STATEMENT OF COLLIER WENDEROTH, JR., CHAIRMAN, AGRICULTURE COMMITTEE, CHAMBER OF COMMERCE OF THE UNITED STATES, FORT SMITH, ARK.

Mr. WENDEROTH. That is what we would like to do. We will enter the entire statement in the record, and will call attention to the graphs and the appendixes which go along with the statement.

The CHAIRMAN. Very well. You may proceed.

(The prepared statement of Mr. Wenderoth, is as follows:)

Mr. Chairman and members of the Committee, I am Collier Wenderoth, Jr., President, O. K. Feed Mills, Inc., Forth Smith, Arkansas. I am here today on behalf of the Chamber of Commerce of the United States. I am a member of the National Chamber's Board of Directors and serve as Chairman of the Agriculture Committee. With me are three other members of the Chamber's Agriculture Committee—W. Ray Flemming, President, W. Ray Flemming Fruit Company, Columbia, South Carolina; Howard Waters, Owner and Operator of Waters Farms, Danville, Iowa; and Glen Allen, Executive Director, Theracon, Inc., Topeka, Kans. And with us is E. linton Stokes, who is Senior Associate, Community & Regional Resource Development Group, and in charge of the National Chember's agriculture program.

We appreciate the opportunity to present the views of the National Chamber. We speak for the general business community, which represents every phase of agri-business activities, including farm businessmen, their suppliers of purchased goods and services, and all types of businesses involved in processing, distributing and marketing the products of agriculture.

Your Committee is to be commended for its efforts to conduct a searching review of existing farm programs to determine their strength and weaknesses well in advance of the expiration of the Food and Agriculture Act of 1965. Certainly there is a great need for an in-depth analysis of existing programs before providing Congressional authorization and guidelines for the future.

Our presentation is intended to: (1) analyze major commodity programs (feed grains, wheat, cotton, wool) and the Cropland Adjustment Program in terms of their cost to the public and their effectiveness in achieving the intended objectives; (2) review the status of farm income and the impact of adjustments in agriculture to improve farm income; (3) review recent developments and prospects for increasing producer bargaining power; and (4) suggest basic guidelines for future federal legislation.

Actually, the Food and Agriculture Act of 1965 does not represent the beginning of the present approach to commodity programs. Rather, it provided with modifications, for extension of the Feed Grain Program, which was initiated in 1961, the Wheat Program which began in 1962, and the Wool Act which began in 1955. It provided a relatively new program for cotton and a Cropland Adjustment Program. Thus, these commodity programs should be reviewed from their inception prior to considering extension of the Act of 1965.

In 1961, the present Administration established as its objectives the enactment of legislation to change the commodity programs so as to

—reduce government stocks;
—reduce the cost of Government programs;
—improve income to producers

Since that time, legislation has been developed year by year to reduce the price-support loan level more nearly to the level of market prices and to supplement farm income by various forms of direct payments.

Following is a brief report of our analysis of each of these programs. More detailed information is available upon request from the Committee.

THE FEED GRAIN PROGRAM

The Acreage Diversion Program for feed grains was initiated in 1961 and marks the beginning of the current approach to federally directed supply management programs. It authorized direct payments to producers for acreage diverted to soil-conserving uses or non-crop production. Price support payments were added to the program in 1963 as an additional incentive to reduce feed grain production. At the same time, the price support loan rate was lowered to encourage farmers to pay off their loans rather than letting the Government take ownership of the commodities under the inventory operations of the Commodity Credit Corporation (hereafter referred to as CCC). Little change was made in the program from 1963 to 1967 except for variations in the incentives for acreage diversion through adjustments in the level of the loan rate and price support payments.

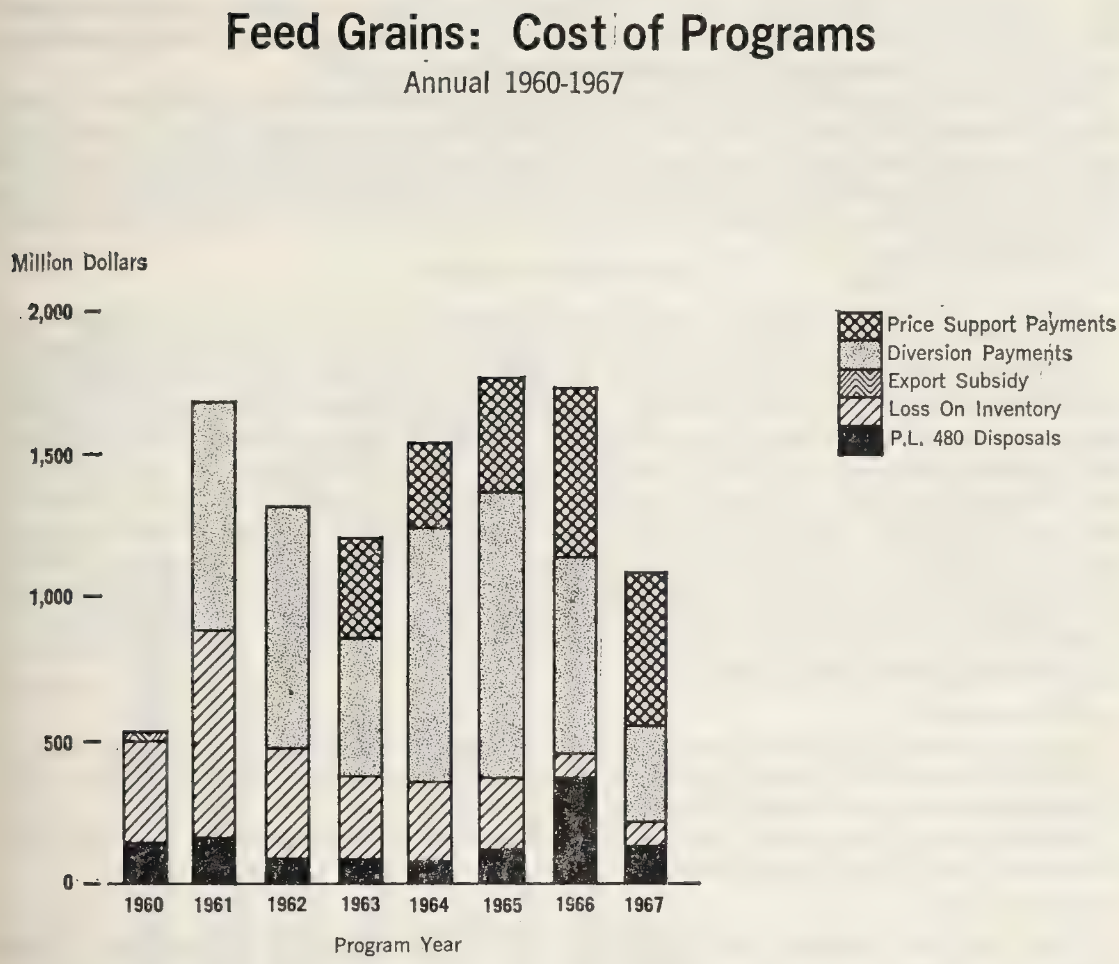
Cost of the program

From 1961 to 1967, a total of 201 million acres of feed grains was diverted to non-crop uses, or an average of 29 million acres per year. Cost of the Feed Grain Program and related disposal activities, is shown in Table 1 of the Appendix. The total cost of acreage diversion payments to date is nearly $5 billion, or an average of about $25.00 per care diverted, and at a yearly average cost of over $700 million. Price support payments to the participants cost another $2.2 billion, or more than $300 million per year. In other words, the Federal Government has paid out more than a billion dollars per year for taking 29 million acres out of feed grain production. In addition to these direct costs for diverted acreage, the CCC has suffered losses of over $2 billion on inventory operations and another billion dollars on P.L. 480 (Food for Peace) disposals of feed grains during the 7-year period. Thus the Feed Grain Program and related activities cost the Federal Government more than $10 billion from 1961 through 1967. Figure 1 on the next page shows graphically the expanding role of government payments and decline in CCC inventory losses throughout the period.

Program results

What has been accomplished in terms of the impact of the Feed Grain Program on levels of production, carry-over stocks and consumption of feed grains? Table 2 in the Appendix shows the yield per acre increased 42 percent, enough to increase the average annual production of feed grains by 11 million tons during

FIGURE 1



1961–67, compared to the annual average during the previous five years. Government stocks dropped rather sharply—from 75 million tons in 1961 to 18 million tons in 1967. During the same period of time, consumption, both domestic and export, increased by an annual average of 17 million tons.

If the rate of consumption of feed grains had been no higher during this period than the average for the previous five years, carry-over stocks would have continued to increase throughout the 7-year period, despite all the money spent on the so-called supply management program. Thus, despite the expenditure of more than $10 billion to reduce the production and carry-over stocks of feed grains, it is apparent that the continually expanding demand, both domestic and export, was the principal cause of the disappearance of surplus stocks. The high cost of the program had little to do with the increased demand. Furthermore, the increase in consumption was not due to lower market prices. Despite the lower level of the price support loan rate, prices of all four feed grains average slightly higher during the 1961–67 period than in the previous 5-year period before the supply management program began.

The only successes that can be scored in relation to the Feed Grain Program are the higher income level to feed grain producers and the reduction in government stocks. But the stock reductions were due more to increased consumption than to limitations on production. In respect to higher incomes, gross income increased by virture of higher market prices and greater production, even without counting the government payments. Considering that the market value of the feed grains produced ranged between $6 and $7 billion per year, the one-billion-dollar annual payment to farmers was much more than a minor supplement to income.

Effect on small producers

It has been said that the Feed Grain Program offers special advantages to the small farm operators. Table 3 in the Appendix is an analysis of the 1964 Feed Grain Program and contains pertinent information on participation in the pro-

gram by size of farm. Of the more than 3 million farms with feed grain bases, only 39 percent participated in the program. Even more significant, only 29 percent of the 1–25 acre farms participated.[1] As a result, the small farm operators received only 14 percent of the feed grain payments.[2]

Thus, it is apparent that the Feed Grain Program benefitted the larger commercial farmers for more than it did the small farm operators. This 7-year Acreage Diversion Program, which cost the Government billions of dollars, cannot be credited as being effective or efficient means of reducing production and government stocks. To the extent that it increased farm income, the benefits favored the larger operators.

THE WHEAT PROGRAM

The attempt at government supply management for wheat began in 1962 with the so-called Voluntary Wheat Program. Acreage diversion payments were made to all wheat producers who reduced their acreage below their allotment base. Price support payments were added in 1963. After producers rejected by referendum the compulsory supply management program proposed by the Administration in 1963, Congress extended the Voluntary Wheat Program. It continued to provide payments for acreage diversion, established a relatively low loan rate, and provided price support payments through a certificate plan[3] which was financed by sale of certificates to the grain trade. Nevertheless the price support payments did represent direct payments from the Government to the producers. The detailed provisions for operation of the Wheat Program, including the adjustments made under the Food and Agriculture Act of 1965, are well known to the members of this Committee.

Cost of program

In terms of cost of the Wheat Program (Table 4 in the Appendix) participating farmers received about $2.9 billion in direct payments—price support payments and acreage diversion payments through 1967.[4]

In addition to the direct payments to farmers, the Government lost $8.1 billion through inventory operations, export subsidies and P.L. 480 disposals.[5]

Program results

What was the response by farmers to the Wheat Program during this 6-year period? For the five years (1962–66) during which there was an acreage diversion program, a total of 43.3 million acres was diverted, or an average of 8.7 million per year. However, payments were made on only 27.3 million acres.[6] As in the case of feed grains, the acreage harvested during this period declined only slightly—an annual average of 2.7 million acres below the previous five years. But here again, the higher yields per acre resulted in no decline in total production. (Table 5 in the Appendix)

Thus, it would appear that the $545 million paid out to reduce wheat production was not very effective. However, it should be remembered that the Administration did not offer an acreage diversion program in 1967. In fact, it encouraged more wheat production to meet an expected increase in foreign aid requirements and to replenish government stocks.[7] The experience demonstrated the natural

[1] In contrast, 48 percent of the 26–100 acre farms and 66 percent of the 100-acre and larger farms participated in the program.

[2] The 26-100 acre farms received 40 percent, and the farms of 100 acres and over received 46 percent of the payments.

[3] The Certificate Plan provided for domestic users to buy certificates (75 cents per bushel) from the Government for wheat used for domestic consumption. In turn, the Government issued certificates to the participating producers. These certificates could be redeemed in cash or in kind for the domestic share of their production. In practice, the certificates were practically all sold back so that the participating producer received, in effect, a cash payment for their part of the price support supplement. The Food and Agriculture Act of 1965 required that participating wheat producers receive not less than 100 percent of parity (approximately $2.55 per bushel) for the domestic share of their production and that the certificates issued be equal to the difference between this level and the price support loan rate.

[4] $545 million for diversion payments from 1962 through 1966 and $2.3 billion for price support payments through the sale of wheat certificates from 1963 through 1967.

[5] $879 million on wheat inventory operations, $678 million on export subsidy payments, and $6,536 million on P.L. 480 shipments during the 1962–67 period. Most of the inventory losses, as well as P.L. 480 shipments, were for foreign assistance. Thus, the total cost of the Wheat Program from 1962 through 1967 was $11 billion, of which one-fourth was paid to farmers and three-fourths on various disposal operations. Figure 2 on the next page illustrates the high cost of P.L. 480 disposals and the increasing cost of price support payments.

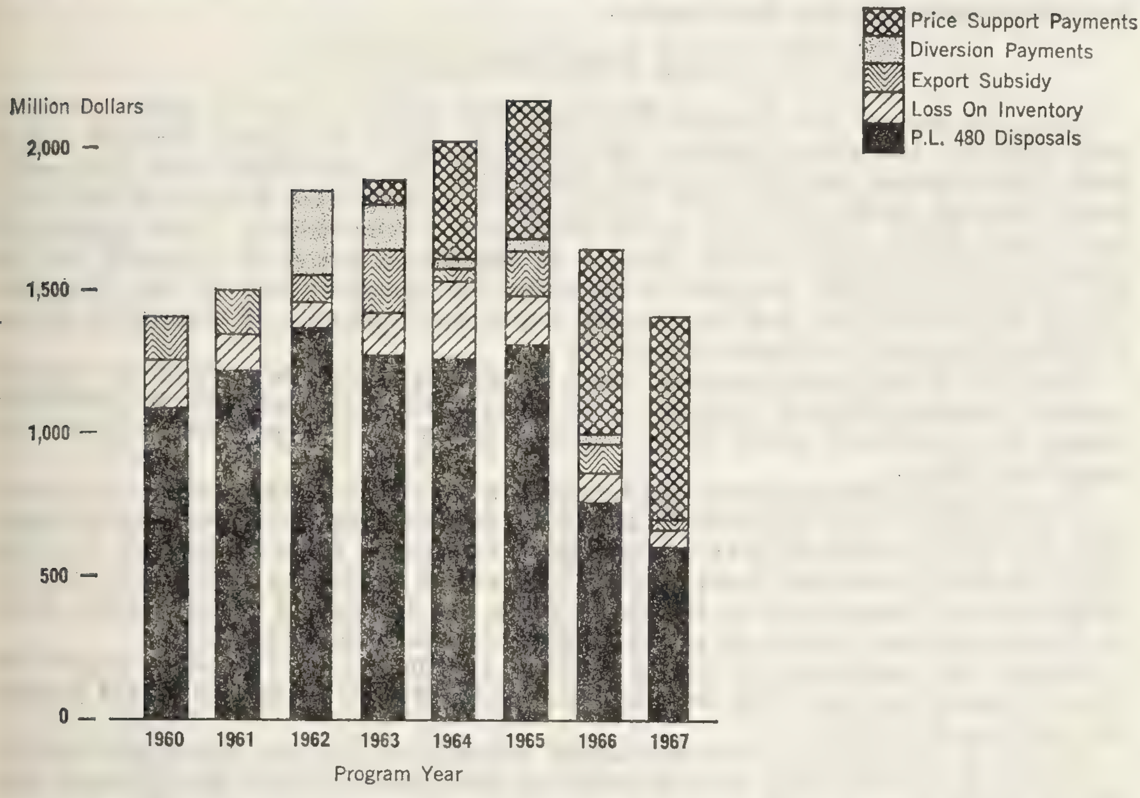
[6] Farmers were required to divert a minimum percentage of their acreage allotment without payment in order to be eligible for participation in the Wheat Program. The required rate of diversion was determined each year by the Secretary of Agriculture.

[7] Production increased by more than 2 million bushels in 1967—a record high of 1.5 billion bushels. Price support payments also rose to a record high of $725 million.

FIGURE 2

Wheat: Cost of Programs

Annual 1960-1967



inclination of producers to be more responsive to market expansion opportunities than to reduce output in response to incentives.

So, for the nearly $11 billion expended on the Wheat Program during the 1962–67 period, what was accomplished? During the program years, carry-over stocks were reduced from 1.3 billion bushels in 1962 to 425 million bushels at the beginning of 1967. The level is expected to increase during the current marketing years. Most of this reduction in stocks may be attributed to increased consumption, primarily for export. Had consumption during the 1957–61 period averaged as high as in the 1962–67 period, carry-over stocks at the end of 1961 would have been depleted without implementing the costly Acreage Diversion Program.

It is apparent that the current Wheat Program has been more of a foreign aid subsidy than a farm program.

Effect on small producers

There is not much detailed information available on benefits of the program by size of farms. However, it is known that the average-size wheat allotment on the participating farms was about 67 acres, compared to 12 acres on non-participating farms. Thus, it was the larger wheat farm operators who participated in the program and received the bulk of the payments for acreage diversion and price support supplements. In other words, 34 percent of all wheat farmers received the government payments and 66 percent, mostly small wheat producers, received nothing.

In respect to the 1964 crop, the participating farms received an average of $1,982 for wheat from the market, and $757 in payments for a total of $2,739. In contrast, the small non-participating wheat farm received only $523 on the crop, all from the market. Direct payments from the Government represented 28 percent of the gross receipts on the participating farms.

Based on 1964 operating costs (labor, power and machine services, seed and fertilizer) it cost about 65 cents to produce a bushel of wheat. On this basis, the production costs for the participating farm operator was $941; and his net

return totaled $1,041 excluding government payments and $1,798 with the payments. By comparison, the small non-participant's cost was $248 and his net return amounted to $275.

As in the case of the Feed Grain Program, the Voluntary Wheat Program served to benefit primarily the larger producer who could and did make a fairly reasonable return without the government assistance. The program was of little or no benefit to the small producer who was in greater need of the assistance. Wheat farmers need expandnig commercial markets more than they need subsidy payments in lieu of prduction.

THE COTTON PROGRAM

From the end of the Korean War until the present, various attempts have been made to control production and support prices to cotton farmers. Until 1966, the program provided acreage allotments and relatively high price supports through loans, with CCC taking over a substantial portion of the crop each year. When government stocks became too burdensome, large quantities were dumped onto the export market at subsidized prices at a heavy cost to the Government. The program worked to the disadvantage of the domestic cotton textile industry and encouraged rapid developments of man-made fibers, both from imported and domestic sources.

Likewise, in the export market, sporadic attempts have been made to expand exports through subsidy payments, etc.; yet the U.S. industry is gradually losing its traditional share of the world market to foreign-grown cotton and substitute fibers.

For producers, this program has resulted in a fixation of the acreage allotment into the capital value of the farm. Small farm operators with limited allotments were not in a position to take advantage of improving farm technology to lower their costs of production. Neither could they afford to give up their allotments because of their added value to the farm. Thus, the acreage of cotton became fixed by regions without regard to relative efficiency and production costs.

Despite the limitation on cotton acreage, production continued to expand as yields trended upward—491 pounds per acre in 1961–65 compared to 434 pounds the previous five years.

In 1964 a new scheme was introduced which provided for direct government payments to textile mills, representing the difference between the domestic and world cotton prices. The payments were intended to enable domestic users to pay the relatively high support price for domestic raw cotton and still be able to market the finished textiles competitively against imports from foreign textile mills. The foreign mills had been able to buy U.S. raw cotton at competitive world prices because of our export subsidy and under-sell domestic mills in the American market. As a result, the Government paid out roughly $882 million to domestic mills during the 1964–65 seasons. But the prices of domestic finished cotton textiles did not decline as expected and the domestic use of cotton failed to show much expansion.

Present program

With total consumption falling consistently behind production, government stocks continued to increase. They rose from 1.5 million to 12.3 million bales during the 1961–65 period. This failure to resolve the problems of the cotton industry resulted in the Cotton program provisions in the Food and Agriculture Act of 1965. The new program established a lower CCC loan rate (less than 21 cents a pound) to insure competitive export prices. It also provided for a complicated system of payments to producers for acreage diversion and price support supplements and included additional authority for CCC to dispose of its excess of stocks of cotton. The new program was so profitable to producers that participation was almost 100 percent in 1966 and 1967. Acreage was reduced sharply from 13.6 million in 1965 and 8.1 million in 1967. Poor growing seasons in both years and a further limitation with respect to skip-row plantings reduced yields per acre from 527 pounds in 1965 to 480 pounds in 1966 and 452 pounds in 1967. (Appendix Table C.)

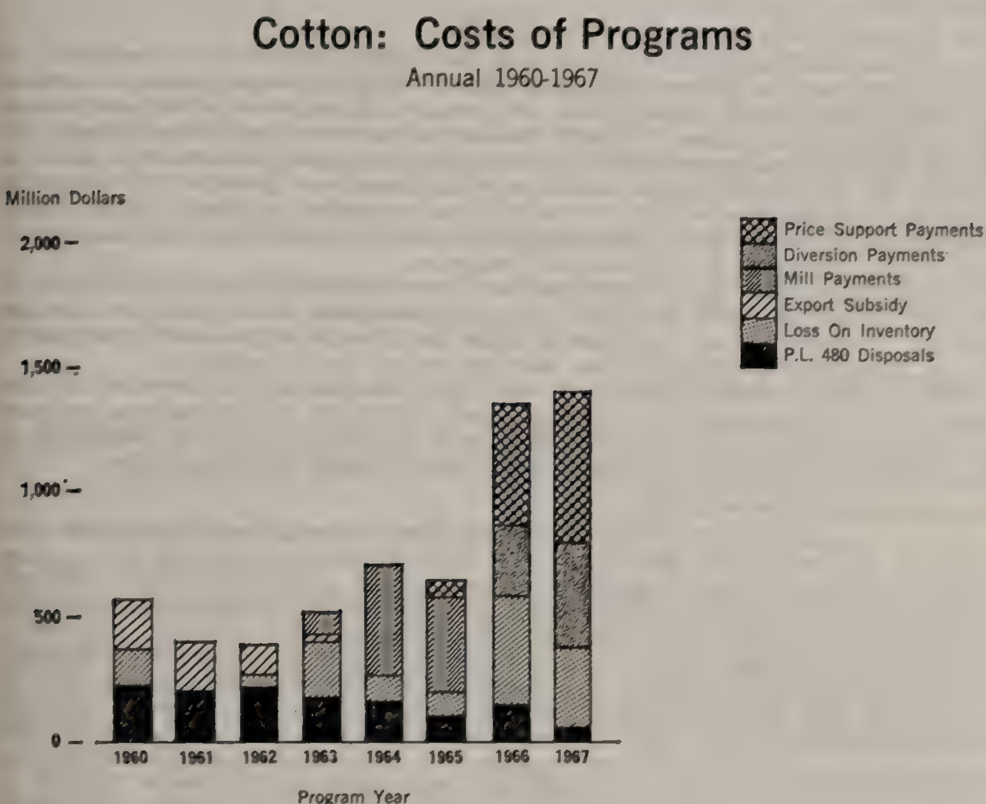
Production dropped drastically. Accordingly, CCC was able to reduce its stocks from 12.3 million bales at the beginning of the 1966 season to an estimated 1.8 million bales at the beginning of the 1968 season. Because of the market price situation, the trade increased its stocks sharply, but consumption, both domestic and exports, showed little change from the previous year.

Cost of present program

In terms of government costs, the program authorized in the 1965 Act was by far the most expensive. (See Figure 2 on next page and Table 7 in the Appendix)

The overall cost of the Cotton Program was about $640 million in 1965. It rose to $1.4 billion in 1966, and about the same level for 1967. Direct payments to cotton farmers for price support supplements and acreage diversion totaled $1.7 billion for the last two years, compared to less than a billion dollars the previous two years. This is as a result of changes made under the Act of 1965 which terminated direct payments to mills and provided acreage diversion and price support payments to producers.

FIGURE 3



Thus, the cost of reducing government stocks by 10½ million bales amounts to $162 per bale, or 32 cents a pound. In addition to the direct payments, losses on inventory operations and P.L. 480 shipments bring the total cost to the Government for 1966 and 1967 to $2.7 billion.

Program results

The government program, in combination with poor growing conditions, has succeeded in reducing stocks, but has done little to improve consumption. In respect to farm income, producers received less under the new program. They received nearly $4.4 billion from the sale of cotton in 1964 and 1965, compared to only $2 billion in the last two years. Even with government payments, returns to producers were lower in 1966–67. This is due largely to the reduced volume of sales.

Information was not readily available in respect to payments by size of cotton farms. Although the program provided additional benefits to the small producers, the bulk of the cotton was produced by the large farmers who, therefore, were in a position to reap most of the benefits.

PROGRAMS TO TAKE CROPLAND OUT OF PRODUCTION

We have by now experienced quite a variety of programs to divert farmland to soil conservation or non-crop uses in an effort to reduce production of surplus crops and raise farm prices. Table 8 in the Appendix shows the number of acres retired or diverted under each type of program by years. The Soil Bank Program, which was introduced in 1956, authorized both an Acreage Reserve and a Con-

servation Reserve Program. Farmers were paid varying amounts per acre of retired cropland. In the three years the Acreage Reserve Program diverted nearly 51 million acres from the production of price-supported crops. It cost the Government nearly $1.6 billion, or an average of about $31.00 per acre. The Conservation Reserve Program, which took cropland out of production for periods up to ten years, retired slightly over 200 million acres between 1956 and 1967 at a cost of $2.5 billion, or an average cost of about $12.00 per acre per year.

In 1963, a small experimental Cropland Conversion Program was introduced which, through 1967, diverted only 1.6 million acres out of production at a cost of $8.5 million.

The Cropland Adjustment Program (CAP)

The Food and Agriculture Act of 1965 authorized the CAP. It provides 5 to 10-year contracts to divert cropland to vegetative cover, water storage facilities or other non-crop uses. Participants are required to retire all of at least one of the surplus or "designated" crops. Similar to previous programs, farmers received the adjustment payments per acre plus cost-share assistance to help establish the new conservation use. Larger payments are provided for diverting crop acres to public recreational uses. Assistance is also provided to public agencies in buying cropland for permanent conversion to public uses, such as recreation. This is known as the "Greenspan" Program.

During 1966 and 1967, nearly 18 million acres of farmland have been diverted, only 8.3 million of which was used for crop production. (See Table 9 in the Appendix) Farmers agreed to divert a little less than a million acres for public access. Less than 17,000 acres has been purchased for Greenspan.

The CAP has cost $131 million for the first two years. It is expected to cost between $70 million and $80 million per year until 1971 and $55 million per year for the duration of the contracts. Total cost for the 11 years is estimated at roughly $700 million, or an overall average cost of about $40.00 per acre.

Impact on production levels

The accumulated cost of the various cropland diversion and retirement programs to date is roughly $10 billion; yet crop production continues to increase. The index of production for feed grains, food grains (primarily wheat), and cotton, the principal crops from which acreage has been diverted from production, has been rising at a faster rate than the index for most other crops. It is apparent that programs designed to pay farmers for diverting large acreages of cropland from production have proved to be a costly and vital exercise. Farmers invariably retire their least productive farmland and use the payments to increase the yield on the remaining acres, which increases their per-unit cost of production. The only possible justification for this approach is on the basis that the program be specifically designed to provide temporary transitional assistance to farmers as they make a concerted effort to adjust their commodity operations to competitive market conditions. As such, the diversion payments should be considered as an income supplement to facilitate the adjustment rather than expecting the program to serve as a tool for adjusting total production.

THE WOOL ACT

The Wool Incentive Program was originally authorized by the National Wool Act of 1954 for a three-year period. The program has been continued through subsequent extensions through 1969. The purpose of the Wool Act was to increase domestic production of wool to 300 million pounds.[1]

The incentive or support level was originally set at 62 cents per pound to reflect 90 percent of parity. It remained at that level through 1965. That year the Act was amended to allow adjustments in response to changes in the parity index. Accordingly, the incentive level was raised to 65 cents per pound in 1966 and 66 cents in 1967. The law further provides that if the support price is reduced below 90 percent of parity, the production target will be raised from 300 million pounds to 360 million pounds.

The actual annual average price received by producers throughout the 13 years of the program has ranged between 36.4 and 53.7 cents per pound, with gov-

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[1] Senate Committee Report 1047, 83rd Congress, 2nd Session—"to provide for the development of a sound and profitable domestic wool industry under our national policy of expanding world trade, to encourage increased domestic production of wool for our national security, and for other purposes." The Act states in part that it is the "policy of Congress, * * * to encourage the annual domestic production of approximately 300 million pounds of shorn wool, grease basis, at prices fair to both producers and consumers in a manner which will have the least adverse effects upon foreign trade."

ernment payments making up the difference between the average price received and the support price. Government incentive payments to producers from 1955 through 1966 exceeded half a billion dollars, or an average of $45 million per year. (Table 10 in the Appendix)

Results of the program

What have been the results of this program with respect to achieving its objectives? Despite the high incentive payments, domestic wool production continued downward. In 1954, the year just preceding the incentive program, shorn wool production was 235.8 million pounds, grease basis. By 1967, output had dropped to 189 million pounds, or only 63 percent of the 300-million-pound target. Production in 1968 is expected to show a further decline.

The number of stock sheep on farms and ranches declined from 27 million head in 1954 to 19 million as of January 1, 1968. In the meantime, net imports of raw wool have increased intermittently and the wool content of imported textiles has increased substantially. Apparel wool consumption in the United States increased from 286 million pounds, clean basis, in 1954 to nearly 400 million pounds in 1965, then dropped to about 320 million pounds in 1967. During the first 12 years of the Incentive Program for Wool, per capita consumption of domestic wool has declined 36 percent, while that of imported apparel wools has increased 26 percent.

Based on the above information, it is obvious that the Wool Act has not accomplished its objective and cannot be expected to in the future. It is time for reappraisal of the objectives of the Wool Program.

STATUS OF AGRICULTURAL PRODUCTIVITY, FARM SIZE, PRODUCTION COSTS AND INCOME

Before new federal legislation can be wisely developed to cope with the problems of modern acriculture, we must more fully understand the operations of the business of farming as it is today. Consideration must be given to adjustments that have been and are continuing to take place in terms of productivity, size of farm operation, and changes in production costs and net returns.

Changes in productivity

Despite the decline in the acreage used for crop production, due to the various diversion and land-retirement programs, crop output has continued to increase. Compared with 1950 levels, the 1967 crop output was up 33 percent and yields up 45 percent. The increased productivity is, of course, due to improved seed varieties, more and better fertilizers, herbicides and pesticides, and better management practices. In addition, farm enlargement has made possible application of new technology.

Similar advancements have been experienced in the livestock and poultry industries, particularly broilers. Total agricultural output for American farms rose 37 percent from 1950 to 1967. On the other hand, it may be surprising to note that total inputs (all of the factors used in producing crops and livestock products) have risen very little since 1950—only 6 percent. Thus, the output per unit of input, or "productivity" in agriculture has increased 29 percent since 1950. This means, in effect, that despite the higher prices for items purchased by the producer, these costly purchases have enabled him to increase his output by an amount greater than the cost of his inputs.

Another measure of efficiency in the business of farming is output per man-hour of labor. This index was 174 percent higher in 1967 than in 1950. In other words, farmers used only one-half as many man-hours to produce 37 percent larger quantity in 1967 than just 17 years earlier. In terms of commodities, it now takes only 9 man-hours of work to produce 100 bushels of corn or grain sorghums compared with 20 man-hours in 1955–59. Similar increases in productivity have been experienced with wheat, cotton and other commodities.

Adjustments in number and size of commercial farms

It should not be surprising that incentive payments to encourage production adjustments in the government supply management programs favor the larger producers when it is understood that farms with gross sales of more than $10,000 account for seven-eights of the total farm output. But they represent only one-third of all U.S. farms. The other 2 million farms which sell less than $10,000 worth of products per year, received less than one-half of the total government payments.

The farms with gross sales in excess of $10,000 represent the expanding sector of U.S. agriculture (Figure 4 on the next page). During the last decade these

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larger farms has been increasing in number at a rapid rate—from less than 600,000 in 1954 to over one million in 1966. The number of farms in the $20,000 and over category have increased even more sharply—from 325,000 in 1959 to 527,000 in 1966. The number of farms with sales between $10,000 and $20,000 has remained fairly constant since 1959. They may be regarded as the "way station" for farming expansion—that is about as many farm operators move into this class from smaller-sized groups each year as the number that expands into the $20,000 and over class. Accordingly, the number of small farms is declining rapidly.

FIGURE 4

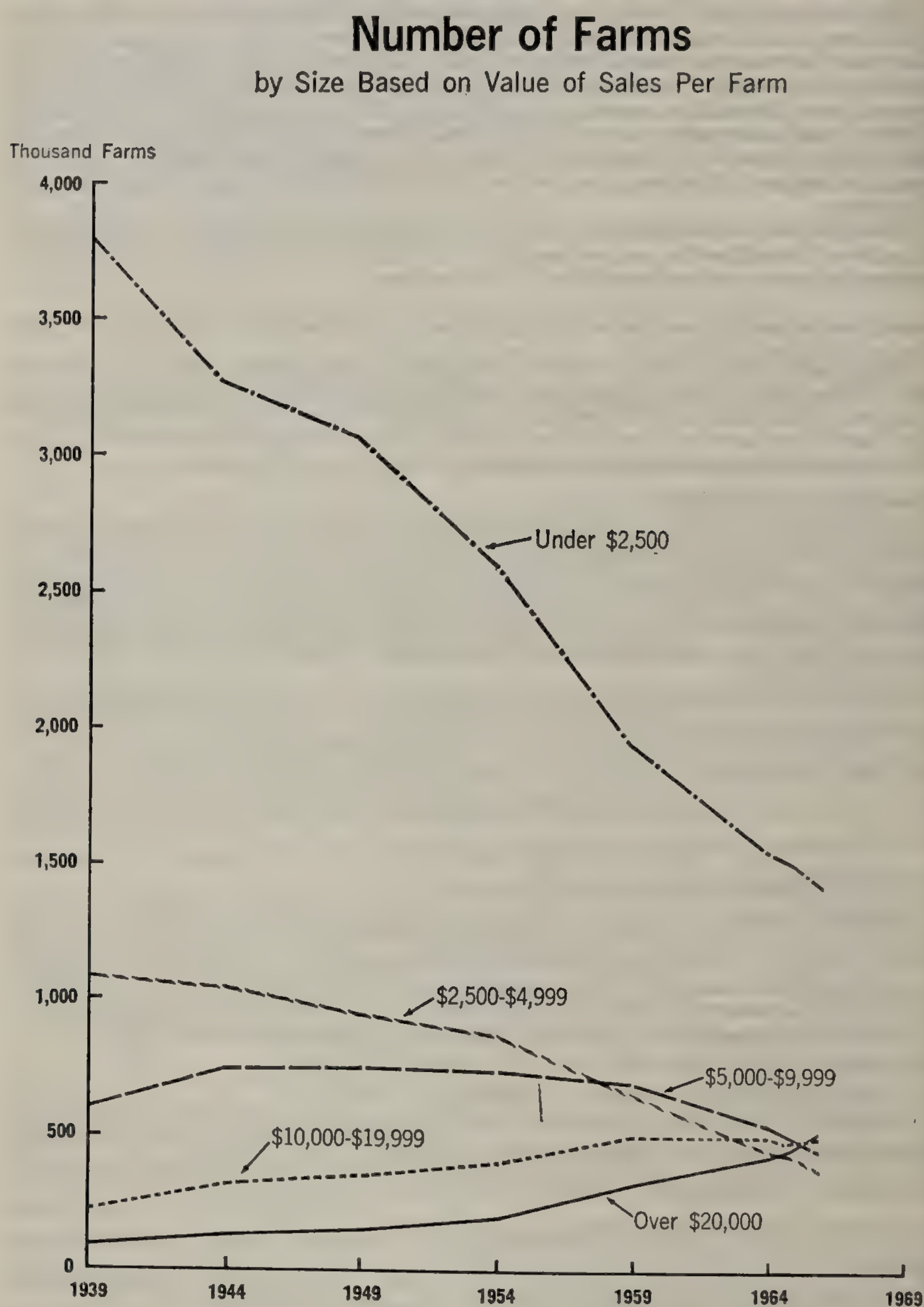

FIGURE 5

Total Cash Receipts From Farm Marketings

by Size of Farm Based on Value of
Annual Sales Per Farm
(Valued At 1959 Prices Received By Farmers)

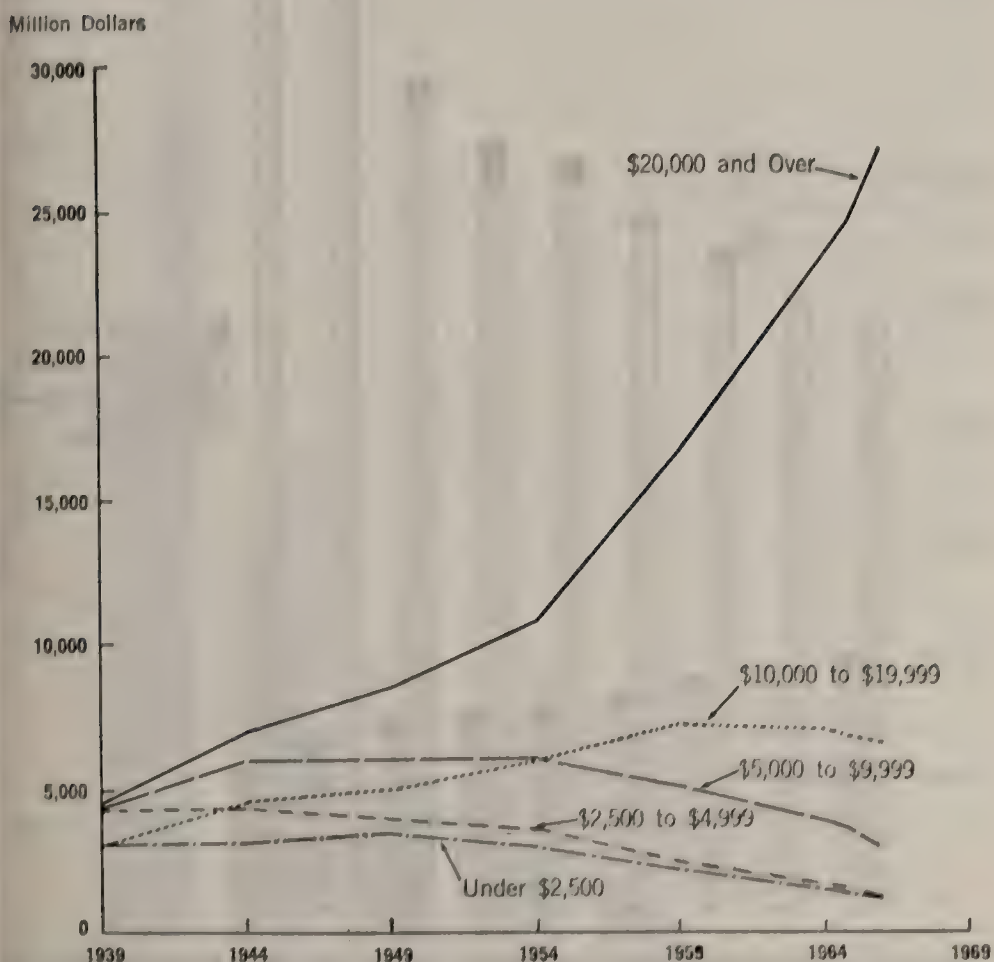

Figure 5 shows how rapidly the larger farms, $20,000 and over, are becoming the dominant factor in farm marketings. Their cash receipts from the sale of products has jumped from less than $11 billion in 1954 to more than $27 billion in 1966, and more than likely exceeded $30 billion in 1967.

FIGURE 6

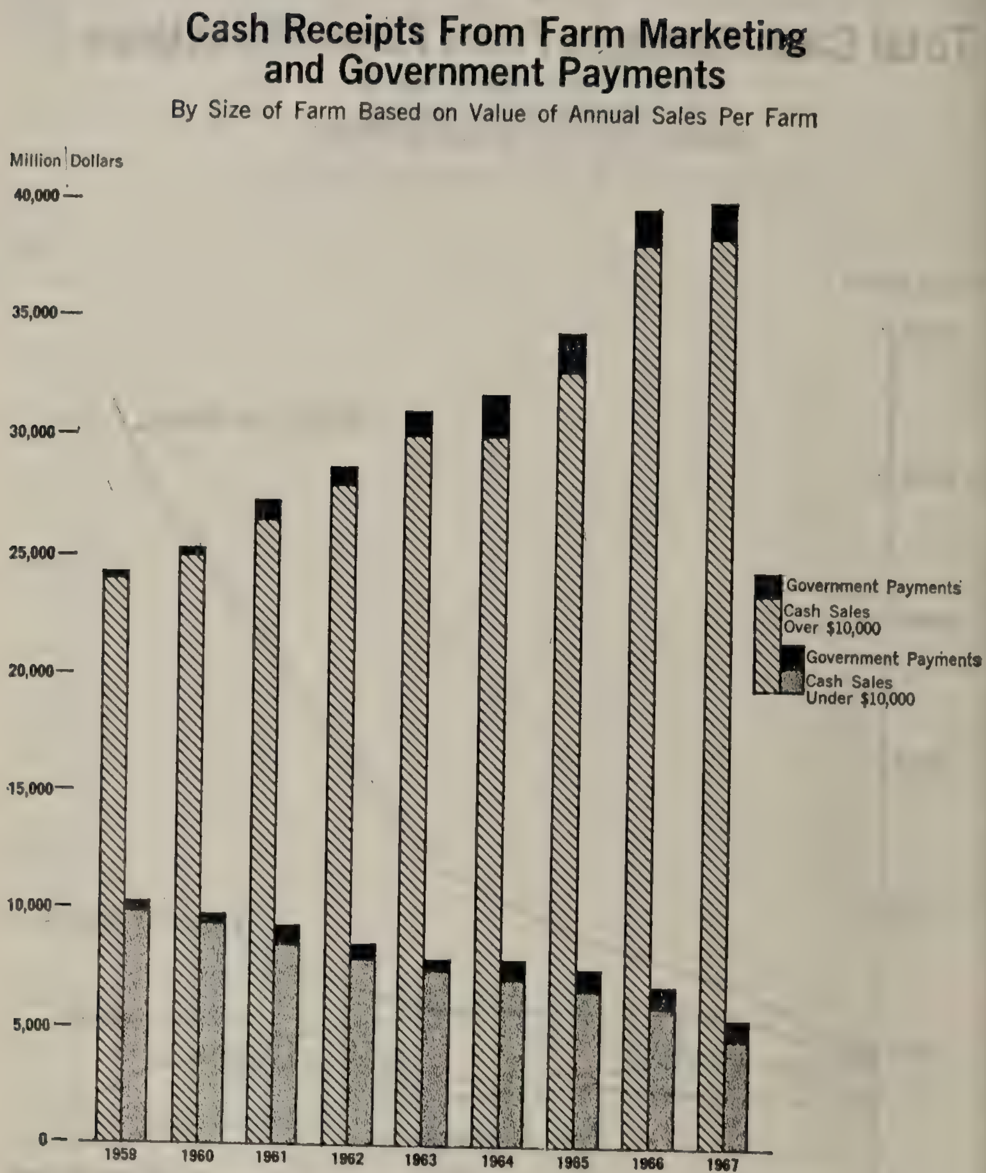

Figure 6 shows more vividly the diametric directions being taken between the expanding and contracting sectors of American agriculture. Farm operators in the expanding sector, where sales exceed $10,000 and who account for about nine-tenths of the total farm output, rely primarily on returns from farm marketings for their income. Although they receive more than half of the total government payments, these payments represent a small fraction of their total income.

FIGURE 7

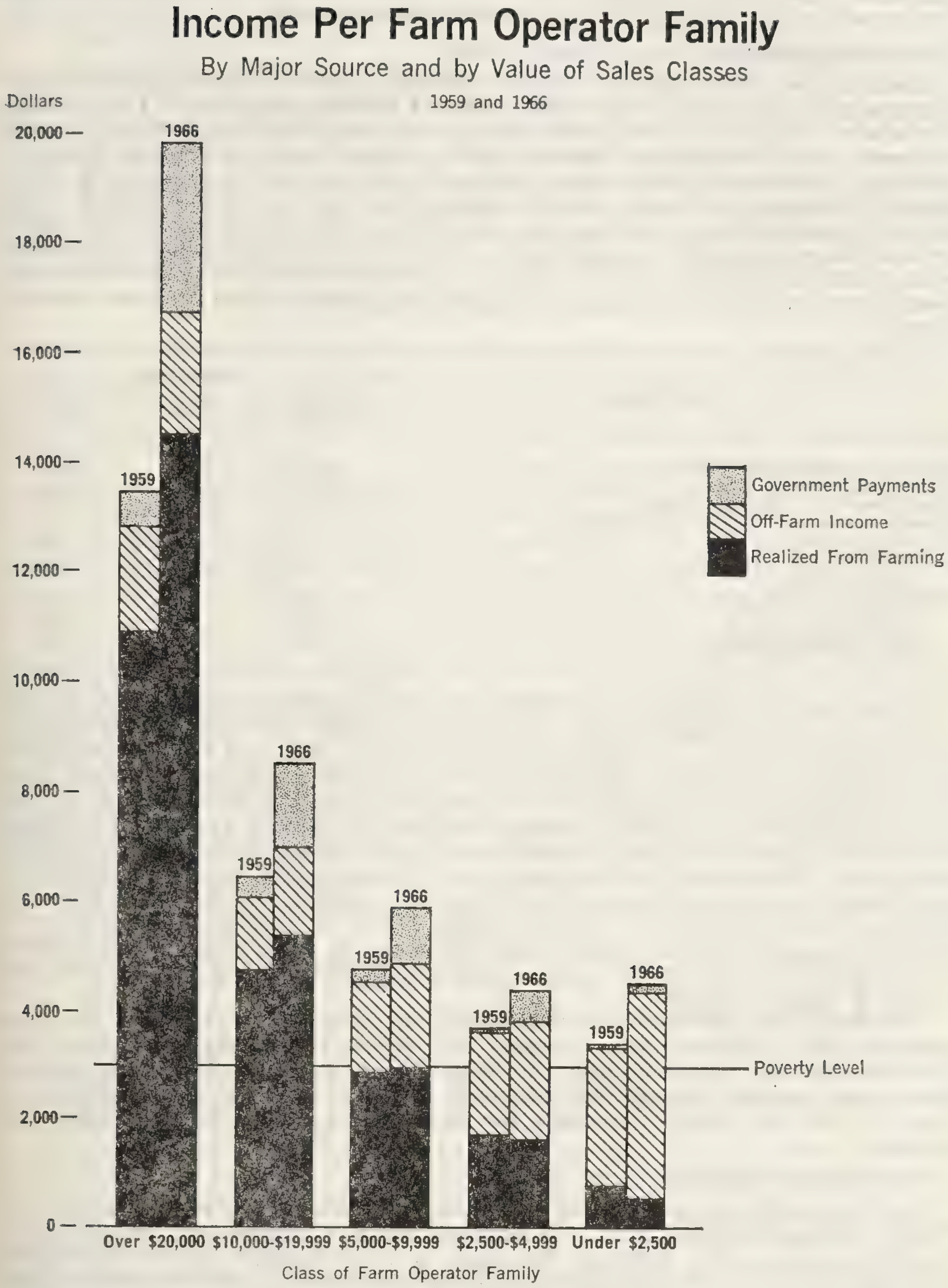

Figure 7 shows the relative importance of the three different sources of farm income to farm operators according to their operations. The smaller the size of farm operation, the greater is its dependence on off-farm income for survival. The farms with sales under $2,500 sell very few farm products and thus receive an even smaller proportion of government payments.

It seems inevitable that the larger farms will continue to grow in number. In 1966 the $20,000 and over class accounted for 68 percent of total production expenses, and 56 percent of realized net income from farming.

It also is quite possible that the contracting segments will eventually go out of existence except for a sizeable number of part-time farmers whose farm income is more of a supplement to their income from off-farm work.

Changes in production costs and net returns

The U.S. Department of Agriculture publishes a limited amount of information on farm costs and returns for certain types of farming operations.[1] The information shows that both factors, production costs and returns, have increased rapidly in recent years. However, net returns have increased more rapidly than operating costs on a number of commodities, primarily on feed grains, wheat and cotton farms. Following is a table showing comparisons in the cost per acre on three selected types of farms—cotton, corn, and wheat. These costs include the direct production expenses, but exclude such overhead costs as management, land rent, and capital investments. We have then projected these figures to show what the cost per unit would be on the basis of probable yields per acre for these types of farms.

Type of farm	Cost per acre		
	1960	1966	1967
Corn for grain: East-central Illinois	$40.15	$46.65	$47.25
Wheat: South-central Kansas	$13.55	$17.80	$18.20
Cotton: Mississippi Delta, Yazoo area	$119.95	$100.90	$103.50
If yields per acre are assumed to be as follows:			
Corn (bushels)	100	130	130
Wheat (bushels)	28	35	35
Cotton (pounds)	750	850	850
Costs per unit would be:			
Corn (cents per bushel)	40.2	35.9	36.3
Wheat (cents per bushel)	48.4	50.8	52.0
Cotton (cents per pounds)	16.0	11.8	12.2

Based on average prices received by farmers for these commodities, the net returns on well-managed farms appears to be quite profitable. By taking the average farm price for a bushel of corn ($1.29) in 1966 and adding the 30-cent price support supplement, the efficient corn producer could have realized a net return of $1.23 per bushel in excess of his per-unit cost of 35.9 cents per bushel. Another example—the wheat producer received in 1966 an average of $1.63 per bushel for the sale of wheat, plus an average price support supplement of 59 cents per bushel. This shows that the larger, more efficient wheat producer netted $1.71 per bushel in excess of his cost of 51 cents a bushel. On the same basis the efficient cotton producer in the Mississippi Delta received an average price of 20.7 cents per pound for cotton, plus 9.4 cents in price support supplements which netted him 18 cents a pound over his production cost of 11.8 cents per pound of cotton produced.

Obviously, the production cost per unit on these farms represent the more efficient farm operators whose profits far exceed the average for these commodities. But the figures do illustrate why our existing commodity programs are not needed to assist the efficient, adequately sized commercial farm operators so long as they are able to compete for expanding markets, both at home and abroad.

Parity income of farmers

The basic objective or goal for agriculture, broadly supported by farmers and their allied agribusiness firms, the Administration, Congress, and business organizations such as the National Chamber, is to strengthen our free enterprise economy so as to provide an opportunity for commercial farmers to earn returns for their labor, management and capital investment commensurate with the returns available to other segments of the economy.

The real problem is to find a satisfactory method for measuring the many different variables which need to be considered in determining such a parity of income objective. Pursuant to Section 705 of the Food and Agriculture Act of 1965, the U.S. Department of Agriculture developed some criteria for determin-

[1] "Farm Costs and Returns, Agriculture Bulletin No. 230".

ing when returns to labor and capital employed in farming are comparable to those received in other segments of the economy.[1]

The USDA report recognized the difficulty of finding satisfactory measurements for determining "parity returns". On the basis of the criteria used, the report showed that the large farm operators and their employees have reached the parity income objectives. For Example:

1. Returns from farming in the $20,000 and over class in 1966 were above the "parity returns" level (the level established to make them comparable with alternative investments). Farms in the $10,000 to $20,000 class earned between 81 percent and 98 percent of the parity returns level. The $5,000 to $10,000 class farms fell within the 62-70 percent of the parity level.

2. The estimated hourly wage rate in 1966 for employees on farms selling at least $20,000 worth of products was $2.84 per hour, or 5 percent higher than the $2.71 per hour average rate received by manufacturing employees. Wage rates on farms in the $10,000 to $20,000 class were $2.65 per hour. The rate was $2.40 on farms in the $5,000 to $10,000 class, and only $2.09 on smaller farms.

FARM BARGAINING POWER

The never-ending squeeze between prices paid and prices received keep farm businessmen in a perpetual struggle to adjust their operations so as to realize a profit—a problem not unique to the business of farming and ranching. We have already noted some of the major adjustments farmers are constantly making to increase net returns.

For many years producers have had authority from Congress and assistance from the U.S. Department of Agriculture to produce and market their products collectively through voluntary cooperative marketing associations.[2] Federal and state marketing orders have provided additional authority for specified commodities and conditions. Generally they provide governmentally enforced procedures for correlating the supply characteristics of the commodity with market demand.

Agriculture Secretary Freeman's famous Press Club speech in May 1967 triggered greater interest for new legislation to increase the power of producers to control the terms of marketing their products. This renewed interest reflects dissatisfaction with the relentless squeeze on prizes and the failure of existing federal programs.

Most proposals for strengthening producer bargaining power have as a primary objective higher prices to producers. Since American agriculture can produce far more than can be effectively marketed at acceptable prices, achieving higher prices means a combination of one or more of the following potentially detrimental effects:

—rigid supply controls,
—special exemptions from antitrust laws to permit monopolistic control over supply and prices.
—loss of individual producer's freedom to decide for himself what to produce, whom to deal with and on what terms.
—loss of processor-handler's freedom to pick his suppliers based on quality of product and performance.
—establishment of special governmental agencies to insure compliance with authorized production and marketing practices.

Answers to many questions are needed before embarking on new approaches to compulsory marketing legislation. For example:

1. What has been the effect of existing marketing order programs? Have they increased prices to producers? To what extent have higher prices caused a shift in consumer spending away from given products?

Have they increased supplies by stimulating expanded production and the entry of new producers?

Have marketing order programs affected incentives to improve efficiency of farm "plant" operations through structural adjustments and improvement of product quality, etc.?

2. Do most farmers understand what collective bargaining really means?

Do they understand that it means contracting with associations for a two or three-year period with penalties for violating their agreements?

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[1] "Parity Returns Position of Farms" U.S. Department of Agriculture, July 1967.

[2] The Capper-Volstead Act assures farmers the right to join together in cooperative associations to engage in collective marketing without being in violation of the antitrust laws in their dealing with third persons in the same manner as other business concerns.

Do they know it means sharing their market opportunities with other farmers who have different objectives (price vs. volume, short vs. long range), different management abilities, product preferences, and per-unit cost factors?

Do farmers understand that collective bargaining means changing the antitrust laws to give farmers exemptions similar to those enjoyed by labor unions, developing some way to control supply if prices increase, increasing incentives for substitute products and larger imports?

3. What would have happened if farmers had "enjoyed" a Wagner-type Act for agriculture since the thirties?

Would they have adopted the "tools" of modern science and technology to take advantage of the economies of scale?

Would the broiler industry have expanded seven-fold since World War II, provided a new source of income in depressed rural areas, and contributed to agriculture's favorable balance of trade, all of which has been accomplished without price supports and federal controls over production?

How many more farmers would there be today—all trying to share equally in a relatively inelastic market for their products?

4. Which commodities are causing the most trouble to producers in terms of farm prices and income? Are they the commodities which are relatively free of price supports and government intervention, such as fruits and vegetables, livestock and poultry products, or are they so-called "basic" commodities and dairy products which are included in the supply management programs and which are not regarded as the primary target for collective bargaining proposals, such as introduced by Senator Mondale (S. 2973).

5. Can farm businessmen gain more in the long run by etablishing a National Agriculture Relations Board? Such an agency would have centralized producer-controlled committees bargaining collectively with similar committees representing farm suppliers and customers. Or can farm businessmen gain more by working cooperatively with their agribusines counterparts in developing a coordinated industry-wide systems approach to production and marketing opportunities for maximum efficiency, returns and stability?

There are opportunities for more acceptable approaches to collective bargaining—where producer associations and their customer-handlers benefit mutually. Some producer associations are moving more in this direction. Bargaining terms which lead to greater efficiency in trading and lower costs of production, processing and handling could result in savings to both sides. The free exchange of information on consumer demand, market supplies, and production capabilities can contribute to greater stability in markets, prices and production.

Mutual interest should be the underlying objective of any actions considered for collective bargaining. Whenever the bargaining process can provide additional services which are beneficial to both sides, then these additional services or product specifications could be included in the terms of agreement.

The National Chamber believes that the freedom to organize and seek sound solutions to the problems of production and marketing through democratic processes is the right of all American farmers. By the same token, it is the right of every other segment of American industry. The freedom to compete is basic to our economy and is essential to the continuing improvement of living standards for the American people.

We are opposed to the recommendation of the National Commission of Food Marketing for legislative authorizing an Agriculture Marketing Board with power to administer group marketing activities, including the regulation of production or marketing, and the negotiation of prices and other terms of trade. We recognize the right of producers to join together voluntarily in associations to market their products under existing statutory exemptions from the antitrust laws. We are opposed to any further exemptions under these laws. Legislative or administrative authority should not be provided which would prohibit producers and their customers from dealing with one another individually or on a direct basis, or require the processor or handler to negotiate with a producer bargaining group.

We support voluntary, free and open negotiations involving terms of trade between producers and their customers. But the prices resulting through such negotiations must reflect free and competitive market incentives to assure maximum efficiency in production and marketing activities, as well as adequate supplies of food and fiber.

The National Chamber was pleased to learn that the House and Senate chambers have come to agreement on the provisions of S. 109 (the Agricultural Fair Practices Act of 1967). This should contribute much toward insuring the freedom of producers to join bargaining associations without fear of illegal pressure from

handlers and other persons. It also insures the freedom of handlers, as well as individual producers, to deal with whom they please.

There is room for collective bargaining by and for farmers provided it is within the framework of economic consequences which farmers and the whole society are willing to tolerate. Bargaining techniques by which some advocates would hope to bludgeon their way into new realms of prosperity by copying the pattern of organized labor are not likely to draw much farmer support. The modern-day producer is essentially and increasingly a buiness manager and capitalist, not a laborer who signs over the management of his services and income to some central bargaining agency.

WHAT HAVE WE LEARNED FROM PAST SUPPLY MANAGEMENT PROGRAMS?

We have spent billions of dollars in recent years to discourage production and to raise farm prices; yet production continues to increase and prices settle accordingly. We have spent more billions of dollars to store the surpluses and later to dispose of them at tremendous losses. Now, despite what we should have learned, Congress is considering legislation to rebuild government stocks of certain commodities under the banner of "strategic reserves" or "food bank"—to shore up farm prices and to assure consumers that they will have plenty to eat and wear. And yet we know that the legislation cannot accomplish the first objective and is not needed for the second objective.

If anything is to be gained from the experience of our present and past farm programs, it is that we should know by now:

—that price supports cannot be maintained above market levels without encouraging excess production;

—that it is unnecessary and costly to maintain government stocks for purposes of price stabilization and assistance programs;

—that disposing of these accumulated stocks is impossible without infringing on the future market opportunities of the producers;

—that stocks acquired by the Government to support farm prices produce the opposite effect on prices when they are sold back into the market;

—that to the extent farmers can anticipate the current income "benefits" of any program, such benefits—whether they are price supports, supplemental payments, or acreage allotments—tend very strongly to become capitalized into the price of land and even the "right" to share in a quota of production;

—that a large share of the income benefits from government payments goes to the larger, more efficient farmers who need the least assistance;

—that programs which attempt to ignore or circumvent the interplay of economic forces of supply, demand and technology tend to (1) postpone the full impact of adjustment, (2) increase its severity, or (3) create basic shifts in the demand structure that further compound the supply adjustment problem. The growth in the use of butter substitutes, synthetic textile fibers, and now the rapid development of filled milk and non-dairy beverages are good examples.

A thorough reappraisal of the entire supply adjustment program for agriculture is appropriate, while our carryover stocks are at or near the minimum before extending the Food and Agriculture Act of 1965. Public policy decisions in the near future will determine the ability of, and our confidence in, the American competitive enterprise marketing system to meet the adjustments in production and shifts in demand for U.S. agricultural products.

The members of this Committee are to be commended for conducting this in depth review of past programs before attempting to chart a legislative course for the future.

SUGGESTED GUIDELINES FOR THE FUTURE

We have not yet developed under our democratic system a centralized, programmed approach for adjusting the output of agricultural products to changing supply-demand conditions that is more effective, beneficial and acceptable to the commercial producers, the taxpayers, and the national economy than can be achieved through primary reliance on competitive markets. Accordingly, we believe that agricultural production levels should be determined by the operation of market forces working through the price system of a competitive economic society. The choice in the use of land, labor, and capital should be left to the farmers themselves.

For some time the National Chamber has advocated a positive approach to agricultural adjustment. More specifically, we have proposed the gradual, scheduled, and orderly withdrawal of direct government intervention in the production, marketing, and pricing of agricultural products. This applies to price support loans and payments, acreage allotments, marketing quotas, and land and other resource diversion programs. These are tools which, if properly used along with transitional adjustment payments, could implement a gradual transition to free-market conditions.

I hasten to add that we do support a national program to aid in protecting farmers against an undue share of the burden of temporary and severe price declines.

However, government programs to cushion farm income against the effect of severe price declines should be designed to come into play only during emergency conditions without having the effect of stimulating excess production and further depression of market prices.

The National Chamber therefore agrees with the recommendation of the National Advisory Commission on Food and Fiber that "the United States adapt its policies to accomplish a market-oriented agriculture"; and that this should be done as quickly as possible without imposing undue hardship on the agricultural sector. More specifically, we would support the minority members' recommendation that "the current types of programs interfere too greatly with efficient allocation of resources" and that "the present commodity programs should be modified to encourage the major adjustments needed for a market-oriented agriculture, and then be gradually phased out".

Although there is need for "gradual transition" from the present supply-management programs to market-oriented programs so as to allow producers an opportunity to adjust their commodity and management operations to primary reliance on markets, there is equal danger that the transitional programs become ends in themselves. The transition periods, as well as the type of adjustment program, should be scheduled according to the predetermined needs of each commodity to prevent further misallocation of resources and market distortions.

It seems to us that the adoption of a transitional program would require termination of the Food and Agriculture Act of 1965 and such other laws relative to acreage allotments, marketing quotas, price supports and CCC operations that would impede a positive transitional approach to agricultural adjustment.

A number of bills have been introduced during the 90th Congress which would terminate the Government's supply-management control over wheat and feed grains. A similar bill was recently introduced by Senator Ribicoff—S. 3158. It would:

—repeal feed grain bases and acreage diversion and price support payments;
—repeal the authority for wheat allotments, marketing quotas, certificates, acreage diversion and price support payments;
—terminate price supports for wheat, feed grains and soybeans;
—authorize CCC to insure recourse loans up to 18 months by commercial lending institutions on wheat and feed grains;
—limit the insurance rate to 90 percent of the seasonal average price;
—limit the insurance coverage to 75 percent of the total amount of the loan;
—prohibit the sale of CCC stocks of wheat and feed grains below 125 percent of the 1967 loan rate, 85 percent of parity, or the current market price, whichever is higher.

Such a program would end the acquisition and disposal of these commodities by the Federal Government, would leave the money-lending to private institutions, and would make producers responsible for selling their own products. If Congress gives serious consideration to this type of legislation, it might also consider financing the insurance fund through the annual appropriation process rather than out of CCC funds. This would enable Congress to maintain control over the program and could perhaps terminate the authority for CCC operations after existing stocks of the Corporation are exhausted.

In a special report last year on "The Commodity Credit Corporation—Its Costs, Confusion, and Cures", the National Chamber recommended improvements in the funding procedure for CCC and urged consideration of repealing the Corporation Charter Act.

The National Chamber has transmitted to congressional committees in recent weeks recommendations on several legislative issues in agricuture which would contribute to the de-escalation of the Federal intervention in Agriculture. We have expressed opposition to the so-called "strategic reserve" legislation and

support for extension of the P.L. 480—Food for Peace Program, with modifications. Our views on these programs are consistent with the belief that private industry is fully capable of maintaining adequate supplies of storable farm commodities without the government storage program. We recognize that the maintenance of adequate supplies of these commodities would require at least annual estimates by both industry and Government of all potential outlets.

The National Chamber has also testified in opposition to Senate ratification of the International Grains Arrangement. We think this treaty would limit export opportunities and work against the interest of the producers.

CONCLUSION

The business community has a vital concern for programs which affect the economic growth, stability and security of our American free enterprise systems. The business of farming, as a vital part of the nation's largest industry—agriculture—must have an opportunity to prosper in proportion to the general economy. We consider it an obligation, therefore, to reflect the views of businessmen, including farmers, in developing basic guidelines for a sound approach to the problems of agriculture.

Attached is a coppy of the National Chamber's Policy Statement on Agriculture. If we can be of any service to the members of this Committee in carrying out its colossal task, please let us know.

TABLE 1.—FEED GRAINS: COST OF PROGRAMS, 1960-67

[In millions of dollars]

Program year	Payments		Losses on inventory operations	Export subsidy	Public Law 480 titles I, II, and IV	Grand total
	Price support	Acreage diversion				
1960			[1] 360	[1] 20	[1] 146	526
1961		782	730	7	158	1,677
1962		843	384		89	1,316
1963	382	462	271		96	1,211
1964	282	886	271		81	1,520
1965	431	946	256		126	1,759
1966	584	708	101		335	1,728
1967 [2]	536	326	80		140	1,082
1961 67	2,215	4,953	2,093	7	1,025	10,293

[1] Fiscal years, beginning year shown.
[2] Preliminary estimates.

Source: June 30 reports of the Commodity Credit Corporation.

TABLE 2.—FEED GRAINS:[1] ACREAGE HARVESTED, YIELD PER ACRE, PRODUCTION, STOCKS, AND UTILIZATION [1956-60 AVERAGE, ANNUALLY 1960 AND 1961-67]

Crop years	Acreage harvested for grain (million acres)	Yield per acre (tons)	Production (million tons)	Beginning stocks		Utilization		
				Government (million tons)	Other (million tons)	Domestic (million tons)	Exports (million tons)	Total (million tons)
1956-60 average	127.1	1.10	140.2	49.8	8.8	121.0	10.8	131.8
1960	127.5	1.22	155.5	65.7	8.9	132.4	12.7	145.1
1961	105.3	1.33	139.8	74.7	10.3	136.4	16.2	152.6
1962	101.2	1.39	141.7	62.5	9.7	132.6	16.9	149.5
1963	105.1	1.46	153.8	55.8	8.6	131.1	17.8	148.9
1964	97.1	1.38	134.2	56.6	12.7	128.7	20.0	148.7
1965	96.0	1.64	157.4	43.7	11.1	141.5	28.6	170.1
1966	97.8	1.61	157.6	24.4	17.7	139.0	23.6	162.6
1967 [2]	100.7	1.74	175.1	18.3	18.8	146.0	24.2	170.2
1961-67 average	100.5	1.51	151.4	48.0	12.7	136.5	21.0	157.5
1968 [2]				22.0	20.0			

[1] Includes corn, grain, sorghums, oats and barley—Relatively small imports are excluded from all data.
[2] Preliminary estimates.

Source: Recent issues of the Feed Grain Situation—USDA.

TABLE 3.—STATISTICS ON THE 1964 FEED GRAIN PROGRAM

Size of farm base (acres per farm)	All farms with feed grain base [1]	Participating farms: Number [1]	Percent of— Class total	Percent of— All farms	Percent of— Total participating	Payments: Total (millions)	Percent of total	Average per farm
1 to 25	1,794	520	29.0	16.3	41.8	$161.0	13.7	$310
26 to 100	1,088	519	47.6	16.3	41.7	473.2	40.4	912
101 and over	307	204	66.5	6.4	16.5	537.1	45.9	2,630
Total	3,189	1,243	39.0	39.0	100.0	1,171.3	100.0	942

[1] 1,000 farms.

Source: Special report issued July 1965, by USDA, "1964 Feed Grain Program—Frequency Distribution."

TABLE 4.—THE WHEAT PROGRAM: COST OF PROGRAMS, 1960–67

[In millions of dollars]

Program year	Payments: Price supports	Payments: Acreage diversion	Loss on inventory operations [1]	Export subsidy [1]	Public Law 480, titles I, II, and IV [1]	Grand total
1960			177	149	1,083	1,409
1961			138	147	1,219	1,504
1962		285	91	100	1,372	1,848
1963	79	163	143	222	1,276	1,883
1964	410	32	277	45	1,258	2,022
1965	471	38	172	170	1,306	2,157
1966	652	27	136	107	724	1,646
1967 [2]	725		60	35	600	1,420
1962–67, total	2,337	545	879	679	6,536	10,976

[1] Fiscal years beginning year shown.
[2] Preliminary estimates.

Source: June 30 reports of the Commodity Credit Corporation.

TABLE 5.—WHEAT:[1] ACREAGE HARVESTED, YIELD PER ACRE, PRODUCTION, STOCKS, AND UTILIZATION, 1957–61 AVERAGES, ANNUALLY, 1961–67

Crop years	Acreage harvested	Yield per acre	Production	Stocks: Government	Stocks: Other	Utilization: Domestic	Exports: Government	Exports: Other	Total
	Million acres	Bushels	Million bushels	Million bushels	Million bushels	Million bushels	Million bushels	Million bushels	Million bushels
1957–61 average	50.4	24.2	1,224	1,118	44	593	375	172	1,141
1961	51.6	23.9	1,232	1,368	43	602	491	228	1,321
1962	43.7	25.0	1,092	1,192	130	575	486	158	1,219
1963	45.5	25.2	1,147	1,189	6	584	503	353	1,440
1964	49.8	25.8	1,283	882	20	643	567	158	1,368
1965	49.6	26.5	1,316	682	135	731	569	298	1,598
1966	49.9	26.3	1,312	340	195	680	371	371	1,422
1967 [2]	59.0	25.8	1,524	204	221	654	470	280	1,404
1968 [2]				345	220				
1962–67 average	49.6	25.8	1,279	748	117	644	494	270	1,408

[1] Relatively small imports are excluded from all data.
[2] Preliminary estimates.

Source: Recent issues of the Wheat Situation, U.S.D.A.

TABLE 6.—COTTON: HARVESTED ACREAGE, YIELD PER ACRE, PRODUCTION, STOCKS, AND UTILIZATION ANNUALLY, 1966–67

Year	Harvested acreage (thousand acres)	Yield per acre (pounds)	Production (thousand bales)	Stocks		Utilization [1]		
				Government (thousand bales)	Other (thousand bales)	Domestic (thousand bales)	Exports (thousand bales)	Total (thousand bales)
1960	15,309	446	14,272	5,041	2,518	8,279	6,632	14,911
1961	15,634	438	14,318	1,519	5,709	8,954	4,913	13,867
1962	15,569	457	14,867	4,726	3,105	8,419	3,351	11,770
1963	14,212	517	15,334	8,155	3,061	8,609	5,662	14,271
1964	14,055	517	15,182	10,393	1,985	9,171	4,060	13,231
1965	13,615	527	14,973	11,616	2,675	9,497	2,942	12,439
1966	9,554	480	9,575	12,304	4,558	9,485	4,669	14,154
1967 [2]	8,090	452	7,618	5,950	6,483	9,100	4,250	13,350
1968				1,750	5,000			

[1] Production, stocks and utilization do not balance largely because of differences in size of bale, exactness of crop season and the inclusion of relatively small imports in utilization.
[2] Preliminary estimates.

Source: Recent issues of the Cotton Situation, USDA.

TABLE 7.—COTTON: COST OF PROGRAMS, 1960–67

[In millions of dollars]

Program year	Type of payments			Loss on inventory operations	Export subsidy	Public Law 480 titles I, II, and IV	Grand total
	Price supports	Acreage diversion	Cotton textile mills				
1960				147	192	225	564
1961				12	174	205	391
1962				51	121	216	388
1963			88	212	44	172	516
1964			425	112		157	694
1965	69		369	98		103	639
1960–65	69		882	632	531	1,078	3,192
1966	489	285		429		147	1,350
1967 [1]	608	322		370		58	1,358
1966–67	1,097	607		799		205	2,708

[1] Preliminary estimates.

Source: June 30 reports of the Commodity Credit Corporation.

TABLE 8.—CROPLAND DIVERSION: ACREAGE DIVERTED UNDER SPECIFIED PROGRAMS ANNUALLY, 1956–67

[In millions of acres]

	Soil bank		Cropland conversion	Cropland adjustment	Feed grain program	Wheat program	Cotton program	Grand total
	Acreage reserve	Conservation reserve						
1956	12.2	1.4						13.6
1957	21.4	6.4						27.8
1958	17.2	9.9						27.1
1959		22.5						22.5
1960		28.7						28.7
1961		28.5			25.2			53.7
1962		25.8			28.5	10.7		65.0
1963		24.3	0.1		24.5	7.2		56.1
1964		17.4	.1		32.4	5.1	0.5	55.5
1965		14.0	.4		34.8	7.2	1.0	57.4
1966		13.3	.4	2.0	34.7	8.3	4.6	63.3
1967		11.0	.6	4.1	20.2		4.9	40.8
1968		9.4	(1)	(1)	(1)	(1)	(1)	(1)
1969		3.5	(1)	(1)	(1)	(1)	(1)	(1)
1970		.1	(1)	(1)	(1)	(1)	(1)	(1)

[1] Not available.

Source: Agricultural Statistics, 1967, USDA.

TABLE 9.—CROPLAND ADJUSTMENT PROGRAM

SUMMARY OF AGREEMENTS AND ACREAGES INCLUDED, 1966 AND 1967 COMBINED

Unit	Regular	Public access	Greenspan	Total
Agreements (number)	66,832	10,877	139	77,848
Farmland (thousand acres)	17,943		16.7	17,960
Cropland (thousand acres)	8,338		9.4	8,347
Designated crops (thousand acres)	4,032	950	7.7	4,990
Payments obligated (thousands):				
1966	$47,422	$930	$44	$48,396
1967	$80,118	$2,051	$772	$82,941

Source: 1966 and 1967 cropland adjustment program, statistical summary, USDA, issued January 1968.

TABLE 10.—APPAREL WOOL:[1] NUMBER OF STOCK SHEEP, WOOL PRODUCTION, IMPORTS OF WOOL AND WOOL CONTENT OF IMPORTED PRODUCTS, UTILIZATION AND PAYMENTS ANNUALLY, 1954 TO 1967

	Stock sheep on hand Jan. 1 (million head)	Shorn and pulled wool production (million pounds)	Net imports			Utilization (million pounds)	Payments to producers (million dollars)
			Raw wool (million pounds)	Wool content of imported products (million pounds)	Total (million pounds)		
1954	27.1	136.4	102.9	46.8	149.7	286.1	
1955	27.1	137.4	112.7	64.0	176.7	314.1	57.6
1956	26.9	136.9	103.6	72.0	175.6	312.5	51.9
1957	26.3	130.4	76.0	67.0	143.0	273.4	16.1
1958	27.2	130.0	62.0	70.5	132.5	262.5	85.1
1959	28.1	140.2	100.5	96.9	197.4	337.6	53.9
1960	28.8	144.5	74.2	98.9	173.1	317.7	59.5
1961	28.3	142.5	90.0	95.2	185.2	327.7	56.9
1962	26.7	133.4	125.7	112.3	238.0	371.4	39.2
1963	25.1	126.2	109.0	125.4	234.4	360.6	27.2
1964	23.4	119.6	98.3	107.1	205.4	325.0	20.3
1965	21.8	113.1	162.0	119.6	281.6	394.7	34.2
1966	21.5	110.2	162.5	115.4	277.9	388.1	26.0
1967 [2]	20.7	107.0	109.1	103.4	212.5	319.5	(3)
1968 [2]	19.2						

[1] All wool figures are on a clean wool basis.
[2] Preliminary.
[3] Not available.

Source: Recent issues of the Wool Situation, U.S.D.A.

POLICY STATEMENT FOR AGRICULTURE

Farming is a business. Agriculture is an industry. The business of farming, coupled with all the farm supply services and all the processing and marketing services, comprise the industry known as agriculture.

A prosperous agriculture in a prosperous economy must be a national objective. The Federal Government has attempted to reach this objective by means of a series of programs—price support, acreage allotment, marketing quota, soil bank, acreage diversion, surplus disposal, processing certificate, supply management and many others.

Yet parts of agriculture have not prospered in proportion to the general economy. Agricultural production, both at home and abroad, has been progressively distorted and disrupted for a considerable number of commodities. The efficiency and effectiveness of highly developed marketing systems has been progressively impaired. There has been discriminatory treatment as between farmers, as between commodities, as between geographical areas, and as between agricultural service industry groups.

It is paradox that a nation so favored by soil and climate and so alert to develop and take advantage of improved agricultural techniques has been unable to make agriculture a more attractive and rewarding occupation and a stronger bulwark to a dynamic economy.

It is clear that governmental programs are not the answer; and that the time has come to drastically reduce the role of the Federal Government in agriculture; and for the whole agricultural economy—farmers, marketing agencies, processors and consumers—to demand a more positive and realistic approach to agricultural problems.

We believe that national farm policy should embrace, as fundamental, the following concepts:

(1) That the interplay of the economic forces of supply, demand and technology can neither be ignored nor circumvented.

(2) That the operation of economic forces, working through the marketing systems of a free economic society, should determine levels of production for agriculture just as they do for other segments of the economy.

(3) That choice in the use of land, labor and capital should be left to farmers themselves, just as other businessmen are free to choose how they will utilize their resources.

(4) That agricultural service industries are essential to the welfare of the whole agricultural complex. These industries provide credit, transportation, storage, handling, processing and distribution facilities, markets, market information, facilities for protection against market risks and many other services vital to farmers, processors and the consuming public.

(5) That it is essential to recognize that competition on equal terms is a most important cornerstone of a free economy.

(6) That adequate supplies of farm commodities is in the national interest. These supplies can be maintained within the framework of a completely free American agriculture which allows the farmer to produce for a market regulated by supply and demand. The maintenance of adquate supplies will require annual estimates by both industry and government, of all needs—domestic and export; commercial, concessional and donated—well in advance of the planting season.

(7) That research is essential to the creation and maintenance of a strong, progressive agricultural economy; that basic research is as important as applied research; and that governmental and private agencies should work together; coordinating their respective research activities insofar as possible.

(8) That intelligent augmentation and conservation of land and water resources are basic to the stability and growth of the nation's agricultural economy and should be vigorously promoted as a national policy.

(9) That no agency or organization of the government or private industry be given administrative or legislative power to regulate production or marketing activities, or negotiate prices and other terms of trade through group marketing activities.

(10) That government programs to augment producer incomes should be limited to a system of standby assistance for emergency conditions without affecting uneconomic production.

Federal programs which are contrary to these concepts should be terminated. However, there should be established for each program predetermined periods of transition with assistance to producers which would enable them to make orderly and gradual adjustments.

(Approved at the 55th Annual Meeting, May 3, 1967 and revised by the Board of Directors, February 22, 1968.)

Mr. WENDEROTH. Mr. Chairman and members of the committee, I am Collier Wenderoth, Jr., president of the O.K. Feed Mills, Fort Smith, Ark. And I am here today on behalf of the national chamber's board of directors, and serve as chairman of the agriculture committee.

With me are three other members of the chamber's agriculture committee: W. Ray Flemming, president of the W. Ray Flemming Fruit Co., Columbia, S.C.; Howard Waters, owner and operator of Waters Farms, Danville, Iowa; and Glenn Allen, executive director, Theracon, Inc., Topeka, Kans.

And with us, also, is Mr. E. Clinton Stokes, who is senior associate, Community and Regional Resource Development Group, and in charge of the national chamber's agriculture program.

GENERAL

We appreciate the opportunity to present the views of the national chamber. We speak for the general business community, which represents every phase of agri-business activities, including farm businessmen, their suppliers of purchased goods and services, and all types of

businesses involved in processing, distributing, and marketing the products of agriculture.

Your committee is to be commended for its efforts to conduct a searching review of existing farm programs to determine their strength and weaknesses well in advance of the expiration of the Food and Agriculture Act of 1965. Certainly, there is a great need for an in-depth analysis of existing programs before providing congressional authorization and guidelines for the future.

Our presentation is intended to:

1. Analyze major commodity programs—feed grains, wheat, cotton, wool—and the cropland adjustment program in terms of their cost to the public and their effectiveness in achieving the intended objectives;
2. Review the status of farm income and the impact of adjustments in agriculture to improve farm income;
3. Review recent developments and prospects for increasing producer bargaining power; and
4. Suggest basic guidelines for future Federal legislation.

Actually, the Food and Agriculture Act of 1965 does not represent the beginning of the present approach to commodity programs. Rather, it provided, with modifications, for extension of the feed grain program, which was initiated in 1961, the wheat program which began in 1962, and the Wool Act which began in 1955. It provided a relatively new program for cotton and a cropland adjustment program. Thus, these commodity programs should be reviewed from their inception prior to considering extension of the act of 1965.

In 1961, the present administration established as its objectives the enactment of legislation to change the commodity programs so as to: Reduce Government stocks; reduce the cost of Government programs; improve income to producers.

Since that time, legislation has been developed year by year to reduce the price-support loan level more nearly to the level of market prices and to supplement farm income by various forms of direct payments.

Following is a brief report of our analysis of each of these programs. More detailed information is available upon request from the committee.

FEED GRAINS

The feed grain program: The acreage diversion program for feed grains was initiated in 1961 and marks the beginning of the current approach to federally directed supply management programs. It authorized direct payments to producers for acreage diverted to soil-conserving uses or noncrop production. Price support payments were added to the program in 1963 as an additional incentive to reduce feed grain production. At the same time, the price support loan rate was lowered to encourage farmers to pay off their loans rather than letting the Government take ownership of the commodities under the inventory operations of the Commodity Credit Corporation (hereafter referred to as CCC). Little change was made in the program from 1963 to 1967, except for variations in the incentives for acreage diversion through adjustments in the level of the loan rate and price support payments.

Cost of the program:

From 1961 to 1967, a total of 201 million acres of feed grains was diverted to noncrop uses, or an average of 29 million acres per year. Cost of the feed grain program and related disposal activities, is shown in table 1 of the appendix. The total cost of acreage diversion payments to date is nearly $5 billion, or an average of about $25 per acre diverted, and at a yearly average cost of over $700 million.

Price-support payments to the participants cost another $2.2 billion, or more than $300 million per year. In other words, the Federal Government has paid out more than $1 billion per year for taking 29 million acres out of feed grain production. In addition to these direct costs for diverted acreage, the CCC has suffered losses of over $2 billion on inventory operations and another $1 billion on Public Law 480 (Food For Peace) disposals of feed grains during the 7-year period. Thus the feed grain program and related activities cost the Federal Government more than $10 billion from 1961 through 1967.

Figure 1 on the next page shows graphically the expanding role of Government payments and decline in CCC inventory losses throughout the period.

Program results:

What has been accomplished in terms of the impact of the feed grain program on levels of production, carryover stocks, and consumption of feed grains? Table 2 in the appendix shows the yield per acre increased 42 percent, enough to increase the average annual production of feed grains by 11 million tons during 1961-67, compared to the annual average during the previous 5 years. Government stock dropped rather sharply—from 75 million tons in 1961 to 18 million tons in 1967. During the same period of time, consumption, both domestic and export, increased by an annual average of 17 million tons.

If the rate of consumption of feed grains had been no higher during this period than the average for the previous 5 years, carryover stocks would have continued to increase throughout the 7-year period, despite all the money spent on the so-called supply management program.

Thus, despite the expenditure of more than $10 billion to reduce the production and carryover stocks of feed grains, it is apparent that the continually expanding demand, both domestic and export, was the principal cause of the disappearance of surplus stocks. The high cost of the program had little to do with the increased demand.

Furthermore, the increase in consumption was not due to lower prices. Despite the lower level of the price support loan rate, prices of all four feed grains averaged slightly higher during the 1961–67 period than in the previous 5-year period before the supply management program began.

The only successes that can be scored in relation to the feed grain program are the higher income level to feed grain producers and the reduction in Government stocks. But the stock reductions were due more to increased consumption than to limitations on production. In respect to higher incomes, gross income increased by virtue of higher market prices and greater production, even without counting the Government payments. Considering that the market value of the feed grains produced ranged between $6 and $7 billion per year, the $1 billion annual payment to farmers was much more than a minor supplement to income.

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Effect on small producers:

It has been said that the feed grain program offers special advantages to the small farm operators. Table 3 in the appendix is an analysis of the 1964 feed grain program and contains pertinent information on participation in the program by size of farm. Of the more than 3 million farms with feed grain bases, only 39 percent participated in the program. Even more significant, only 29 percent of the 1- to 25-acre farms participated. (In contrast, 48 percent of the 26- to 100-acre farms and 66 percent of the 100-acre and larger farms participated in the program.)

As a result, the small farm operators received only 14 percent of the feed grain payments. (The 26- to 100-acre farms received 40 percent, and the farms of 100 acres and over received 46 percent of the payments.)

The CHAIRMAN. You seem to be critical of the whole program. Have you some solution to offer? Does the statement provide anything later?

Mr. WENDEROTH. Yes, sir; we do.

The CHAIRMAN. All right, you may proceed.

WHEAT

Mr. WENDEROTH. The wheat program:

The attempt at Government supply management for wheat began in 1962 with the so-called voluntary wheat program. Acreage diversion payments were made to all wheat producers who reduced their acreage below their allotment base. Price-support payments were added in 1963. After producers rejected by referendum the compulsory supply management program proposed by the administration in 1963, Congress extended the voluntary wheat program. It continued to provide payments for acreage diversion, established a relatively low loan rate, and provided price-support payments through a certificate plan [1] which was financed by sale of certificates to the grain trade. Nevertheless, the price-support payments did represent direct payments from the Government to the producers. The detailed provisions for operation of the wheat program, including the adjustments made under the Food and Agriculture Act of 1965, are well known to the members of this committee.

Cost of program: In terms of cost of the wheat program (table 4 in the appendix) participating farmers received about $2.9 billion in direct payments—price-support payments and acreage diversion payments through 1967.[2]

In addition to the direct payments to farmers, the Government lost $8.1 billion through inventory operations, export subsidies, and Public Law 480 disposals: $879 million on wheat inventory operations, $678

[1] The certificate plan provided for domestic users to buy certificates (75 cents per bushel) from the Government for wheat used for domestic consumption. In turn, the Government issued certificates to the participating producers. These certificates could be redeemed in cash or in kind for the domestic share of their production. In practice, the certificates were practically all sold back so that the participating producer received, in effect, a cash payment for their part of the prie support supplement. The Food and Agri-
effect, a cash payment for their part of the price supplement. The Food and Agri-
100 percent of parity (approximately $2.55 per bushel) for the domestic share of their production and that the certificates issued be equal to the difference between this level and the price-support loan rate.

[2] $545 million for diversion payments from 1962 through 1966 and $2.3 billion for price-support payments through the sale of wheat certificates from 1963 through 1967.

million on export subsidy payments, and $6,536 million on Public Law 480 shipments during the 1962–67 period. Most of the inventory losses, as well as Public Law 480 shipments, were for foreign assistance. Thus, the total cost of the wheat program from 1962 through 1967 was $11 billion, of which one-fourth was paid to farmers and three-fourths on various disposal operations. Figure 2 on the next page illustrates the high cost of Public Law 480 disposals and the increasing cost of price-support payments.

Program results: What was the response by farmers to the wheat program during this 6-year period? For the 5 years, 1962 through 1966, during which there was an acreage diversion program, a total of 43.3 million acres was diverted, or an average of 8.7 million per year. However, payments were made on only 27.3 million acres. As in the case of feed grains, the acreage harvested during this period declined only slightly—an annual average of 2.7 million acres below the previous 5 years. But here again, the higher yields per acre results in no decline in total production. (Table 5 on p. 310.)

Thus, it would appear that the $545 million paid out to reduce wheat production was not very effective. However, it should be remembered that the administration did not offer an acreage diversion program in 1967. In fact, it encouraged more wheat production to meet an expected increase in foreign aid requirements and to replenish Government stocks. The experience demonstrated the natural inclination of producers to be more responsive to market expansion opportunities than to reduce output in response to incentives.

So, for the nearly $11 billion expended on the wheat program during the 1962–67 period, what was accomplished? During the program years, carryover stocks were reduced from 1.3 billion bushels in 1962 to 425 million bushels at the beginning of 1967. The level is expected to increase during the current marketing year. Most of this reduction in stocks may be attributed to increased consumption, primarily for export. Had consumption during the 1957–61 period averaged as high as in the 1962–67 period, carryover stocks at the end of 1961 would have been depleted without implementing the costly acreage diversion program.

It is apparent that the current wheat program has been more of a foreign aid subsidy than a farm program.

Effect on small producers: There is not much detailed information available on benefits of the program by size of farms. However, it is known that the average size wheat allotment on the participating farms was about 67 acres, compared to 12 acres on nonparticipating farms. Thus, it was the larger wheat farm operators who participated in the program and received the bulk of the payments for acreage diversion and price-support supplements. In other words, 34 percent of all wheat farmers received the Government payments and 66 percent, mostly small wheat producers, received nothing.

In respect to the 1964 crop, the participating farms received an average of $1,982 for wheat from the market, and $757 in payments, for a total of $2,739. In contrast, the small nonparticipating wheat farm received only $523 on the crop, all from the market. Direct payments from the Government represented 28 percent of the gross receipts on the participating farms.

Based on 1964 operating costs—labor, power and machine services, seed and fertilizer—it cost about 65 cents to produce a bushel of wheat.

On this basis, the production costs for the participating farm operator was $941; and his net return totaled $1,041, excluding Government payments and $1,798 with the payments. By comparison, the small nonparticipant's cost was $248 and his net return amounted to $275.

As in the case of the feed grain program, the voluntary wheat program served to benefit primarily the larger producer who could and did make a fairly reasonable return without the Government assistance. The program was of little or no benefit to the small producer who was in greater need of the assistance. Wheat farmers need expanding commercial markets more than they need subsidy payments in lieu of production.

COTTON

The cotton program: From the end of the Korean war until the present, various attempts have been made to control production and support prices to cotton farmers. Until 1966, the program provided acreage allotments and relatively high price supports through loans, with the CCC taking over a substantial portion of the crop each year. When Government stocks became too burdensome, large quantities were dumped onto the export market at subsidized prices at a heavy cost to the Government. The program worked to the disadvantage of the domestic cotton textile industry and encouraged rapid developments of manmade fibers, both from imported and domestic sources.

Likewise, in the export market, sporadic attempts have been made to expand exports through subsidy payments, et cetera; yet the U.S. industry is gradually losing its traditional share of the world market to foreign-grown cotton and substitute fibers.

For producers, this program has resulted in a fixation of the acreage allotment into the capital value of the farm. Small farm operators with limited allotments were not in a position to take advantage of improving technology to lower their costs of production. Neither could they afford to give up their allotments because of their added value to the farm. Thus, the acreage of cotton became fixed by regions without regard to relative efficiency and production costs.

Despite the limitation on cotton acreage, production continued to expand as yields trended upward—491 pounds per acre in 1961–65 compared to 434 pounds the previous 5 years.

In 1964, a new scheme was introduced which provided for direct Government payments to textile mills, representing the difference between the domestic and world cotton prices. The payments were intended to enable domestic users to pay the relatively high support price for domestic raw cotton and still be able to market the finished textiles competitively against imports from foreign textile mills. The foreign mills had been able to buy U.S. raw cotton at competitive world prices because of our export subsidy and undersell domestic mills in the American market.

As a result, the Government paid out roughly $882 million to domestic mills during the 1964–65 seasons. But the prices of domestic-finished cotton textiles did not decline as expected and the domestic use of cotton failed to show much expansion.

The new program was so profitable to producers that participation was almost 100 percent in 1966 and 1967. Acreage was reduced sharply from 13.6 million in 1965 and 8.1 million in 1967. Poor growing seasons

in both years and a further limitation with respect to skip-row plantings reduced yields per acre from 527 pounds in 1965 to 480 pounds in 1966 and 452 pounds in 1967. (See appendix table C.)

Production dropped drastically. Accordingly, CCC was able to reduce its stocks from 12.3 million bales at the beginning of the 1966 season to an estimated 1.8 million bales at the beginning of the 1968 season.

Some people have estimated that this may fall below 1 billion bales.

Because of the market price situation, the trade increased its stocks sharply, but consumption, both domestic and exports, showed little change from the previous year.

Cost of present program:

In terms of Government costs, the program authorized in the 1965 act was by far the most expensive. (See fig. 3 on next page and table 7 in the appendix.) The overall cost of the cotton program was about $640 million in 1965. It rose to $1.4 billion in 1966, and about the same level for 1967. Direct payments to cotton farmers for price-support supplements and acreage diversion totaled $1.7 billion for the last 2 years, compared to less than a billion dollars the previous 2 years. This is as a result of changes made under the act of 1965 which terminated direct payments to mills and provided acreage diversion and price-support payments to producers.

Thus, the cost of reducing Government stocks by 10.5 million bales amounts to $162 per bale, or 32 cents a pound. In addition to the direct payments, losses on inventory operations and Public Law 480 shipments bring the total cost to the Government for 1966 and 1967 to $2.7 billion.

Program results:

The Government program, in combination with poor growing conditions, has succeeded in reducing stocks, but has done little to improve consumption. In respect to farm income, producers received less under the new program. They received nearly $4.4 billion from the sale of cotton in 1964 and 1965, compared to only $2 billion in the last 2 years. Even with Government payments, returns to producers were lower in 1966–67. This is due largely to the reduced volume of sales.

Although the program provided additional benefits to the small producers, the bulk of the cotton was produced by the large farmers who, therefore, were in a position to reap most of the benefits.

CROPLAND ADJUSTMENT

The cropland adjustment program (CAP):

The Food and Agriculture Act of 1965 authorized the CAP. It provides 5- to 10-year contracts to divert cropland to vegetative cover, water storage facilities or other noncrop uses. Participants are required to retire all of at least one of the surplus or "designated" crops. Similar to previous programs, farmers received the adjustment payments per acre plus cost-share assistance to help establish the new conservation use. Larger payments are provided for diverting crop acres to public recreational uses. Assistance is also provided to public agencies in buying cropland for permanent conversion to public uses, such as recreation. This is known as the "Greenspan" program.

During 1966 and 1967, nearly 18 million acres of farmland have been diverted, only 8.3 million of which was used for crop production. (See table 9 in the appendix.) Farmers agreed to divert a little less than a million acres for public access.

Less than 17,000 acres has been purchased for Greenspan.

Total cost for the 11 years is estimated at roughly $700 million, or an overall average cost of about $40 per acre.

We feel like this is a rather excessive cost, in view of the results that can be achieved by eliminating only 8.2 million acres of crop production.

Impact on production levels:

The accumulated cost of the various cropland diversion and retirement programs to date is roughly $10 billion; yet crop production continues to increase. The index of production for feed grains, food grains (primarily wheat), and cotton, the principal crops from which acreage has been diverted from production, has been rising at a faster rate than the index for most other crops. It is apparent that programs designed to pay farmers for diverting large acreages of cropland from production have proved to be a costly and vital exercise.

Farmers invariably retire their least productive farmland and use the payments to increase the yield on the remaining acres, which increases their per-unit cost of production. The only possible justification for this approach is on the basis that the program be specifically designed to provide temporary transitional assistance to farmers as they make a concerted effort to adjust their commodity operations to competitive market conditions. As such, the diversion payments should be considered as an income supplement to facilitate the adjustment rather than expecting the program to serve as a tool for adjusting total production.

WOOL

The Wool Act:

The wool incentive program was originally authorized by the National Wool Act of 1954 for a 3-year period. The program has been continued through subsequent extensions through 1969. The purpose of the Wool Act was to increase domestic production of wool to 300 million pounds.

The incentive or support level was originally set at 62 cents per pound to reflect 90 percent of parity. It remained at that level through 1965. That year the act was amended to allow adjustments in response to changes in the parity index. Accordingly, the incentive level was raised to 65 cents per pound in 1966 and 66 cents in 1967.

The law further provides that if the support price is reduced below 90 percent of parity, the production target will be raised from 300 million pounds to 360 million pounds.

The actual annual average price received by producers throughout the 13 years of the program has ranged between 36.4 and 53.7 cents per pound, with Government payments making up the difference between the average price received and the support price. Government incentive payments to producers from 1955 through 1966 exceeded half a billion dollars, or an average of $45 million per year. (Table 10 in the appendix.)

What have been the results of this program with respect to achieving its objectives? Despite the high incentive payments, domestic

wool production continued downward. In 1954, the year just preceding the incentive program, shorn wool production was 135.8 million pounds, grease basis. By 1967, output had dropped to 189 million pounds, or only 63 percent of the 300-million-pound target. Production in 1968 is expected to show a further decline.

Based on the above information, it is obvious that the Wool Act has not accomplished its objective and cannot be expected to in the future. It is time for reappraisal of the objectives of the wool program.

We have one gentleman here with us, Mr. Waters, who has called attention to the National Chamber's Agriculture Committee that there are a lot of things that do not meet the eye in regard to this particular program. I would like to ask him to give a few comments at this time, if I may, sir.

The CHAIRMAN. Yes, you may.

STATEMENT OF HOWARD WATERS, AGRICULTURE COMMITTEE, CHAMBER OF COMMERCE OF THE UNITED STATES, DANVILLE, IOWA

Mr. WATERS. Thank you, Mr. Wenderoth, and Mr. Chairman. I just want to make two points. The sheep population of the United States has from the pre-World War II, 56 million sheep in the United States, down, roughly, to 20 million at the present time, this is because of several factors.

But there are two factors that are real acute. And this is evidenced by the decline in the Western sheep-producing areas.

One of them is the policy of the Bureau of Land Management. I know that we do not want to get into this, but this is a factor. And because of this, because of their policy, it has caused the ranchers to go out of the sheep business.

The CHAIRMAN. What did they do—what was done?

Mr. WATERS. I cannot tell you specifically what they did. It is evidenced by the decrease in the number of flocks of sheep that have come out of the western range country—under their control of taking land out of grazing, and for recreational purposes, and other reasons.

The other is that I want simply to suggest that in the United States we have had an immigration of people known as the Basques, who come from the Pyremes Mountains, between France and Spain. These are great sheep people. These people have come to this country, a number of them, for employment as sheep herders. But because of immigration limitations, this has curtailed the immigration of these people into this country. And the sheep people in the West have determined, because of this factor, that you cannot hire adequate numbers of herders.

These sheep herders are limited in numbers in coming into the country. And the ranchers, therefore, have turned from sheep to some other industry, such as livestock.

I wanted to make these two points. There are some other points, but I think that these are significant. It is evidenced by the decrease in the sheep population in the western range States. It is not in the Midwest or in other States.

The CHAIRMAN. What about the limitation of small farms; that is, during the past few years, we have had fewer and fewer small farms. The record shows that a good many sheep are grown by the small farmers. Since they are out of business, that has been one of the chief causes of less and less sheep.

Have you any comments on that?

Mr. WATERS. Yes. I would make a comment on that. I will have to talk about the State that I know best in this respect, Iowa. Actually, the sheep population in Iowa, the only State in the Union that has shown any increase, has been coming about by an aggressive program instituted by the Iowa State Sheep Association and other groups, which have pointed out that there is a place on the small farm for sheep. But why it has decreased in other States, I cannot tell you. I suppose that it has been because of the small farmers going out of business.

I can elaborate a great deal on this, as to what the sheep industry means to the small farmers. But I am not sure that you want to get into this now. A great many of them are using them in the simplified vernacular as weed removers. But they are counted in the sheep population. And as the small farmers disappear, the small flocks disappear, too.

The CHAIRMAN. Are there any Basque people who work in Iowa?

Mr. WATERS. No; no, none of them. The Basque people are the people who work on the ranges.

The CHAIRMAN. This is your point No. 2, which would not apply to the State of Iowa?

Mr. WATERS. Point No. 2. In Iowa, the Basque people have nothing to do with the Iowa situation. The production increase in Iowa has simply come about, I think, because of a program by our State university and our Iowa State Sheep Association, and other interested groups, where we have tried to prove that there is a place in the farm economy where sheep flocks can be a profitable operation.

The CHAIRMAN. Do you know whether or not the growers of wool in Iowa are against this present law?

Mr. WATERS. Against the Wool Act as it is?

The CHAIRMAN. Yes.

Mr. WATERS. The Wool Act as it is, I cannot say at this point. We have not polled them for quite awhile. That is all I have, unless there are questions.

The CHAIRMAN. I thought that you knew what you were talking about. You ought to be able to tell us about the act itself. All I have heard this morning from both of you is criticism. What I would like to have from both of you, and anybody with you, is how to better this act. That is what I would like to have.

Mr. WENDEROTH. We will come up with some suggestions.

The CHAIRMAN. I hope you do.

Mr. WENDEROTH. Do you want to say anything more?

Mr. WATERS. Not at this point. I will later on.

Mr. WENDEROTH. General we have several things that follow, and documents that document the status of the agricultural productivity, farm production costs and income, farm size, and in the interests of trying to be a little bit briefer on some of these matters, we will just

comment and say that the advantages in productivity have not been reflected in legislation.

Certainly, the agricultural industry in the United States is the envy of the world. And in my own particular business, broilers, we have had a very rapid expansion of our commodity. We have increased the numbers, at least, at lesser prices and, certainly, Senator Jordan and Senator Talmadge and even you in your good State of Louisiana have been interested in the broiler production.

We have had no Government assistance of any nature.

The CHAIRMAN. You have not?

Mr. WENDEROTH. No, sir.

The CHAIRMAN. You have not?

Mr. WENDEROTH. No, sir.

The CHAIRMAN. What about the feed grain program?

Mr. WENDEROTH. The feed grain program has had nothing to do with broilers.

The CHAIRMAN. But it gives you the feed at a constant rate that you could depend on, and that was the theory back of putting the feed program on.

Mr. WENDEROTH. We have had the feeling as an industry that it has been rather remarkable that we could buy feed grains which were controlled under price-support loans, and yet operate the broiler industry without any form of price support. In other words, the commodities which we used to produce broiler meats with have been under support-price loans, and yet we have been able to buy them at these higher supported prices at times and to sell our product without any governmental assistance.

The CHAIRMAN. Do you know how many broilers, or how much money was spent by the Government to buy broilers to take them off the market, so that the prices could rise?

Mr. WENDEROTH. I assume that you are referring to the school lunch program?

The CHAIRMAN. Not only that, but other things.

Mr. WENDEROTH. I do not know of any time other than the school lunch program that we felt like, that as an industry—and let me say that I am speaking for the broiler industry——

The CHAIRMAN. I understand that you are.

Mr. WENDEROTH (continuing). That we felt like, as an industry we were making available a very nutritious, wholesome meat at the cheapest possible cost to the Federal Government to feed the children in the school lunch program.

The CHAIRMAN. That is because of cheap feed at a constant rate, a constant price.

Mr. WENDEROTH. There have been many times, and I will specifically refer to the year 1967, or to the crop year of 1966–67, when the feed grains were not cheap. Corn and milo, which is specifically used in broiler feed, and also soybean meal.

The CHAIRMAN. What did they sell for; do you know?

Mr. WENDEROTH. If you want to take a base point—let us say in the Arkansas-Georgia area, corn sold for in the neighborhood, during that crop year, for about $1.40 a bushel.

The CHAIRMAN. That is for what year?

Mr. WENDEROTH. In the crop year of 1966–67. That would be the harvest of 1966.

The CHAIRMAN. Is that the market price delivered to your place?

Mr. WENDEROTH. That was the market price average. It is very difficult to get any specific price, because the crops are harvested in October and November. There are certain fluctuations that occur during various seasons of the years, but in contracts, we might take several years previous. I do not know that I can mention one, but probably 1962. Corn sold at 20 cents a bushel cheaper, or less. Milo, during the same period of time, was up as much as 30 or 40 cents a hundred. And soybean meal was up $30, $40 a ton.

So there has not been, as far as the broiler industry is concerned, a constant price all the way through on feed grains.

The CHAIRMAN. Thank you.

You may proceed. You are sure of that?

Mr. WENDEROTH. Yes, sir.

The CHAIRMAN. We will check on it.

Mr. WENDEROTH. I will be very happy to check with you on it, Mr. Chairman.

We would like to say this, on this productivity. Most of these increases, of course, have come about where we tried to cut down the acreage. We find out through increased productivity that we have more feed grains and more of most of our agricultural products.

This is due, of course, to improved seed varieties, more and better fertilizers, herbicides, pesticides, and better management practices.

The CHAIRMAN. What has been the cost of that, in your opinion?

Mr. WENDEROTH. Because of increased productivity?

The CHAIRMAN. Yes.

Mr. WENDEROTH. The cause of it?

The CHAIRMAN. Yes. When I speak of that, I mean all crops, not corn; because I have said on many occasions that the corn people never consented—never would get under acreage controls, and they were able, even now, to get a program without controls.

This committee is on record, and most of us are on record, that any farmer who expected the Government to give assistance by way of price control should get under acreage controls, price support should be under acreage controls, and corn is one of the few that got into the program, but without acreage controls.

I have referred to them as the "little blue-eyed girl of the farm program." They always got in. They got better prices than the average farmer who was not under acreage controls.

Mr. WENDEROTH. We feel like many of the people feel—and this report will show, as we go through it—that there is a tendency to increase the size of the production units; that is, the size of the farms. When you restrict anybody who is an efficient operator in what they can produce in this way, on the land that they can use, if they are efficient and they are fighting competition and want to stay in business, they will find ways to increase their yield per acre.

The CHAIRMAN. You mean, by reducing the acreage?

Mr. WENDEROTH. Well, as you have reduced the acreage, these farmers have planted their crops maybe a little bit closer in rows—have used more fertilizer—have had a different variety of hybrid seed, and the like.

The CHAIRMAN. We can give credit to that program as being one that did increase production to a large extent?

Mr. WENDEROTH. Yes, sir. And I believe, myself, that I would have to give a great deal of credit to the agricultural colleges throughout the United States, in that they have taken action, they have not applied pressure, but they have tried to stress the importance to the people who were getting degrees in agriculture. As a result, we have a new modern, more scientific farmer.

He has the use of these tools. He has the use of these computers. And he is just a little bit better able than his father was on the farm.

The CHAIRMAN. And less acreage to work on.

Mr. WENDEROTH. I think that it is a combination of these.
work on.

The CHAIRMAN. When I first came to Washington, it required, as I recall, about 42 million acres of land to produce that cotton which is now grown on 16 million acres. What has caused that? Do you think it is just the universities, new seeds, and things like that?

Mr. WENDEROTH. I think it is a combination of these.

The CHAIRMAN. Of course, it is. But, primarily, a reduction of the acreage wherein the farmer made every inch of that acre count. That is, in my opinion, what it is, and that which has caused this.

Mr. WENDEROTH. I, certainly, would agree with you that that is a fact.

The CHAIRMAN. There is no doubt about it. The same thing holds for corn. Even without the controls, you had a lot of people to conform because of extra payments that they got for keeping land out of production. Imagine the State of Illinois this year, which had corn production which averaged over 100 bushels per acre. I think it was 102 bushels per acre for the whole State.

Mr. WENDEROTH. If I measure that with the industry that I am more familiar with, we have the feeling that if the market price is allowed to dictate the requirements of what the supply should be, then the efficient will survive. And people have to be efficient in business. Naturally, they have to learn to become better educated and to use these tools.

The CHAIRMAN. You are not under any controls. You can do that.

Mr. WENDEROTH. We do not want to be under any controls.

The CHAIRMAN. I know that you do not. I do not blame you.

Mr. WENDEROTH. We wonder if all of this acreage is not under control, whether we might not see situations where the more efficient would survive. We, like everybody should, want to do better and should do better.

The CHAIRMAN. Is that your position?

Mr. WENDEROTH. We have a number of things to mention.

The CHAIRMAN. Go ahead.

Mr. WENDEROTH. Does anybody on the committee want to add anything to what has been said?

STATEMENT OF W. ROY FLEMMING, AGRICULTURE COMMITTEE, CHAMBER OF COMMERCE OF THE UNITED STATES, COLUMBIA, S.C.

Mr. FLEMMING. We have been talking about the total number of acres in reference to production. Coming back to the small farms, many of the small farms are not operating today. They are letting the crop allotment to be operated by their neighbors, so that, therefore, what you are doing is getting an accumulation of acreage under one management.

We have the large and better equipped farms. And they are able to pay the labor costs and the equipment costs to produce at a lower cost with greater production.

The CHAIRMAN. What crops does that apply to?

Mr. FLEMMING. Every crop that is under the control programs, practically.

The CHAIRMAN. You do not have but three under control now.

Mr. FLEMMING. That is right.

The CHAIRMAN. Proceed.

Mr. WENDEROTH. Adjustments in number and size of commercial farms:

It should not be surprising that incentive payments to encourage production adjustments in the Government supply management programs favor the larger producers when it is understood that farms with gross sales of more than $10,000 account for seven-eighths of the total farm output. But they represent only one-third of all U.S. farms. The other 2 million farms which sell less than $10,000 worth of products per year, received less than one-half of the total Government payments.

The farms with gross sales in excess of $10,000 represent the expanding sector of U.S. agriculture (fig. 4 on the next page). During the last decade these larger farms have been increasing in number at a rapid rate—from less than 600,000 in 1954, to over 1 million in 1966.

The number of farms in the $20,000 and over category have increased even more sharply—from 325,000 in 1959 to 527,000 in 1966. The number of farms with sales between $10,000 and $20,000 has remained fairly constant since 1959. This may be regarded as the "way station" for farming expansion—that is, about as many farm operators move into this class from smaller sized groups each year as the that expands into the $20,000-and-over class. Accordingly, the number of small farms is declining rapidly.

Figure 5 shows how rapidly the larger farms, $20,000 and over, are becoming the dominant factor in farm marketings. Their cash receipts from the sale of products has jumped from less than $11 billion in 1954 to more than $27 billion in 1966, and more than likely exceeded $30 billion in 1967.

Figure 6 shows more vividly the diametric directions being taken between the expanding and contracting sectors of American agriculture. Farm operators in the expanding sector, where sales exceed $10,000 and who account for about nine-tenths of the total farm output; rely primarily on returns from farm marketings for their income. Although they receive more than half of the total Government payments, these payments represent a small fraction of their total income.

Figure 7 shows the relative importance of the three different sources of farm income to farm operators according to their operations. The smaller the size of farm operation, the greater is its dependence on off-farm income for survival. The farms with sales under $2,500 sell very few farm products and thus receive an even smaller proportion of Government payments.

It seems inevitable that the larger farms will continue to grow in number. In 1966, the $20,000-and-over class accounted for 68 percent of total production expenses, and 56 percent of realized net income from farming.

The CHAIRMAN. Have you some solution for that?

Mr. WENDEROTH. I am not trying to put you off forever.

The CHAIRMAN. No; no. What I mean, particularly, with reference to the large farms.

Mr. WENDEROTH. The large farmers, because of their efficiencies, and because they are making most of their money from farming operations, are going to be more predominant, in our opinion, in the future, and as a consequence, the smaller farmer is going to be out.

The CHAIRMAN. I was referring to the payments for keeping land out of production.

Mr. WENDEROTH. We have some figures on that.

The CHAIRMAN. Would you pay the larger farmers as much as the smaller farmers, or pay the smaller farmers more, and pay the larger farmers a graduated scale?

Mr. WENDEROTH. I do not believe that we have any position on that. Perhaps, Mr. Stokes can answer that.

STATEMENT OF E. CLINTON STOKES, SENIOR ASSOCIATE, COMMUNITY AND REGIONAL RESOURCE DEVELOPMENT GROUP, CHAMBER OF COMMERCE OF THE UNITED STATES

Mr. STOKES. I think the facts presented in the statement show that the larger farmers do not need the payments.

The CHAIRMAN. They do not—what?

Mr. STOKES. The larger farmers can supply the market and realize a reasonable income without Government payments and production controls.

Mr. WENDEROTH. On page 21, figure 7, we show that the farm income comes basically from farming operations, that is, in the longer farm; whereas, the small farm has very little income from actual farming operations. What Mr. Stokes is saying, is that the larger farms are not in need of the assistance.

The CHAIRMAN. I am awaiting your solution.

Mr. WENDEROTH. We have got some.

CHANGES IN PRODUCTION COSTS AND NET RETURN

The U.S. Department of Agriculture publishes a limited amount of information on farm costs and returns for certain types of farming operations ("Farm Costs and Returns, Agriculture Bulletin No. 230"). The information shows that both factors, production costs and returns, have increased rapidly in recent years.

However, net returns have increased more rapidly than operating costs on a number of commodities, primarily on feed grains, wheat and cotton farms. Following is a table showing comparisons in the cost per acre on three selected types of farms—cotton, corn, and wheat. These costs include the direct production expenses, but exclude such overhead costs as management, land rent, and capital investments. We have then projected these figures to show what the cost per unit would be on the basic of probable yields per acre for these types of farms.

This is the table that shows corn for grain, East-Central Illinois; wheat in South Central Kansas; and cotton in the Mississippi Delta-Yazoo area. The cost per acre figures were taken from "The Farm Cost Situation," November 22, 1967 ERS, USDA. The cost per acre of corn, and this is before overhead costs is referred to as "management and capital investment"—shows $40.15 in 1960, and in 1966, $46.65; and $47.25 in 1967.

On wheat, for the respective same periods, the cost of wheat is $13.55, $17.80, and $18.20.

And on cotton for the same period, it is $119.95, $100.90, and $103.50.

If yields per acre are assumed to be—and this is an assumption which we feel is realistic—it would be for corn for the same period, 100, 130, and 130. And the cost per unit of corn would be 40.2, 35.9, and 36.3 for the same three periods of time. What we are trying to show is that, taking the average prices of corn and adding 30 cents price-support supplement, the most efficient corn producer could have realized a return of $1.23 a bushel over his operating expenses.

That is, in excess of his per-unit operating cost of 35.9 per bushel.

The CHAIRMAN. Whose cost figures are these?

Mr. WENDEROTH. This is from the USDA table. They are direct production expenses but they exclude the overhead costs of management, land rent, and capital investment.

The CHAIRMAN. And taxes?

Mr. WENDEROTH. Yes, sir.

The CHAIRMAN. And machinery?

Mr. WENDEROTH. The machinery cost is included.

The CHAIRMAN. The use of it, but not the chargeoff?

Mr. WENDEROTH. The depreciation is included, yes.

Obviously, the production cost per unit on these farms represent the more efficient farm operators whose profits far exceed the average for those commodities. But the figures do illustrate why our existing commodity programs are not needed to assist the efficient, adequately sized commercial farm operators so long as they are able to compete for expanding markets, both at home and abroad.

The never-ending squeeze between prices paid and prices received keep farm businessmen in a perpetual struggle to adjust operations so as to realize a profit—a problem not unique to the business of farming and ranching. We have already noted some of the major adjustments farmers are constantly making to increase net returns.

FARM BARGAINING

For many years producers have had authority from Congress and assistance from the U.S. Department of Agriculture to produce and market their products collectively through voluntary cooperative marketing associations. Federal and State marketing orders have provided additional authority for specified commodities and conditions. Generally, they provide governmentally enforced procedures for correlating the supply characteristics of the commodity with market demand.

Most proposals for strengthening producer bargaining power have as a primary objective higher prices to producers. Since American agriculture can produce far more than can be effectively marketed at acceptable prices, achieving higher prices means a combination of one or more of the following potentially detrimental effects:

Rigid supply controls;

Special exemptions from antitrust laws to permit monopolistic control over supply and prices;

Loss of individual producer's freedom to decide for himself what to produce, whom to deal with and on what terms;

Loss of processor-handler's freedom to pick his suppliers based on quality of product and performance; and

Establishment of special governmental agencies to insure compliance with authorized production and marketing practices.

Answers to many questions are needed before embarking on new approaches to compulsory marketing legislation. For example:

1. What has been the effect of existing marketing order programs? Have they increased prices to producers? To what extent have higher prices caused a shift in consumer spending away from given products?

Have they increased supplies by stimulating expanded production and the entry of new producers?

Have marketing order programs affected incentives to improve efficiency of farm "plant" operations through structural adjustments and improvement of product quality, et cetera?

2. Do most farmers understand what collective bargaining really means?

Do they understand that it means contracting with associations for a 2- or 3-year period with penalties for violating their agreements?

Do they know it means sharing their market opportunities with other farmers who have different objectives—price versus volume, short versus long range—different management abilities, product preferences, and per-unit cost factors?

Do farmers understand that collective bargaining means changing the antitrust laws to give farmers exemptions similar to those enjoyed by labor unions, developing some way to control supply if prices increase, increasing incentives for substitute products, and larger imports?

3. What would have happened if farmers had "enjoyed" a Wagner-type act for agriculture since the thirties?

Would they have adopted the "tools" of modern science and technology to take advantage of the economies of scale?

Would the broiler industry have expanded sevenfold since World War II, provided a new source of income in depressed rural areas, and contributed to agriculture's favorable balance of trade, all of which has been accomplished without price supports and Federal controls over production?

How many more farmers would there be today—all trying to share equally in a relatively inelastic market for their products?

4. Which commodities are causing the most trouble to producers in terms of farm prices and income? Are they the commodities which are relatively free of price supports and Government intervention, such as fruits and vegetables, livestock and poultry products, or are they so-called basic commodities and dairy products which are included in the supply management programs and which are not regarded as the primary target for collective bargaining proposals, such as introduced by Senator Mondale (S. 2973).

5. Can farm businessmen gain more in the long run by establishing a National Agriculture Relations Board? Such an agency would have centralized producer-controlled committees bargaining collectively with similar committees representing farm suppliers and customers. Or can farm businessmen gain more by working cooperatively with their agribusiness counterparts in developing a coordinated industry-wide systems approach to production and marketing opportunities for maximum efficiency, returns and stability?

There are opportunities for more acceptable approaches to collective bargaining—where producer associations and their customer-handlers benefit mutually. Some producer associations are moving more in this direction. Bargaining terms which lead to greater efficiency in trading and lower costs of production, processing, and handling could result in savings to both sides. The free exchange of information on consumer demand, market supplies, and production capabilities can contribute to greater stability in markets, prices, and production.

The CHAIRMAN. Before you go to the next item, I noticed that you criticize every price support except for rice and tobacco? Have you anything to say about those two commodities? If not, why not?

Mr. WENDEROTH. I will let Mr. Stokes answer this.

The CHAIRMAN. You are from Arkansas?

Mr. WENDEROTH. Yes, sir.

The CHAIRMAN. That is a big rice-producing State.

Mr. WENDEROTH. It is.

The CHAIRMAN. Do you think that the farmer wants to change—that he would want to do away with the rice program?

Mr. WENDEROTH. I am not sufficiently familiar with that.

The CHAIRMAN. You check it and see.

Mr. STOKES. According to your letter of invitation to our organization for testimony, those commodities were not referred to.

The CHAIRMAN. Well, they were covered in the act of 1965. It was all of the commodities—all of the programs that we have.

Mr. STOKES. I beg your pardon, they were.

The CHAIRMAN. All right. I was just wondering why you left rice and tobacco out.

Mr. STOKES. We did not think that you would cover in detail every commodity here, but concentrate on our basic commodity supply adjustment problems.

The CHAIRMAN. You took a few of the most vulnerable ones; that is, wheat and corn. Those are the two that you took. I have tried to put the corngrowers under acreage restrictions, but we were unable to do it. It is a costly program.

Wheat is now a voluntary program, not as it was prior to 1965.

Mr. STOKES. That is correct.

The CHAIRMAN. All right; proceed.

Mr. WENDEROTH. The national chamber believes that the freedom to organize and seek sound solutions to the problems of production and marketing through democratic processes is the right of all American farmers. By the same token, it is the right of every other segment of American industry. The freedom to compete is basic to our economy and is essential to the continuing improvement of living standards for the American people.

We are opposed to the recommendation of the National Commission of Food Marketing for legislation authorizing an Agriculture Marketing Board with powers to administer group marketing activities, including the regulation of production or marketing, and the negotiation of prices and other terms of trade.

We recognize the right of producers to join together voluntarily in associations to market their products under existing statutory exemptions from the antitrust laws. We are opposed to any further exemptions under these laws. Legislative or administrative authority should not be provided which would prohibit producers and their customers from dealing with one another individually or on a direct basis, or require the processor or handler to negotiate with a producer bargaining group.

The national chamber was pleased to learn that the House and Senate Chambers have come to agreement on the provisions of S. 109—the Agricultural Fair Practices Act of 1967. This should contribute much toward insuring the freedom of producers to join bargaining associations without fear of illegal pressure from handlers and other persons. It also insures the freedom of handlers, as well as individual producers, to deal with whom they please.

GENERAL

What have we learned from past supply-management programs?

We have spent billions of dollars in recent years to discourage production and to raise farm prices; yet production continues to increase and prices settle accordingly. We have spent more billions of dollars to store the surpluses and later to dispose of them at tremendous losses.

Now, despite what we should have learned, Congress is considering legislation to rebuild Government stocks of certain commodities under the banner of "strategic reserves" or "food bank"—to shore up farm prices and to assure consumers that they will have plenty to eat and wear. And yet we know that the legislation cannot accomplish the first objective and is not needed for the second objective.

If anything is to be gained from the experience of our present and past farm programs, it is that we should know by now:

That price supports cannot be maintained above market levels without encouraging excess production;

That it is unnecessary and costly to maintain Government stocks for purposes of price stabilization and assistance programs;

That disposing of these accumulated stocks is impossible without infringing on the future market opportunities of the producers;

That stocks acquired by the Government to support farm prices produce the opposite effect on prices when they are sold back into the market;

That to the extent farmers can anticipate the current income "benefits" of any program, such benefits—whether they are price supports, supplemental payments, or acreage allotments—tend very strongly to become capitalized into the price of land and even the "right" to share in a quota of production;

That a large share of the income benefits from Government payments goes to the larger, more efficient farmers who need the least assistance; and

That programs which attempt to ignore or circumvent the interplay of economic forces of supply, demand, and technology tend to: (1) postpone the full impact of adjustment; (2) increase its severity; or (3) create basic shifts in the demand structure that further compound the supply adjustment problem. The growth in the use of butter substitutes, synthetic textile fibers, and now the rapid development of filled milk and nondairy beverages are good examples.

A thorough reappraisal of the entire supply adjustment program for agriculture is appropriate, while our carryover stocks are at or near the minimum, before extending the Food and Agriculture Act of 1965. Public policy decisions in the near future will determine the ability of, and our confidence in, the American competitive enterprise marketing system to meet the adjustments in production and shifts in demand for U.S. agricultural products.

The members of this committee are to be commended for conducting this in-depth review of past programs before attempting to chart a legislative course for the future.

Suggested guidelines for the future:

We have not yet developed under our democratic system a centralized, programed approach for adjusting the output of agricultural products to changing supply-demand conditions that is more effective, beneficial, and acceptable to the commercial producers, the taxpayers, and the national economy than can be achieved through primary reliance on competitive markets. Accordingly, we believe that agricultural production levels should be determined by the operation of market forces working through the price system of a competitive economic society. The choice in the use of land, labor, and capital should be left to the farmers themselves.

For some time the national chamber has advocated a positive approach to agricultural adjustment. More specifically, we have proposed the gradual, scheduled, and orderly withdrawal of direct Government intervention in the production, marketing, and pricing of agricultural

products. This applies to price-support loans and payments, acreage allotments, marketing quotas, and land and other resource diversion programs. These are tools which, if properly used along with transitional adjustment payments, could implement a gradual transition to free market conditions.

I hasten to add that we do support a national program to aid in protecting farmers against an undue share of the burden of temporary and severe price declines. However, Government programs to cushion farm income against the effect of severe price declines should be designed to come into play only during emergency conditions without having the effect of stimulating excess production and further depression of market prices.

The national chamber, therefore, agrees with the recommendation of the National Advisory Commission on Food and Fiber that "the United States adapt its policies to accomplish a market-oriented agriculture"; and that this should be done as quickly as possible without imposing undue hardship on the agricultural sector. More specifically, we would support the minority members' recommendation that "the current types of programs interfere too greatly with efficient allocation of resources" and that "the present commodity programs should be modified to encourage the major adjustments needed for a market-oriented agriculture, and then be gradually phased out."

Although there is need for "gradual transition" from the present supply-management programs to market-oriented programs, so as to allow producers an opportunity to adjust their commodity and management operations to primary reliance on markets, there is equal danger that the transitional programs become ends in themselves. The transition periods, as well as the type of adjustment program, should be scheduled according to the predetermined needs of each commodity to prevent further misallocation of resources and market distortions.

It seems to us that the adoption of a transitional program would require termination of the Food and Agriculture Act of 1965 and such other laws relative to acreage allotments, marketing quotas, price supports, and CCC operations that would impede a positive transitional approach to agricultural adjustment.

A number of bills have been introduced during the 90th Congress which would terminate the Government's supply-management control over wheat and feed grains. A similar bill was recently introduced by Senator Ribicoff—S. 3158. It would:

Repeal feed grain bases and acreage diversion and price support payments;

Repeal the authority for wheat allotments, marketing quotas, certificates, acreage diversion and price-support payments;

Terminate price supports for wheat, feed grains and soy beans;

Authorize CCC to insure recourse loans up to 18 months by commercial lending institutions on wheat and feed grains;

Limit the insurance rate to 90 percent of the seasonal average price;

Limit the insurance coverage to 75 percent of the total amount of the loan; and

Prohibit the sale of CCC stocks of wheat and feed grains below 125 percent of the 1967 loan rate, 85 percent of parity, or the current market price, whichever is higher.

Such a program would end the acquisition and disposal of these commodities by the Federal Government, would leave the money-lending to private institutions, and would make producers responsible for selling their own products. If Congress gives serious consideration to this type of legislation, it might also consider financing the insurance fund through the annual appropriation process rather than out of CCC funds. This would enable Congress to maintain control over the program and could perhaps terminate the authority for CCC operations after existing stocks of the Corporation are exhausted.

In a special report last year on "The Commodity Credit Corporation—Its Costs, Confusion, and Cures," the National Chamber recommended improvements in the funding procedure for CCC and urged consideration of repealing the Corporation Charter Act.

The National Chamber has transmitted to congressional committees in recent weeks recommendations on several legislative issues in agriculture which would contribute to the deescalation of the Federal intervention in agriculture. We have expressed opposition to the so-called "strategic reserve" legislation and support for extension of the Public Law 480—Food For Peace program, with modifications. Our views on these programs are consistent with the belief that private industry is fully capable of maintaining adequate supplies of storable farm commodities without the Government storage program. We recognize that the maintenance of adequate supplies of these commodities would require at least annual estimates by both industry and Government of all potential outlets.

The National Chamber has also testified in opposition to Senate ratification of the International Grains Arrangement. We think this treaty would limit export opportunities and work against the interest of the producers.

In conclusion, the business community has a vital concern for programs which affect the economic growth, stability, and security of our American free enterprise system. The business of farming, as a vital part of the Nation's largest industry—agriculture—must have an opportunity to prosper in proportion to the general economy. We consider it an obligation, therefore, to reflect the views of businessmen, including farmers, in developing basic guidelines for a sound approach to the problems of agriculture.

Attached is a copy of the National Chamber's Policy statement on agriculture. If we can be of any service to the members of this committee in carrying out its colossal task, please let us know.

We realize that you gentlemen have a great knowledge of the overall impact on agriculture and we, certainly, do not come up here to state that we are experts on every phase of it. But we would like very much to have these views considered and to have consideration to the possibility of letting the marketplace, the law of supply and demand, work; which we think would be beneficial to the great majority of the farmers, the efficient farmers who handle agriculture and who depend on agriculture for their income.

Thank you.

The CHAIRMAN. In other words, your program is to let the farmer plant what he desires without limitation, to let him be the judge of it, and to let supply and demand be the governing method by which prices would be attained by the farmers?

Mr. WENDEROTH. Yes, sir; but we do realize, Senator Ellender, that there would have to be a reasonable transition period, that you could not just stop all of this at once, but if such a period is set, it ought to be on a predetermined basis of time.

The CHAIRMAN. Take any program that you have discussed in which you have price supports, tell us how your program would work in contrast with what we have done.

Take cotton, for instance. What would you do about cotton? Or take wheat. What would you do about wheat? We might as well take wheat, because here is a wheat expert who is walking in right now, Senator Young. How would you handle the wheat problem?

Mr. WENDEROTH. Do we have any comment on wheat? He comes from Kansas.

The CHAIRMAN. You are familiar with rice. How would you handle rice?

Mr. WENDEROTH. I told you a minute ago that I was not familiar with rice, even though I live in western Arkansas and rice is grown in the other area, which is, approximately, 200 miles from Port Smith.

The CHAIRMAN. Rice is one of the chief agricultural products there.

Mr. WENDEROTH. It is a very important agricultural product.

The CHAIRMAN. I am surprised that you do not know anything about it, or much about it.

WHEAT

Who is the man who is going to talk about wheat? Give us a program under it. That is, what the chamber of commerce proposes. How would you handle it?

STATEMENT OF GLENN ALLEN, AGRICULTURE COMMITTEE, CHAMBER OF COMMERCE OF THE UNITED STATES, TOPEKA, KANS.

Mr. ALLEN. In the case of wheat, it would appear that there might be some opportunity here for a program whereby we would set up a systematic approach to the deescalation of the acreage and price-support programs over some period. Perhaps, two crop seasons.

And then, have announced well in advance that the market price would be responsible for the price and the supply features. There have been a number of people who have studied various ways of trying to accomplish this program of deescalation, but I do not know that there is complete agreement as to which is the best way.

I am certainly not in a position to say which would be the best way.

The CHAIRMAN. You are coming in here as witnesses and telling us what to do with all of these, not simply criticize, as you have done just now.

Personally, I do not like that. If you come with a program to better what we have got, speak up as to how it should be done. And if there is anybody here present on the cotton program, as to how it should be carried on, I would like to hear that, not just criticism.

It is easy to criticize. Let us find out how to handle the problem.

Mr. STOKES. I would just add this comment: We do recognize that it is one thing to criticize and another thing to offer a specific alternative. We do not profess to be ready with the answers on each program,

or for any one program, but we do recognize there are problems that have to be treated differently.

For example, in the case of cotton, the acreage allotment has been capitalized into the value of the land. And it would require a different approach than it would in the case of wheat and some of these other commodities. In terms of strengthening the market, in the case of wheat, we think that there is a tremendous opportunity here for encouraging greater reliance on the producers in selling their wheat to the market, and the Government being less involved in using its storage facilities and programs, even in developing export market opportunities through the foreign assistance programs.

This ties in with our recommendations on the commodity reserve and Public Law 480 legislation, where we propose that the Government buy the commodities off of the open market and announce well in advance its intention to make available specified quantities of each commodity offered under Public Law 480, so that the private sector can gear its operations to serving the needs, whether for commercial uses or for foreign assistance, or whatever.

But in terms of actual specifics on each commodity, we do not profess to have all of the answers.

We will be glad to work with you on it in any way that you desire.

The CHAIRMAN. This committee is holding these hearings in anticipation of the legislation this coming January. If you people mean what you say, that you have some solutions to any of these problems, this record will remain open.

Do not come here to criticize, but send us bills that we can consider to carry out your programs. And I can assure you that we will study them.

Senator YOUNG. Do you realize that we have to export about two-thirds of our wheat that we produce, even under the acreage allotments we have now?

Mr. ALLEN. Yes.

Senator YOUNG. You would abolish even the present low level price support of $1.25 a bushel?

Mr. WENDEROTH. Well, the highest price the farmer received was in 1966, and at that time the Commodity Credit Corporation didn't have the supply to control the market with, and the same was true of feed grains.

So it occurs to us that might kill two birds with one stone. We might save the taxpayer a good many billions of dollars, and he is due some consideration, and at the same time, the chamber's agricultural committee, I assure you, sir, is interested in increasing the income of the farmer. And we feel like, if he gets a chance without the shackles of Government controls to make certain decisions—and it can't all be jerked out from under him at once—he will produce for a market. There will be times when the market will be oversupplied and the price won't be as good. There will be other times, like in 1966, when there is not enough to go around, the price will be lower.

Senator YOUNG. You mean there wasn't enough wheat to go around in 1966?

Mr. WENDEROTH. I don't say there wasn't enough. The prices certainly shot up. And the reason they did, CCC wasn't able to control the market, as the chairman indicated. He mentioned a little while ago

they were trying to create, or I believe—I don't want to take words out of your mouth, but I believe you said we had a level price, and I am referring now to feed grains, throughout a period of time.

Senator YOUNG. I am talking about wheat.

Mr. WENDEROTH. I understand.

Senator YOUNG. We did have heavy exports for foreign currencies that aren't of much value to us. If it weren't for these sales, we would have had a huge surplus and you wouldn't have had that jump in prices. Wheat prices were only 30 cents a bushel higher than they are now, and they are lower now than they were 20 years ago.

Mr. WENDEROTH. We certainly would encourage every effort of the Congress to see to it that we can improve our export position. We are very much in favor of expanding our export market.

The CHAIRMAN. How do you do it? You can't force people abroad to buy. We have tried that. Every effort has been made. And we found out that in the case of wheat, in particular, our country is residuary furnisher of wheat for people abroad. Canada sold all of its surplus up to a few years ago to China and Russia, and we have had the Public Law 480 program, the surplus disposal program, which I understand you are for.

Mr. WENDEROTH. Yes, sir.

The CHAIRMAN. You are for that program.

Mr. WENDEROTH. Yes, sir. We have testified, I think——

The CHAIRMAN. Well, yes; that is how we have been able to dispose of the amount of wheat that is produced, even on curtailed acreage. Why, if—I will let Senator Young—go ahead.

Senator YOUNG. In 1966, the Department of Agriculture increased wheat acreage allotment for 1967 by 15 percent twice. This amounted to a little better than a 32-percent increase the next year, in 1967, even though we had a severe drought throughout much of the Hard Red Winter wheat-producing areas, and in Canada we produced far more wheat than we could export and could use in this country. Because of this, the price dropped down again to very near the support level. I put a table in the record just a couple of days ago indicating that the cash price of wheat followed almost exactly the support level of wheat for the past 20 years. The more you lower price supports, the lower cash prices are.

Farmers are in a desperate situation now. They can't depend on the world price for existence. Of course, I think it is useless to argue with you folks because you have opposed all price-support programs since the beginning of time, haven't you—even during the depression years of the thirties?

Mr. WENDEROTH. Well, I haven't been here since the beginning of time, but I imagine that's true.

The CHAIRMAN. It's true.

Mr. WENDEROTH. The chamber, basically, believes in the free enterprise system. That is what made this country great.

Senator YOUNG. Do you know what the price-support level is in the countries of Europe?

Mr. WENDEROTH. Price-support level on what commodity?

Senator YOUNG. On wheat.

Mr. WENDEROTH. No, I don't.

Senator YOUNG. It ranges all the way from $2.50 to over $4 a bushel. Do you think we, alone, should be the only wheat-producing nation in the world to go into the world market place and simply accept the world price while all others have some great advantages?

Canada, for example, hasn't had a freight increase in wheat moving from the prairie provinces to the export markets since the 1890's. So their freight rate is about 40 cents a bushel lower than ours. Do you want to destroy our wheat industry entirely?

Mr. WENDEROTH. No, sir; we do not. And I think we are in more areas of agreement than you seem to believe we are.

We are not in favor of this International Wheat Agreement.

Senator YOUNG. What is wrong with that?

Mr. WENDEROTH. We think it will end up reducing income to the producer.

Senator YOUNG. The grain trade believes just the opposite, that it is going to raise the price.

Mr. WENDEROTH. I don't believe the grain trade testified like that.

Mr. STOKES. They testified like that—of course, we can't speak for the others, but we think it stands very little chance of raising prices and income to producers. We think it stands a very great chance of limiting our export market opportunities in wheat.

We think it is designed to serve the interest of countries like Canada, France, particularly the European market countries who, under the variable levy system, stand definitely to gain from the International Grains arrangement, the wheat convention, because it will lower the cost of their Common Market fund in subsidizing their exports of wheat.

Senator YOUNG. Your position is directly opposite that of the Farm Bureau, then.

Mr. STOKES. No, sir.

Senator YOUNG. The Farm Bureau believes it will increase the price, and in doing so it will encourage production in some other countries.

Mr. WENDEROTH. Senator, you say the Farm Bureau supports the grains agreement because it will increase prices?

Senator YOUNG. They oppose it because it will increase the price. They are afraid that our price may be below the world wheat price, and then we wouldn't be able to export unless we broke the agreement. They say Canada may break the agreement, and then we wouldn't. Well, if Canada or any other nation breaks the agreement, we can, too.

We have had the same problem under the International Wheat Agreement for years and years. Canada accused us of dumping occasionally, and we accused them of dumping occasionally. On the whole, however, it did help to stabilize the world price. Canada and the United States, as you know—and the grain trade will agree—largely establish what is the world price today.

It is not established on an exchange market like it used to be in Liverpool.

Mr. WENDEROTH. Is the Soviet Union covered by the International Grains Agreement?

Senator YOUNG. It doesn't make much difference because they don't follow agreements very well anyway. Sometimes they are importers and sometimes they are exporters.

Mr. WENDEROTH. Well, they have raised rather significant amounts of wheat lately, and I would hate to see them get our export markets.

Senator YOUNG. Remember all those complaints about the wheat we sold to Russia about 4 years ago? I am still hearing about it. They were short of wheat then, and in recent years they have been short of wheat more than they have been long.

Senator TALMADGE. Mr. Chairman?

The CHAIRMAN. Senator.

GENERAL

Senator TALMADGE. Mr. Wenderoth, I am intrigued by these cost-of-production figures on page 22 of your statement.

Do you raise corn?

Mr. WENDEROTH. Mr. Waters raises corn, on my right.

Senator TALMADGE. You do raise corn?

Mr. WATERS. Yes. It is my primary crop.

Senator TALMADGE. And you raise it at 36 cents a bushel?

Mr. WATERS. I would like to.

Senator TALMADGE. In other words, you would make a profit at that; right?

Mr. WATERS. If I could raise it for that, yes, I could make a profit.

Senator TALMADGE. Then you can't raise it for that.

Mr. WATERS. If you want to, I could give you a cost built into producing corn, if you want it.

Senator TALMADGE. Then you disagree with the figures that the witness used, that corn can be produced at 36?

Mr. WATERS. These are figures put out by the USDA.

Mr. WENDEROTH. These are direct production expenses and they exclude——

Senator TALMADGE. Do you know of anyone who can make a profit raising corn at 36 cents a bushel?

Mr. WATERS. Yes, we could make a profit at 36 cents a bushel, if you could grow it for that. If you want to—if you want to get into this thing of corn, we now grow a few acres of corn, a few bushels. And I would like to speak generally to this for a moment, though.

And in this whole area of what we are discussing, I think it depends on what we are trying to do, who do we want to help. Do we want to help the producer out here, or do we want to maintain an adequate supply of feed grains and food stuffs for the consumer?

I think we have a choice here, which way we want to go. It seems to me that our problem is of a surplus nature, and surpluses are never good to producers, and they always are excellent for consumers.

Senator TALMADGE. Let me see if you have answered my question.

Mr. WALTERS. Yes, sir.

Senator TALMADGE. You stated you couldn't raise corn at 36 cents a bushel, and profit; did you not?

Mr. WATERS. I can't raise corn for 36 cents a bushel.

Senator TALMADGE. I agree with you. I can't either.

Now, let's go to the next commodity here. Do you raise wheat?

Mr. WATERS. Yes; I raise wheat.

Senator TALMADGE. Can you raise it at 52 cents a bushel and profit?

Mr. WATERS. I can't raise wheat for 52 cents a bushel.

Senator TALMADGE. Neither can I.

Let's go to the next commodity.

Do you raise cotton?

Mr. WATERS. No; I don't raise cotton.

Senator TALMADGE. Anyone here who does?

A VOICE. Yes.

Senator TALMADGE. Stand up. Can you raise it profitably at 12 cents a pound?

A VOICE. No, sir.

Senator TALMADGE. I can't either. I have tried.

Now, I suggest, Mr. Chairman, that the man that got up these figures, I think, went broke farming and got him a job with the Goverrnment as a statistician. [Laughter.]

The CHAIRMAN. Well now, I would suggest to the chamber, through you, Mr. Wenderoth, that this record is going to remain open up to at least the middle of May, maybe the end of May, and I would suggest that you prepare bills in line with your testimony, or if you have any better methods, so that this committee can give thought to it.

Now, it is easy for you to say, "Let's go to marketing; let the farmer be guided by the supply and demand; let him obtain his prices on a supply-and-demand basis." It's easily said.

I have been on this committee now 31 years, and I haven't seen it work yet. And when Congress passes laws raising wages to, now, $1.60 an hour, which reflects on the cost of this production, it strikes me that since Congress has been helping other industries, including the people you represent by way of tariffs and what-have-you, that the farmer shouldn't be left alone. He is the cornerstone of our whole economy. Unless you protect him in some way and keep him in business, your whole economy is going to go to pot, in my opinion.

Now, awhile ago I suggested—you suggested that you received nothing in poultry, no assistance whatever.

Now, for your information, for the past 3 years, under section 6, that is, the School Lunch Act, the Government spent $45.9 million, and under section 32, $42 million, for a total of $95.9 million, to help the poultry people.

Mr. WENDEROTH. Well, I referred to that. I asked you if you were referring to the school lunch program. And, certainly, when you sell something at cost or below cost to the Federal Government, they are not assisting you very much.

The CHAIRMAN. No; but it was done under section 32 funds. It was done to take a surplus off of the poultry market so that you could obtain a better price for your commodity. And I say that amounted to $42 million. Of course, it is a small amount, but it was something that I am sure was of assistance to the poultry growers.

Mr. WENDEROTH. The poultry industry and the livestock industry are successes without Government controls, and certainly this that you mentioned, the school lunch program, I still have reservations about the fact that it was a gift to the poultry industry, because they got a good value in return, even more than the product was worth.

Now, as far as the industry, we were in the right direction on exporting until we had poor negotiations with the Common Market, and were thrown out of that market. But of all industries, we were certainly trying to help our Government—many times the $42 mil-

lion—in the balance-of-payments problem through, and what was maximizing, poultry exports.

The CHAIRMAN. Well, as chairman of this committee, I received many, many letters asking for assistance—that is, through this Common Market agreement—and, of course, we did what we could. But you had a flourishing market until the clamps were put on you.

Mr. WENDEROTH. And it was all built by the industry itself.

The CHAIRMAN. Well, how was that, now?

Mr. WENDEROTH. We didn't receive any subsidies for making export shipments of poultry.

The CHAIRMAN. But I say, how could we assist you in the Common Market business?

Mr. WENDEROTH. I guess we will have to get some tougher negotiators that will equal the one France has. They have pretty well set the pattern on poultry.

The CHAIRMAN. Any further questions?

Senator YOUNG. I, for one, would dislike to see all agriculture go the way the poultry industry has. There are only a few big companies left in the business producing practically all of the poultry for the United States. This is the direction we are headed in, and we would be going there much faster than we are now if it weren't for these programs.

Mr. WENDEROTH. Well, that is true, sir, but I believe it has been overpublicized. I think there are good many firms that are engaged in poultry. My firm is one of them. There are a lot of them. The national companies do get the biggest amount of publicity, but there are still a lot to them, independents.

Senator YOUNG. Mr. Chairman, I would like to have the staff obtain and put in the record at this point information on the number of producers of poultry 20 years ago and now.

The CHAIRMAN. Without objection.

(The information is as follows:)

POULTRY—NUMBERS OF FARMS WITH FLOCKS OF OVERSPECIFIED MINIMUM SIZES, AVAILABLE DATA, 1940 TO DATE

Type of flock or operation, and cutoff size	Numbers of farms reporting in agricultural census of given year [1]					
	1940	1945	1950	1954	1959	1964
Chickens 4 months and older (i.e., laying hens):						
All flocks (no size cutoff)	5,150,055	4,896,374	4,215,616	3,418,204	2,207,809	1,210,669
Flocks of 100 birds or over	1,034,000	1,391,000	1,012,000	975,000	632,000	314,000
Flocks of 3,200 birds or over	939		3,190	6,480	16,076	18,707
Flocks of 20,000 birds or over						2,059
Broilers sold:						
All flocks				50,094	42,185	35,128
60,000 or more per year				1,687	6,102	10,290
Turkeys raised:						
All flocks	389,352		162,244		88,399	41,862
1,600 or more birds	2,151		6,143		6,596	
3,200 or more birds					5,120	
5,000 or more birds						4,531

[1] For some concepts, the data refer to farm operations of the preceding year.

Mr. WENDEROTH. Are you talking about growers, sir, or are you talking about complexes, or the processors, or——

Senator YOUNG. Producers.

Mr. WENDEROTH. Poultry growers?

Senator YOUNG. Yes. In my State, they are practically all gone.

Mr. WENDEROTH. Well, there's more broiler growers now than there were 20 years ago.

Senator YOUNG. Well, I mean producers of poultry. Broilers is little more than a different name for poultry that was sold in the market 20 years ago.

The CHAIRMAN. Do you grow your own feed—I mean, do you produce your own feed?

Mr. WENDEROTH. We manufacture feed; yes, sir. We buy feed ingredients and——

The CHAIRMAN. Do you use it all for your poultry business?

Mr. WENDEROTH. No, sir. We have a general feed business, too.

The CHAIRMAN. Well, do you furnish feed and eggs, and so forth, to farmers, so they can grow poultry for you?

Mr. WENDEROTH. We have contracts.

The CHAIRMAN. Contracts?

Mr. WENDEROTH. With broiler growers; yes, sir.

The CHAIRMAN. Many?

Mr. WENDEROTH. Yes, sir.

The CHAIRMAN. Well, that's what Senator Young was talking about.

Senator YOUNG. That's the common practice now, isn't it?

The CHAIRMAN. That's the common practice now.

Of course, you can make a lot of money on that. Well, we will expect you know—because all you have said, all you have done here this morning, is to criticize the program, and we want a better one, and we will expect you to send us some bills here——

Mr. STOKES. Mr. Chairman——

The CHAIRMAN (continuing). Or any—yes.

Mr. STOKES. I just wondered if I could respond to that point with one note of reflection.

When you were considering the Food and Agriculture Act of 1965, the national chamber testified at that time——

The CHAIRMAN. Yes.

Mr. STOKES. And we did propose a similar general approach at this time, except that we went further and made a specific recommendation in respect to cotton. For example, we produced a transitional payment program, to help the larger producers adjust their operations to market prices and be compensated by the Government for their inflated costs which had been capitalized into the land values and other assets. Small producers could retire from producing cotton for which they would receive adjustment payments from the Federal Government for a limited number of years to assist their adjustment out of cotton production.

And as I recall, and this was an example of how Federal legislation could tackle this one particular commodity problem. I don't believe that this committee reflected a favorable reception to the national chamber's specific program proposal.

The CHAIRMAN. Do you recall whether the chamber was for a one-price system?

Mr. STOKES. Yes; it was, sir.

The CHAIRMAN. Well, do you know what that cost the Government?

Mr. STOKES. The program enacted cost a great deal.

The CHAIRMAN. Of course. Now, why didn't you oppose that? You were for it?

Mr. STOKES. For the——

The CHAIRMAN. For the one-price system. It cost the Government—that is, prior to 1965, and then 1964, 1963, your local mills, domestic mills, paid just about the support price of cotton, and the cost of the program was at a minimum. But with the one-price system, why, the cost of the program shot up.

Mr. STOKES. Yet the cotton producers received more income in 1964 and 1965 than they did in 1966 and 1967.

The CHAIRMAN. Well, that's because they got it from the Government through price supports and diversion payments, not because of larger sales to the cotton mills. As a matter of fact, the cotton mills said they would probably use as much as 1,100,000 bales if there was a one-price system. And the program is now 3 years old, and up to now they haven't used it. They are going down instead.

Mr. STOKES. The only other thing I wanted to emphasize in line with your request for specifics, is that Mr. Wenderoth did point out that we aren't for termination of all programs.

We favor an emergency type of price support, below the market level, which would protect producers from the distaster of severe price declines.

The CHAIRMAN. How about acreage controls—are you against that?

Mr. STOKES. We would recognize them only as a helpful tool during the transition period.

The CHAIRMAN. Well, I say, but at one period—you would be against acreage control after this transitional period.

Mr. STOKES. Yes, sir; after the transition period.

Mr. WENDEROTH. They would be terminated over a transition period but not all at once.

The CHAIRMAN. Yes. So you would want to let the farmer out, himself, without any Government protection whatever.

Mr. WENDEROTH. Eventually; yes, sir, except for——

The CHAIRMAN. Thank you.

Any further questions?

Mr. WENDEROTH. Except for these catastrophes that we were talking about.

Mr. WATERS. May I speak to a point just a second here, Senator?

The CHAIRMAN. Yes, sir; surely.

Mr. WATERS. In reference to the Wool Act that we talked about a few moments ago, you asked as to what I might offer. I would suggest—and this is a suggestion—that somebody might want to check with the Bureau of Land Management and with the National Wool Growers, as to what their policy is in the control of Federal grazing of lands. This is a problem between these two groups, and I think this ought to be looked into.

Also, I would suggest that you look into the immigration thing.

Now, I would like to make one comment, because I do produce corn, somewhere around 80 to 100 thousand bushels a year—we try to grow a little corn——

The CHAIRMAN. Is that in Iowa?

Mr. WATERS. That is in Iowa; yes, sir.

The CHAIRMAN. Do you take part in the program?

Mr. WATERS. No, sir.

The CHAIRMAN. You don't?

Mr. WATERS. No, sir.

The CHAIRMAN. But the fact that a lot of acres are out of cultivation though, helps you out, doesn't it?

Mr. WATERS. I don't think so.

The CHAIRMAN. You don't?

Mr. WATERS. I don't think so. I don't know much about some of the details of this, but I know what it costs to grow a bushel of corn, and I know that I can compete in the open market, and I know I can compete with everybody but the Federal Government, and I can't compete with them. And I can look out of my upstair's window every day and I can count 165 steel bins loaded with corn. And I know when the market shows a few cents of an increase that this is sort of eroded into the market then, and I can't do anything about this.

But I can compete with John Jones down the street, and I will compete with any commercial producer there is in the United States, whether he be in Texas—I just came from Texas, and they are doing some imaginative things in the production of corn—I will compete with them, but I can't compete with the Federal Government, who controls my market.

Now, sure, I know there are times when there could be a depressed market. I know there are times when there would be peaks. And I am of the opinion—and this is an opinion I am speaking of, and I think this is in line with what we are talking about—that if the commercial corn producer in the Corn Belt had an opportunity to vote, whether he wants the kind of program we have, or none at all, you would be amazed at what the vote might be.

The CHAIRMAN. Well, he never did vote for a program.

Mr. WATERS. He's never had an opportunity.

The CHAIRMAN. Oh, yes; he has.

Mr. WATERS. We had an opportunity to vote on the wheat referendum.

The CHAIRMAN. We could never put a program on the statute books affecting the corn as we have for tobacco, cotton, or wheat.

Mr. WATERS. Well, this is true.

The CHAIRMAN. Sure it is.

Mr. WATERS. Because the corn man doesn't want this.

The CHAIRMAN. Well, I know but——

Mr. WATERS. And this program has been forced upon him, you see.

The CHAIRMAN. Forced upon him?

Mr. WATERS. Now, when the wheat referendum was held and the farmers had an opportunity to vote as individuals, they voted it down, didn't they? Am I not correct on this?

The CHAIRMAN. Yes.

Mr. WATERS. Yes. Well, I just point this out. Basically farmers are producers—and this is my business. This is the only way I make any money, and this is my income—from production.

I am a farmer production man, and when I get home tonight I will probably be on a tractor yet before dark, and this is my business. This is the only thing I really know much about and probably not much about that, or I would be doing something else. But I just know that

farmers themselves like to produce. And they like to produce, I think, for a free market, would like to produce for a free market, because they adjust quickly to prices.

Sure, I know that some people will go broke—people go broke in filling stations, drug stores, and so forth, everyday. And there are going to be some farmers who go broke. And we are talking about these programs protecting the little farmer, and I can show you in my area where the little farmer takes advantage of the program and rents his ground to the Government, all that he can, and he goes into town and works and sticks his thumbs under his vest and says, "I am a farmer, but I make a lot of money."

But he isn't doing this on the farm. He is out making money elsewhere.

All I am saying is that I think basically the producer of agriculture would like to produce for a free market, without Government interference.

The CHAIRMAN. And have a good price.

Mr. WATERS. Well, I think they will take this—they will take their chances in this because they will adjust quickly to price.

Senator YOUNG. How come all these Members of Congress from the farm areas that vote for these programs are reelected and usually those that are against them don't stay around here very long?

Mr. WATERS. I would like to follow that a little further before I make a comment on it, because in all instances, I am not sure whether this is right or not. We have elected a Senator who is a very able man from Iowa for a number of years, and his philosophy has been that we should have a minimum of Government in agriculture.

And I am referring to the Honorable Bourke B. Hickenlooper.

The CHAIRMAN. Well, he followed the Farm Bureau.

Senator YOUNG. He has voted for farm programs in the past.

Now, in the South, for example, we have two tough conservative Republicans, Senator Tower, of Texas, and Senator Strom Thurmond, of South Carolina. You can't get them any more conservative than they are, but they not only voted for the cotton bill in 1965, they worked hard for it.

Mr. WATERS. Well, I can't answer what they do in the South.

Senator YOUNG. Well, they do the same thing in the North.

Mr. WATERS. I know what they do in Iowa.

The CHAIRMAN. Well, Senator Miller voted for this program didn't he?

Senator YOUNG. I don't think he would vote to abolish it.

The CHAIRMAN. I guess he wouldn't.

Well, thank you very much, sir.

Mr. WENDEROTH. Thank you, sir.

Mr. WATERS. Thank you, sir.

The CHAIRMAN. Now, we will expect to hear from you by way of good bills that we can consider.

The CHAIRMAN. Mr. Heffelfinger.

(Discussion off the record.)

The CHAIRMAN. All right, the committee will come to order. You may proceed.

STATEMENT OF FRANK HEFFELFINGER, CHAIRMAN, EXECUTIVE COMMITTEE, GRAIN & FEED DEALERS NATIONAL ASSOCIATION, MINNEAPOLIS, MINN.

The CHAIRMAN. You may proceed.

Mr. HEFFELFINGER. Mr. Chairman and members of the committee, I am Frank Heffelfinger, executive vice president of producer services, Peavey Co., Minneapolis, Minn. and chairman of the executive committee of the Grain & Feed Dealers National Association, and immediate past president.

The Grain & Feed Dealers National Association is industrywide and nationwide in scope, an organization whose members range in size from the smallest country elevators to the largest grain and feed complexes. The membership includes 1,800 firms plus 54 affiliated State and regional associations representing 15,000 grain, feed, and farm supply firms.

I think I can do a better job for you this morning if I complete my text and then I will stay around as long as you want for any questions that you would like to ask me.

I appreciate the opportunity of expressing the views of our association—it is in their behalf that I am appearing this morning—on the Food and Agriculture Act of 1965 and S. 2973.

The grain, feed, and farm supply trade shares a deep concern for the financial well being of farmers. Our members provide many goods and services to the farmer—poultry and livestock feeds, animal health products, petroleum products, farm machinery and equipment, fertilizer and other agricultural chemicals, technological services, assistance in problems of capital and management, and the highly efficient marketing of farm products. All of these goods and services are required by commercial farmers in order to succeed.

If commercial agriculture cannot prosper and succeed, neither can the members of this industry. The operations of our members and of farmers are completely interdependent. Only when the commercial farmer receives a fair return on his inputs, can the grain, feed and farm supply firm receives a fair return on its business investment. The profit picture of the farmer directly affects the profit picture of our members.

Farmers, Congressmen, and agribusiness leaders have been facing the perennial problem of improving farm income since the Congress authorized farm commodity programs in 1933. In reviewing current legislation and proposals before your committee at this time, we urge that you give serious and careful attention to the report and recommendations of the National Advisory Commission on Food and Fiber. The report makes a realistic distinction between commercial agriculture and those in agriculture with incomes not related to the commercial segments of farming. We don't want to give the impression that the association necessarily supports all of the positions taken by the Food and Fiber Commission, because it does not. Most, if not all of the meaningful courses open to Congress in connection with future commercial farm legislation will be found in the majority and minority

positions in section III, part (B) of the Food and Fiber Report. The commission was in general agreement that it is desirable for agricultural policy to be market-oriented. This means that commodity prices should move up and down at market-clearing levels, to take greater advantages of the market in allocating resources and distributing income.[1]

Both majority and minority positions of the Food and Fiber Commission make suggestions to improve present policies. However, the most important differences between the two positions appear in the long-run policies for agriculture. Careful evaluation of the two approaches is needed. A successful long-run approach is needed. The development of the Food and Agriculture Act of 1965 was and is a step in solving the long-run maladjustments in agriculture. The Secretary of Agriculture has many tools to assist in maintaining a strong American agriculture in time of crisis. There are some indications that the present programs do follow some of the steps toward encouraging the development of a market-oriented agriculture.

To encourage a market-oriented agriculture, to reduce surplus capacity, and to insure adequate returns for the use of agriculture resources are all aims of agricultural policy. However, one program to meet the objectives of commercial agriculture cannot be used to provide the same results to all rural people. The incomes of those with minimal gross sales are not properly related to the commercial segments of farming.

New opportunities are needed for those rural people who remain in agriculture and whose economic prospects are limited by the technological developments of today. Even those leaving agriculture often do not have the skills for gainful employment. There is ample evidence to show that farm programs have not aided these people as they were intended because of the different economic prospects.

The Food and Fiber Commission report states:

> No reasonable or acceptable national farm policy could preserve farming opportunities for all these people. The commission's study indicates that whether the nation followed a market-oriented policy, a policy of acreage controls and price supports, or a policy of all-out productions, some 30 percent fewer manhours of work in agriculture would still be needed in 1980.
>
> This means that unless the economy can provide other employment by 1980 for the equivalent of 40 percent of the people now working on farms, returns to farm workers will continue to be depressed, and a substantial number of farm families will continue to live in poverty.
>
> Higher farm output per man is advantageous to the nation. It obtains more product for less labor, and if the manpower no longer needed in farming is shifted to producing something else, the nation is that much richer. But that's the difficulty. The surplus farmworkers must be given opportunity in other occupations. Otherwise, the nation receives no benefit.[2]

The following information which I would like to have inserted in the record as part of the statement indicates that there are two economic segments in rural America. You might want to take a good look at it.

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[1] National Advisory Commission on Food and Fiber. *Food and Fiber for the Future.* Washington, D.C., July 1967.
[2] Food and Fiber Commission Report, p. 115.

PERCENTAGE OF FARMS, NET FARM INCOME, AND CASH RECEIPTS BY SALES CLASSES 1959, 1964, 1966

Farm sales classes	All farms			Realized net income [1]			Cash receipts [1]		
	1959	1964	1966	1959	1964	1966	1959	1964	1966
$10,000 and over	30.2	26.2	31.9	55.4	65.5	77.7	70.6	80.0	85.4
Under $10,000	69.8	73.8	68.1	44.6	34.5	22.3	29.4	20.0	14.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1] Including direct Government payments.

Source: "Farm Income Situation," Washington, D.C., U.S. Department of Agriculture, July 1967, pp. 69–72.

The table shows that 68 percent of all farming or 2,215,000 farms had cash receipts of less than $10,000 and received only 22.3 percent of the realized net income in 1966, while the balance or 77.7 percent of the realized net income is received by only 31.9 percent of the farms or 1,037,000 farms.

In a report on "Parity Returns Position of Farms," prepared for Congress as required in section 705 of the Food and Agriculture Act of 1965, the USDA computed the returns to different farm sizes. Using the landlord standard, excluding capital gains, the returns from farming as a percentage of parity returns ranged from 92 percent in 1959 to 129 percent in 1966 for farms with sales of $20,000 and over. However, farms with sales less than $5,000 had parity returns from farming of 35 percent fo parity returns in 1959 and 31 percent in 1966.[3] This is the crux of of the problem in the rural economy of 1968.

FARM BARGAINING

Bargaining Proposals—The President, the Secretary of Agriculture, and other administration spokesmen have, with increasing frequency, talked on the subject of more muscle in the marketplace for farmers. Senator Mondale, for himself and others, introduced S. 2973 with the stated purpose: "To provide for the orderly marketing of agricultural commodities by the producers thereof and for other purposes." This implies disorderly marketing now, which we question.

The competition that exists in our industry today is the best assurance that the farmer receives the best price for his product. The U.S. Census in 1963 accounted for 8,286 grain elevators, 13,926 hay grain and feed stores, and 2,590 mills preparing animal feeds for a total of 24,802 establishments. Many of these establishments, classified according to their primary business, carry on all these activities.

The producer has a choice among several supplies for his production inputs. Likewise, he usually has several alternative outlets for his grain. Consequently, there is vigorous competitive bidding among a number of different grain marketing and farm supply businesses for the farmer's trade. He is an informed customer because he has access to a tremendous amount of information on prices and production. He can select the grain merchandiser who can provide him with the best price, considering the total service rendered.

Competition in the purchasing of grain contributes to the efficiency that provides low-cost food to consumers. Farmers today are more

[3] "Parity Returns Position of Farmers." Report to the Congress of the United States, Washington, D.C., U.S. Department of Agriculture, Aug. 10, 1967, p. 22.

efficient in their production than ever before. In 1950 each farmer producer food for 15.47 persons including himself and 39.56 persons in 1966. Grain marketing firms must continually improve their efficiency to remain competitive. The more efficient a firm, the better it can compete with others in providing the farmer with the best price for his crop.

Above, I spoke about the vast amount of information that is available to the producer. The futures markets facilitate the constant and ready access to price information. These same futures markets provide for open market pricing of agricultural products. This is where buyers and sellers meet, and through the medium of futures contracts, market prices are determined. There is no place where supply and demand meet to establish continuous pricing more exactly than in our futures markets. These prices reflect the honest judgment of buyers and sellers of the current and future situation with respect to the available supply, condition of the crop, and the demand for the production in both our domestic and export markets. There is no way that a marketing committee and a purchasing committee under the authority of an Agricultural Bargaining Act can change the fundamental demand picture. They would simply be substituting the very narrow judgment of a few men—no matter how expert—for the far wiser judgment of the entire market where every economic, and political factor both here and abroad has a direct bearing on price.

CHANGING INDUSTRY

The grain feed and farm supply industry is continually changing to improve the efficiency of marketing farm products and the resulting benefits are passed on to the farmer. Improved rail, barge, and truck equipment has reduced transportation costs for the farmer. Firms in this industry are improving handling and drying facilities to better serve the farmer-customer. Expanded credit, improved low-cost fertilizer service, new and effective pesticides, a wide range of animal health products, grain bank and efficient bulky delivery of full formula feeds, and other agricultural information are being supplied by agribusinesses in this industry to meet the needs of the modern commercial farmer.

The firms in this complex and competitive industry are vitally interested in the farmer receiving a fair return for his commodity and that such return will still keep his commodity in demand in the domestic and foreign markets.

However, it is our considered view that this bill, S. 2973, would completely destroy the present competitive pricing system and the present concepts of a market-oriented agriculture.

The present futures markets would be eliminated. Prices of major agricultural commodities would not be freely determined in the open market place as now, but the price would depend much upon which bargaining group had the most market or bargaining power. Assuming that the bargaining or marketing committee could predict accurately the supply and demand situation—something the Secretary of Agriculture and his advisers have been unable to do—the only time there would be a need for a futures market would be when supply (domestic an/or world) was reduced substantially to force the price

above the minimum. However, the continuation of futures markets may be quite unlikely and they would be ineffective with a reduced number of buyers and sellers.

No one wants to keep futures markets for no better reason than that we've always had them. The fact is that they are synonymous with a freely-competing, broad-based, open market. The Bargaining Act removes the broad base of the market and with it the need for a viable futures market.

With a program as proposed in this bill, first and intermediate handlers of grain and farm products would be bypassed, especially under a controlled economic environment. The bill in title I states that the producers are to negotiate with purchasers. This would mean that producers would not negotiate with the independent country elevator and intermediate handlers but probably directly with processors. Both investor-owned and co-op facilities would probably be bypassed since the ultimate purchaser is the processor.

The processors, against their wishes, would probably have to assume the responsibility of assembling, handling and financing the marketing functions previously assumed by first and intermediate handlers.

The independent farm supply, country grain elevator has enough trouble surviving under the intense competitive conditions existing today, which require larger more efficient operations. To replace the present system with a committee negotiation system would sound the death knell in my opinion for the independent operator. If large efficient country grain elevators are the mark of the future, let it be because free competition made it so.

The proposed system visualizes an entirely new producer-processor relationship. Processors and exporters alike may be compelled by the new system to move to complete vertical integration not only in the marketing of grain but possibly in the production of grain, and perhaps livestock.

This system of integration by the processor and exporter would certainly create administrative difficulties for these firms. Centralization of all marketing functions under a few enterprises could create an unwieldly marketing structure difficult for anyone to view and manage efficiently.

In addition to destroying the current marketing system, that will be the effects of the proposals in S. 2973 upon the current voluntary farm programs? Both title I and II would enable producers to negotiate or bargain for minimum price. Would the negotiated minimum price, in essence replace or take the place of the current loan level?

Due to weather, pestilence, and other factors, the final supply will vary from the desired goals. If this is to be a producer program, will the producer or the Government store the excess production? Will a loan-storage program be needed or used? If the urban population insists upon cutting the U.S. Department of Agriculture budget, farmers may be forced to store the excess production at their own expense.

If marketing controls are used under title I and II, will the minimum prices be sufficiently high to eliminate the need of diversions and price support payments? Are price support payments to be added to the minimum price? Will farmers reduce production to meet the marketing restrictions? Will consumers permit higher minimum prices?

What is to be the relationship between the programs proposed in S. 2973 and the tools of the present voluntary farm program?

Marketing controls in titles I and II would apply to all producers in order to insure that all producers would share in the costs and burdens of supply control. However, are farmers ready to submit to a strict supply management type of program? Farmers in the 1963 wheat referendum voted against mandatory supply control. Current farm programs allow farmers to choose whether or not to participate in the commodity program. Farmers can decide under present Government programs if cooperation would be to their own economic advantage.

While we do not presume to speak for our farm customer, in our close contact with him we recognize he is an entrepreneur. While he works hard, physically and mentally, to make his enterprise a success, he does not labor in the same sense that a so-called blue-collar worker labors. Because he is an enterpreneur, he does not wish to give up his individual decision making rights. He will choose to market his produce personally. I have seen no evidence that the majority of American farmers are about to turn over to a third party all of their marketing responsibilities and accept in exchange rigid production and marketing controls.

Administrative difficulties would beset the proposed system such that the administrative difficulties of the current system would seem almost simple. It is quite possible that these administrative difficulties could cause the breakdown of the proposed system. We would point out seven areas where the questions propounded must receive realistic answers.

1. How would black market operations be prevented? Sales between farmers for feed purposes and small and irregular sales between farmers and consumers would be most difficult to supervise and police. Exemptions might be necessary but this would create inequities and sales exempted could result in a significant portion of the crop—especially in feed grains.

2. The allocation of quotas would be most difficult to administer with nationally produced commodities and when all commodities are controlled. How will the controlled economy maintain the balance that the competitive market economy is now doing even with short-run maladjustment? Who is to be controlled and at what level of production? Who is to benefit from increased cattle prices—the grain producer, the cattle feeder, the cow-calf rancher or the purebred breeder? What share of the benefits would accrue to the hatchery man, broiler producer, egg groducer, and grain producer under the controlled system? To what market will the cattle, poultry, and grain be delivered? What segment of agribusiness is to be benefited and upon what criteria? In essence, such a proposal can result in a system that will make it almost mandatory to have a license to farm and merchandise. If a farmer does not have a quota, he just cannot produce.

3. Resource allocation will be a problem. This problem is closely associated to the granting of quotas. How can an administered system ever allocate returns to resources and permit fairer reallocation of resource use than under a market-oriented system?

4. The interests of farmers and consumers will be more dramatic and more intimately intertwined than ever before. The proposed bill

implies that producers will bargain and obtain higher prices. Consumer resistance to increased prices will temper any significant increase in the price of food at the farmer level. In fact, the bill provides that the marketing committee invite consumer representatives to be a part of the committee. Or under title II the Secretary of Agriculture is to review prices so that they are reasonable for consumers. Today, consumers are spending 17.7 percent of their disposable income for expenditures for food consumed at home. It was 22.2 percent in 1950.[4] How high would the consumer permit prices to rise, especially since farmers have become a small portion of the population and are consumers themselves of agricultural products?

5. An administered agriculture will create more administrative problems in international marketing. Agricultural exports have been the mainstay of our favorable U.S. balance of trade. The Secretary of Agriculture has pointed out that one of every four acres of production is exported. The domestic demand for grain and grain products is relatively inelastic and increase in sales has to be in exports. Will the fixed minimum price keep us from competing in world trade? We think that a negotiated minimum price is not in keeping with freer world trade and comparative advantage therewith. Higher prices encourage inefficient production in other countries and encourage other exporting countries to undersell the U.S. domestic price. This program will reduce the international market for U.S. products unless the U.S. Government intervenes with export subsidies, which again violate the principle of freer world trade.

6. How could such a system prevent the creation of a monopoly? Monopolies could develop both on the producer as well as on the buyer side. We are not in favor of creating a system that could favor only the few. We are in favor of a free, competitive, and productive enterprise system that can adjust to changes in supply and demand conditions.

7. Substitutes, natural or imitation, will be encouraged by unreasonable high prices. Since many agricultural products have close substitutes, all competitive agricultural products would have to be controlled. But, then, imitation products may be developed and take away the market of the agricultural products. For example, filled milk is competing and replacing fluid milk sales. Even now the regional milk marketing orders may not permit the dairymen of this country flexibility to change quickly enough to meet the challenge.

Just on February 26, 1968, it was reported in the Washington Daily News that the British Petroleum Company is building a plant near Marseilles, France, to develop protein food from petroleum products. I would like to quote in part from this news article:

> The company, British Petroleum, says it has solved the problem of turning oil into edible food. By 1970, it plans to have the world's first commercial petroleum-to-food plant turning out 16,000 tons of protein concentrate a year.
>
> The oil industry long has recognized the importance, and potential profitability, of fueling people as well as cars. Companies, such as Shell and Standard Oil of New Jersey are working on their own processes, but British Petroleum is known to be in the lead.
>
> From the idea to a commercial process took 15 years of laboratory work. Now BP is confident its protein can undersell competitive products as an animal food and later as human food.

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[4] "Handbook of Agricultural Charts—1967." Washington, D.C., U.S. Department of Agriculture, October 1967, p. 29.

M. J. Rathbone, former chairman of Standard Oil of New Jersey and a businessman not noted for pipe-dreaming, has this to say of the new process: "The entire world protein deficit could be wiped out at a cost of less than 2 percent of the world production of petroleum."

Can and will the farmers of this country be able to meet this new competition? It can be much more difficult under a controlled economic environment.

In conclusion, the financial well-being of farmers is a great concern for this industry. The operations of farmers and the members of this industry are completely interdependent. The proposals in S. 2973 will completely frustrate greater reliance upon a market-oriented agriculture. Government farm programs, which should be reviewed periodically, should aid agriculture in its transition to a market-oriented economy. We are committed to the concept of letting competition and not administrative actions regulate the balance between supply and demand, between the producer and the consumer.

And finally, while in theory the prospect of farm bargaining may sound ideal the long-range effect will be to harm agriculture for the following reasons: (1) loss of efficiency through reduced incentive by both producers and handlers; (2) large annual or seasonal market swings instead of the many small adjustments daily under the present system; (3) loss of markets caused by artificially high prices and resulting reduced production; (4) attempts to treat the problems of the commercial farmer and the subsistence farmer with the same program when the problems are different.

The CHAIRMAN. Thank you very much, sir. I notice the burden of your testimony is against the so-called Mondale bill, S. 2973. Do you consider that bill price fixing?

Mr. HEFFELFINGER. I do not know in what sense you mean it. I think, yes, it would have to be——

The CHAIRMAN. Well, under title I, as I understand it, the growers of any commodity may petition——

Mr. HEFFELFINGER. No, I am talking about your meaning of the term "price fixing." It certainly is price establishing; price fixing, yes.

The CHAIRMAN. Well, that is what I mean. And I would agree to that.

Mr. HEFFELFINGER. Yes.

The CHAIRMAN. Because after Board action, then if a minimum price is established, the marketing committee may develop a marketing allotment program.

Mr. HEFFELFINGER. That is right.

The CHAIRMAN. Now, we have had some testimony to the effect that this bill would not regularly apply to a commodity that is produced throughout the country. And that would include corn, include wheat.

Mr. HEFFELFINGER. Yes.

The CHAIRMAN. Would you be able to tell us whether or not in your experience this bill might be beneficial on a regional basis, let us say, for the production or for the price fixing of eggs or fruit or things of that kind, if there is a need for it.

Mr. HEFFELFINGER. I do not think so, Senator, because we are talking here about fundamental principles of a broad base of freely

competing companies competing for a market. And what applies nationally, in my opinion, applies regionally as well.

The CHAIRMAN. So that you do not believe the bill would work by excluding certain commodities, stable commodities, that are produced nationwide?

Mr. HEFFELFINGER. That is right.

The CHAIRMAN. You are against it——

Mr. HEFFELFINGER. That is correct.

The CHAIRMAN (continuing). In any manner. Now, I did not hear you testify too much about the present 1965 act.

Mr. HEFFELFINGER. No, we did not get into that and did not intend to, although I think the inference is clear there that the grain trade feels that the present Agricultural Act of 1965 is quite satisfactory as far as it serves, it serves our immediate needs right now.

The CHAIRMAN. You have no——

Mr. HEFFELFINGER. When I say our business needs, I say the needs of agriculture right now.

The CHAIRMAN. Agriculture. Have you any ideas as to improving it or are you satisfied as it is written?

Mr. HEFFELFINGER. I have no suggestions to make at this time for improvement.

The CHAIRMAN. Thank you very much. Have you any questions?

Senator JORDAN. No questions.

The CHAIRMAN. All right. Thank you very much.

Senator JORDAN. I would say it is a very fine statement.

The CHAIRMAN. Very nice.

Mr. Sayre.

Come up, Charlie.

All right, Mr. Sayre. You may proceed.

STATEMENT OF C. R. SAYRE, CHAIRMAN, INDUSTRY PRACTICES AND POLICY COMMITTEE, NATIONAL COTTON COUNCIL OF AMERICA, GREENWOOD, MISS.

Mr. SAYRE. Thank you, sir.

My name is C.R. Sayre, and I am a cotton farmer from Greenwood, Miss., and president of the Staple Cotton Cooperative Association, which markets cotton for many farmers in the Midsouth area.

COTTON

My appearance today is in behalf of the National Cotton Council, which has headquarters in Memphis, Tenn. The council is the central organization of the American cotton industry, representing cotton producers, ginners, merchants, warehousemen, cooperatives, cotton manufacturers, and cotton seed crushers.

During the past 15 months the council has updated its structure and operations in order to meet more effectively the greatest challenges ever to confront a major segment of our farm economy.

I am a delegate and director of the council and chairman of its industry practices and policies committee.

It was this committee which originated and recommended to the delegate body the council's present position relating to the programs and activities of the Government.

Here with me in behalf of the council is the organization's president, Mr. Roy Davis, behind me, of Lubbock, Tex. Mr. Davis is an outstanding leader of the producer group for many years.

Also included in our delegation is Mr. Bruce Lynn, of Gilliam, La. Mr. Lynn is chairman of the producer delegate group in the council.

In addition, we have two members of a special task force of our export committee, Mr. Russell Kennedy, of Bakersfield, Calif., Mr. Julian J. Hohenberg, of Memphis, Tenn., merchant delegate and director.

Mr. E. Hervey Evans, Senator Jordan, had to leave to return to North Carolina this morning or he would have been here with us.

Now, gentlemen, we greatly appreciate the opportunity to appear here today, and I, with your permission, Mr. Chairman, would like to have our complete statement offered for the record, and then I will abbreviate and comment on part of it as we proceed, if that is all right.

The CHAIRMAN. Without objection, that will be done.

(The prepared statement of Mr. Sayre is as follows) :

My name is C. R. Sayre. I am a cotton farmer of Greenwood, Mississippi. I am president of the Staple Cotton Cooperative Association, which markets cotton for many farmers in the Mid-South area.

My appearance here is in behalf of the National Cotton Council, which has headquarters in Memphis, Tennessee. The Council is the central organization of the American cotton industry, representing cotton producers, ginners, merchants, warehousemen, cooperatives, cotton manufcturers, and cottonseed crushers. During the past 15 months the Council has updated its structure and operations in order to meet more effectively the greatest challenges ever to confront a major segment of our farm economy.

I am a delegate and director in the Council, and chairman of its Industry Practices and Policies Committee. It was this committee which originated, and recommended to the delegate body, the Council's present positions relating to the programs and activities of the government.

Here with me in behalf of the Council is the organization's president, Mr. Roy B. Davis, of Lubbock, Texas, an outstanding leader of the producer group for many years. Also included in our delegation is Mr. Bruce N. Lynn, of Gilliam, Lousiana, who is chairman of the producer delegate group in the Council. In addition, we have the three members of a special task force of our Export Committee: Mr. J. Russell Kennedy of Bakersfield, California, cooperative delegate and director; Mr. Julien J. Hohenberg, of Memphis, Tennessee, merchant delegate and director; and Mr. E. Hervey Evans, of Laurinburg, North Carolina, producer delegate.

Our purpose today is to put into perspective the basic needs for achieving our common goal of a self-reliant and profitably competitive cotton industry which will be a great and growing asset to the nation.

THE OPPORTUNITY AND THE PROBLEM

First of all let me emphasize one fact which seems very basic. *Cotton has enormous potentials for sound progress.* It can serve this great country far better than in the past. It can win an expanding export market, which will help our whole nation in its continuing struggle for a healthy balance of payments. It can provide profitable employment for a large part of our best agricultural land. It can resume and continue its traditional role as the biggest cash crop in this country. It can provide sounder, better incomes for the 1.3 million people who live right on our cotton farms and for the 7 million Americans who depend to an important extent upon employment involved in producing, processing, and distributing cotton and its products. As one of our great sources of base income, it can be a stimulating, not a depressing factor in our national growth and progress. It can serve consumers for better as a vigorous competitor for textile markets. And it can do these things while moving toward less governmental expense and toward more reliance on private capital and enterprise.

We believe these goals are attainable, but we have no illusions as to where cotton stands today. We are quite a distance from where we need to be. Our markets, taken as a whole, are not expanding. They have averaged about 13 million bales a year for the last five seasons, and they will do well to hold at that level in this present crop year. Our exports are down this year, and the main trend has been downward over quite a few years in the past. Our domestic market did rise moderately for several years, but this season it is down considerably. A 13-million-bale market is just too small. Cotton will either grow or it will die as a major industry.

For five straight years we produced more than 13 million bales, and accordingly we came to August 1, 1966 with a carryover of 16.9 million bales. Now in the latest two seasons we have experienced a tremendous effort to reduce that surplus under the authority granted by the Food and Agriculture Act of 1965, and as it happened we have also had two years of very poor growing weather in most of the Cotton Belt. As a result the surplus has been eliminated; the Department of Agriculture estimates that the carryover on next August 1 will be down approximately to 6¾ million bales.

Under the Act of 1965, substantial payments have been necessary not merely because an acreage curtailment was needed. They also have been and are necessary for a more fundamental reason, and we have to face it squarely: The price levels which are necessary today to keep cotton competitive for markets are below the level of return which the farmer must have if he to cover his production costs and provide the minimum of income for economic health.

The record of recent years throws considerable light upon this basic problem. Over the years from 1962–63 to 1966–67, it seems apparent that, by and large, our export price was competitive enough to hold foreign cotton production under reasonable restraint and to make cotton gain slightly against rayon in foreign countries. We will have more to say on this later. And over the years from 1964–65 to 1966–67, under the newly established one-price system, our domestic prices also were generally quite competitive. Price alone can never do the whole competitive job. Research and promotion and many other factors are always involved. But insofar as our price alone was concerned, experience shows that it was reasonably competitive in those years. On the other hand, there is good documentation of the fact that the producer's costs were too high in relation to those price levels. The U.S. Department of Agriculture has been carrying on a very extensive analysis of the cost of growing cotton under appropriations made by the Congress for that purpose. The results have been published for the crops of 1964 and 1965, and they indicate that the weighted average cost for the 18 main growing areas, for the two years, came to 27.85 cents, or roughly 28 cents per pound. Since then we have had to face sharply rising wages and other price increases. Obviously an economically sound return to the producer must provide him a net income above his costs, if he is to stay in busines and make the big investments which are necessary. Of course the Congress itself in its past legislative enactments has recognized both of these conditions. It has recognized both that the price needed to be competitive if cotton was to survive and that the costs were too high in relation to such a price level, and the Congress has made substantial appropriations in order to cope with this basic problem.

BRIDGING THE GAP

How can we bridge the gap between where we are and where we need to be? The answer is a complicated one, involving a number of things. We believe the emphasis should be on our great resources of private capital and private enterprise. But it is necessary that we continue to have the helpful cooperation of our government in certain ways. We do not mean the kind of cooperation which implies permanent and deepening dependence on the federal treasury. Quite the opposite. We mean the kind of helpful working relationship which is necessary in developing the great potentials that have been mentioned—one which looks on to the day when our cotton will need far less from this government and will give far more to it and to this whole country.

It is fair to ask: Are these potentials real? Can we really achieve them? We firmly believe that they are and that we can. We would like to review briefly several reasons why we think so.

The Producer's Dollar-a-Bale Program

For one thing our producers themselves have demonstrated their own faith and determination by voting overwhelmingly to go ahead with the dollar-a-bale program which was made possible under the Cotton Research and Promotion Act.

They are putting their own money into this new effort. They are managing it through their own Cotton Producers Institute. It is a big enough effort to have a genuine effect, and it will grow bigger as we return to crops of more normal size. This is a great, new factor which is bound to improve the odds on a sound future for cotton.

Competing in an Expanding Market

Another reason is that the total market for which we are competing is on the rise. The job of holding and expanding our market is more attainable because the total market is growing. In this country the consumption of all textile fibers has risen by an average of about a million bale equivalents per year for quite a few years. Our problem has been to win a good share of that expansion for cotton in the face of man-made fiber competition. We did fare quite well against our closest competitor, rayon staple fiber, across the years from 1964 to 1967; in fact, we were able to make net gains against this fiber. But the newer man-made fibers, the non-cellulosics, have continued to gain at our expense. On balance, cotton has had some net gain in the size of its domestic market over the last four or five years, but not enough. Now as we look to the future, with the farmers' big new research and promotion program in the picture, we can hope for a better showing. But this has to be with the proviso that we'll produce enough cotton to compete effectively with the synthetics, and that we'll have a competitive price.

The foreign market for fibers is also rising very impressively, and here too there is a new force at work for cotton. In the non-communist countries alone, the average increase in textile fiber consumption has been around two million cotton bale equivalents per year. Again our problem is to compete effectively for the growing market, and here cotton itself, produced in other countries, is one of our leading competitors, along with the man-made fibers. It is vitally necessary that we keep our export price low enough to meet competition and to discourage any upsurge of foreign production. But we also have a new development in the foreign field which, like our Cotton Producers Institute at home, improves our odds for competing more effectively with the synthetics. One of the best uses ever devised for some of the counterpart funds made available under Public Law 480 has been the cotton research and promotion conducted in foreign lands under the guidance of Cotton Council International. Matching funds from private textile firms abroad, together with the guidance which was available out of the experience of our own National Cotton Council, made these efforts bigger and better than they otherwise could have been. Now another big step forward has been taken in that other cotton producing countries have been drawn into this effort. They are putting up funds of their own (as they should) to expand these programs, and last year the newly formed International Institute for Cotton, using funds from these other producing countries as well as our own, was operating at a level of over $8 million in the major cotton consuming countries of Western Europe and in Japan.

Quality Improvement

Another reason for optimism is that we have clearly entered a new period of faster improvement in the quality of our cotton. This can be a big factor in the market both at home and abroad. Within the past three years, private and public breeders have given us 15 high quality varieties which were planted on more than 1½ million acres in 1967. Plantings of these new varieties will be much larger in 1968. These varieties provide longer staples, stronger fibers, greater uniformity, desirable properties of fineness, and yields as good as or better than the varieties they are replacing.

An authority on this subject, Dr. L. L. Ray of Texas A. & M. University, said recently:

"We are in a cotton variety revolution. Across the Belt, from California to the Carolinas, we are seeing a multitude of new varieties appearing . . . The appearance of the new and improved varieties which we are seeing today is really the *beginning* of a payoff from several decades of sound research and technological advances."

This revolution in fiber quality—which is just beginning—is one of the brightest sides of the whole outlook for American cotton. It will give our mill customers better performance and value. It offers farmers the opportunity for a justifiably higher return on their cotton.

This is just one of the areas where new improvements are likely in the quality of cotton and of its products. In all such effort we begin with the advantage that cotton is inherently a marvelous fiber and a real blessing to consumers because

it is so comfortable to wear, so easy to launder without special pampering, so adaptable to all kinds of finishes, so versatile and dependable.

We have a great fiber to improve and to promote. And in this first year of CPI operations under the new dollar-a-bale program, over five million dollars are being used in the most promising areas of promotion.

Product development

In the field of permanent press textiles, where the synthetics have made large inroads, cotton research is expanding. A number of all-cotton permanent press products are currently available. We do need a great acceleration of our product development research. And because we have been lagging here, the Cotton Producers Institute and the U.S. Department of Agriculture have placed a high priority on this area of work. The Institute, for example, has allocated over $1¼ million for durable press and related problems in its 1968 program.

Despite the small research funds which have been available for such efforts, cotton has made some encouraging progress. It can be seen in fire-resistant cottons with stretch properties, resilient cotton batting which competes well in auto cushioning, bedding, and furniture. Among our successful new products have been all-cotton thermal blankets, velour sweaters, and turtleneck shirts for men.

The potentials in product development are just limitless. In one market alone—turfted carpets and rugs—we believe cotton has the opportunity to compete strongly for 1½ million bales of annual consumption.

Efficiency

A most impressive reason why a bright future is attainable for cotton is to be found in the progress which is being made toward more efficiency in production. Consider what has happened just in the period since World War II. Hand harvesting has been largely replaced by machines—which now gather about 89 percent of the crop. Hoe labor has been reduced from about 50 hours to about 10 hours per bale through the use of chemicals and other techniques for weed control. Tractor power has almost completely replaced animal power. Among the developments growing out of research—along with varietal improvements—are chemicals for weed control, defoliation methods, low-volume spraying, improvements in fertilizer formulation and placement, modern ginning techniques, and many others.

In combination, these developments have made it possible to reduce the labor required for producing a bale of cotton from 175 man-hours at the close of World War II to about 32 today. The reduction has been 143 man-hours per bale or 82 percent of the labor previously required. Over the same period the yield per acre rose from about half a bale just after the war to an average of roughly a bale in recent years. In brief, we produce a bale of cotton today with less than a fourth as much labor and with about half as much land as we did just over two decades ago.

These do not sound like figures from an industry which should be in deep trouble. They are figures from a very dynamic industry. Cotton *is* a dynamic industry. And it seems very clear that we can go on being dynamic in this sense. To mention a few specifics, let me say that in the areas of insect and disease control we have a potential for reducing costs by several cents a pound. And research already under way indicates that we may be able to eradicate two of our most destructive pests—the boll weevil and the pink bollworm.

We can clearly get far more efficient use of our insecticides and herbicides through improved formulations and application techniques.

Simplification in production methods is a sound way to reduce power and equipment costs.

Entirely new low-cost methods of producing cotton are being developed for some areas. For example, an experiment is under way in Lubbock, Texas, under which cotton is planted in 10-inch rows to a heavy stand. It is laid by at planting time with a broadcast application of herbicide. And the field is not entered again until the cotton is ready for a once-over harvesting. This may turn out to be an extremely low-cost way of growing cotton—especially if varieties adapted to this system are developed.

Through genetics and breeding, and in many other ways, we know it is entirely feasible to increase our yields by hundreds of pounds per acre. And as a rule of thumb, the effect of a hundred-pound yield increase is to reduce the unit cost of a pound of cotton by two cents.

Remember, too, that we are working on the six-cent-per-pound cost of getting cotton from the farm to the mill. We believe substantial savings can be made in

the broad and complex series of services involving ginning, warehousing, compressing, transportation, and so on.

THE NATURE OF COTTON'S COMPETITION

Now we must ask: Why is an industry in the midst of such dynamic progress having trouble? Why is it a matter of such justifiable concern to the Congress of this country? The basic answer is to be found in the nature of the competition which our cotton faces. There are two fundamental kinds of competition which command our careful attention.

Foreign-Produced Cotton

First we should consider the cotton which is grown in foreign lands. It is completely essential that the export price of our own cotton be low enough to meet the competition of all the world's cotton in foreign markets. This means in particular that we have to be able to sell our cotton at a low enough price, so that our foreign competitors will be restrained from expanding their production too rapidly. There are some 60 foreign countries which grow cotton. This fiber, as you know, can only be grown in the warmer climatic zones of the earth. When we think of all these foreign cotton-growing countries, we realize that they all stand in sharp contrast to our own. In general these are countries with the lowest labor costs in the world. And they are not obliged to contend as we must with the rising costs associated with such things as minimum wages and other established welfare and bargaining measures.

In our own country, we have to realize that all our great progress toward more efficient cotton production, which we have just been reviewing, has been offset by rising farm wages and by the rapidly increasing prices of the machines and chemicals and other inputs which are necessary in replacing labor. In a study covering the period from 1947–49 through 1961, the U.S. Department of Agriculture documented the fact that the gains in cotton production effieciency were just about offset in this way, so that the average cost of growing the fiber was not reduced at all. While we do not have reliable data to bring these findings up-to-date, I think almost everyone agrees that the trends shown in that study have continued.

For example, if we average the farm wage rates reported by the Department of Agriculture for January 1, 1968, in the 14 main cotton-growing states, we find that they have risen by 10 percent in the preceding 12 months. A mandatory minimum wage increase of 15 cents per hour effective February 1, 1968, coupled with another 15 cents to be added February 1, 1969, will continue the rapid rise in direct wages. Built-in rigidities in the cost structure of items farmers buy tend to push production costs upward faster and faster.

Synthetic Fibers

Our other great competitor is the synthetic fiber industry. Cotton happens to be that particular agricultural commodity which has been called upon to absorb the *first* all-out assault upon its markets by synthetic substitutes. All of agriculture faces this danger in the future; some of the other farm commodities are receiving some of the attack today. But cotton has been far out on the front line of this battle longer than any other, and it has had to absorb the most massive assault. There is meaning here for all of agriculture, and we would be derelict in our duty to all farmers, and indeed to the whole country, if we did not point it out.

Please understand that we are not critizing the synthetic fiber producers. But if anyone believes that cotton has had a fair and equal chance to compete *on its merits as a fiber*, he should contemplate the fact that one synthetic fiber manufacturer now receives more income from fiber than all the farmers in Texas, Louisiana and Arkansas combined. (This is true even in a more normal year. In the present year, with its very low cotton crop, the comparison would be even more astounding.) The large corporations which produce the synthetics have basic advantages of organization over the hundreds of thousands of farmers who grow cotton. Those large firms have the means readily at hand to appropriate huge sums for research, product development, advertising and merchandising. They can price their products more strategically to exploit markets and maximize their long-range profits. They can withhold sales or develop sales in just those markets where they see the best advantage in doing so. They can exploit programs of combined technical and promotional activity, reaching all

the way from the raw fiber to the retail counter, in such a way that they can preempt markets from cotton almost regardless of which is the better fiber. They are constantly at work with highly competent teams of scientists, technicians, sales engineers, and promotional specialists. They can induce cutters and retail merchants to stock and push their products and to play down the products of cotton, even when the final consumer would really prefer cotton.

We submit to you that a farm commodity which is making as much progress as cotton, and which is being denied the fruits of its progress by these two forms of competition, deserves the continued concern of the Congress, in the future as in the past. It is in the interest of all the American people that cotton be encouraged to push forward with the accelerating competitive effort which it is now making, so that it may share profitably in the expanding consumption and production of fibers.

GOVERNMENT POLICES

What are the fundamentals of government policies which will be in keeping with a soundly expanding cotton economy? The National Cotton Council, in behalf of all branches of the industry, advocates the following.

Encouragement of industry efficiency

We believe that government policies should, in every possible way, encourage the drive for increased cotton industry efficiency.

We feel that the present 16-million-acre national cotton allotment is the minimum base from which we can move in achieving a fast-enough rate of cost reduction.

For an interim period, until farmers can be profitably competitive on their own, some type of cost adjustment program must be provided. This is necessary if growers are to have returns at levels which will justify the great capital investments that are required for added efficiency.

We are opposed to any maximum dollar limit upon any farmer's participation in, or benefit from, a support or payment program. The investment per worker in agriculture averages $41,300 versus $21,900 per worker in industry. Strangling the larger cotton grower with limitations would thwart the drive for low-cost production. In addition, the future supplies of our raw material would be extremely undependable to users at home and in the export trade.

We think that the skip-row planting regulations which were in effect in 1965, and which were re-instated for this year, should be continued on a permanent basis. For many farmers in many areas, skip-row production improves quality, increases efficiency, and reduces risk.

We urge the immediate and full implementation of the special $10 million cotton cost-cutting research program originally authorized by the Congress in 1964. So far, only about one-third of this critically needed research program has been funded. The few millions of dollars required for full funding of the program offer the soundest possible investment for the government—in that cost-cutting research is the real key to reducing cotton program expenditures without putting cotton farmers out of business.

We think it will serve the purposes of efficiency to have some increase in the orderly movement of allotted acres into the hands of those who want and need them. For example, we feel that no limit should be placed on the acreage allotment which may be transferred from farm to farm; that transfers should be permitted between any farms in a state; and that the period during which transfers are permitted should be as long as practicable.

Competitive, one-price cotton

The concept of a competitive, one-price system has been firmly established since 1964. The Council is for maintaining that concept on a permanent basis. We must compete in price in this country and abroad. The price at which cotton can be considered competitive in the domestic and the export markets is now virtually the same. Our domestic market is being heavily invaded by foreign-produced textiles; and this invasion would only be further accelerated if foreign mills were permitted to buy cotton at a lower price than domestic mills.

Exports

It is of critical importance that our export market be restored to a reasonable level and that we begin sharing in the growth of fiber consumption abroad. It has long been the policy of our federal government, enunciated both in statutes enacted by the Congress and in statements issued by our Department of Agriculture, that effective measures should be taken to ensure a strong

and healthy export volume. It is the position of the National Cotton Council that cotton exports should be held to a level of at least 6 million bales, and it should be noted that this appears well in line with the minimum objectives already adopted by our government. The problem is to implement this policy. There are various sides to the problem, and we shall mention some of the most urgent.

It is fundamental that policies be followed which will permit our cotton to compete on foreign markets in price and availability. We cannot export our cotton in world competition at any given time unless our price is competitive with that of other growths and unless we actually have supplies of the necessary qualities to offer at competitive prices. And we cannot protect and expand our exports in the future unless our prices are low enough to discourage foreign producing countries from a rate of expansion that will destroy our own export market.

In this connection our experience of recent years seems to offer us some valuable guidance. If we consider the period of several crop years down through the one ending in July 1967, we can say at least that the export price seemed to be low enough to prevent any unreasonable expansion of foreign production. In fact the total cotton production of the entire foreign non-communist world increased by a net amount of less than a million bales (from 22.0 to 22.8 million) across the four years from 1962–63 to 1966–67. Likewise cotton held up well in these same countries, over this same period, against rayon, which has always been our closest competitor in price. Cotton actually pushed rayon back a little—from 28 to 27 percent of the market held by the two fibers combined.

On the other hand the events of this present crop year must be looked upon in a different light. There may be grounds for argument as to what constitutes a shortage of cotton, but there can be little disagreement over the fact that in the fall months of 1967, when buyers and sellers considered all the available facts (including the size of the carryover, of the crop, of the prospective off-take, and of the prospective crop next season) it was their composite judgment that a shortage did exist in the medium and longer staple upland cotton. The behavior of the market documents this quite clearly. The average price of middling 1$\frac{1}{16}$ inch cotton, as reported for the 14 official spot markets, rose from 25.90 cents a pound on the first of last August to 35.44 cents on the fourth day of December. That rise of 9½ cents a pound in a brief period of about four months has been followed by a decline of some 4 cents.

It seems clear that a speculative psychology took possession of the market during the period of rising prices. Since prices were rising, people with cotton to sell were tempted to hold it for still higher prices. Likewise in the more recent period, with prices falling, people in need of cotton have been tempted to put off purchases in hope of still lower prices. But if we take a broad look at the whole sequence of events thus far, it is evident that the underlying cause of it all was the general recognition of a tight supply situation, without which the temporary price spurt of 9½ cents could not have occurred.

While keeping always in mind the need for an overall program that makes it worthwhile for farmers to grow cotton and to invest in future production efficiency, we have to acknowledge that this experience has done real damage to the markets for cotton. Unquestionably it has stimulated a very considerable amount of increased plantings in foreign countries. We have no reliable figures at this time on the acreage to be planted abroad next season, but early reports tend to confirm the logical assumption that it will be increased very materially. If so, this will seriously damage our export market next season and in other seasons to come. Likewise it seems inevitable that the higher price of cotton is encouraging the substitution of man-made fibers in foreign lands, just as it is doing here at home. It seems essential for the maintenance of our markets that we get back to a position of adequate cotton supplies and that the general level of export prices which was possible under the Act of 1965 prior to the development of a tight supply situation be restored.

We feel that greater use could be made of the basic advantage which this country has in its relative abundance of capital, resulting in far lower interest rates than are available in many foreign countries. Invaluable assistance is being provided by our government agencies today, and this should be continued and in some cases extended. We would emphasize particularly that the lending resources of our private banks could and would become a far more powerful factor in our cotton exports if the Export-Import Bank were encouraged to make greater use of its existing authority to provide essential guarantees of the credit risks which exist, because of combined economic and political condi-

tions, in many of our most promising export markets. We believe this is a logical and necessary function of our government in today's world. Also we feel that revisions in the barter program could encourage exports. And we believe that transportation costs for cotton moving to foreign ports might be reduced.

The great role of promotion also needs to be recognized in connection with our exports as well as our domestic market. The biggest of the reasons why exports are not trending upward is that the non-cellulosic fibers are capturing the main growth in foreign markets just as they are doing in our own country. In the last six years the consumption of cotton and man-made fibers in the foreign non-communist world has expanded by about 11 million bale equivalents, but the non-cellulosics alone have taken over 70 percent of that market growth. We have learned that sales promotion is a very big factor in this competition. There are many things that can and must be done to promote our own United States cotton rather than cotton in general. These include such things as the building of stronger customer relations and the provision of technical services to the users of American cotton. Those of us in the industry are redoubling our efforts in these respects.

Cotton Textile Imports

Historically, the Council has been for a high level of international trade, and we still are. At the same time, we have always recognized that the domestic market for raw cotton is the biggest and most dependable market we have. Producers and others are spending many millions of dollars to promote cotton in the domestic market.

We have long recognized the need for reasonable restraints on cotton textile imports—which have shot up to a level equal to about a million bales of raw cotton in recent years. The trend is inexorably upward primarily because foreign mills operate in an entirely different economic climate and have major advantages in wages and other costs.

We do not propose to stop, or to roll back, or to prevent reasonable increases in textile imports. We do propose that they be held within bounds which will permit the American raw cotton industry to share in the growth of this domestic market that it is spending millions of dollars to hold and build for cotton products.

Administrative action has been completely inadequate to cope with this problem. We are convinced that the Congress must provide a solution by establishing specific quantitative controls on imports of textile raw materials and products thereof at levels which will not usurp cotton's current markets and their future growth.

Adequate Supply

If we are to have and build markets for American cotton, it follows that we must be able to supply those markets adequately, both in terms of quantity and quality.

The supply problem which developed last year came about when sharp acreage reductions were compounded by weather and insect damage that no one could possibly foresee. Our point here is that future projections of supply are inherently subject to huge errors—errors which can easily add up to millions of bales. There is absolutely no way to avoid such errors.

This being true, we strongly recommend that the concept of what constitutes a normal carryover be carefully re-evaluated. We think this concept should recognize the wide margins of error that are involved in forecasting. We think it should recognize the essentiality of producing supplies that are fully adequate to meet market needs. In turn, we do not advocate rebuilding stocks to levels that would swamp the market and add to government costs.

In this connection it should be noted that when there is no surplus of cotton but rather a problem of producing an adequate supply, it seems far more appropriate for the government to concentrate available funds upon the very real and urgent problem of cost adjustment for the man who actually grows cotton.

Need for Long-Term Policies

Unquestionably, the short-term program under which we are now operating has served two of its chief purposes. It has eliminated the huge surplus that was hanging over our heads. It has maintained farm income.

But if we are to generate the confidence in cotton that is needed, the government should move as rapidly as possible in developing long-range policies which

clearly have as their objective expanded consumption and production of U.S. cotton.

Our present and prospective customers need confidence if they are to make the forward plans that are required for using our fiber in their design, processing, merchandising and advertising programs.

Producers and others need confidence if they are to make the heavy investments that are essential for accelerating our increases in efficiency.

We must strive for an interaction between government programming and the industry's own efforts which will continue to make cotton profitably competitive as an enterprise on American farms and in textile markets here and abroad.

THE ALTERNATIVE

Our recommendations are aimed at capitalizing on cotton's great potentials for sound progress and building a bigger and stronger industry. The only alternative to this is a far smaller and weaker industry.

Unless we meet our competitive challenge, we could lose most or all of our export market, and see our volume of domestic consumption headed steeply downhill. Eight or ten years hence, we could have an industry based on half of the present national acreage allotment—a shrinking industry with a high-cost, high-priced luxury fiber for the domestic market.

If this should happen, many millions of acres of America's most productive farm land would be forced out of cotton and into other uses. The continuing problem of excess capacity in agriculture would be greatly aggravated. Clearly, farmers all over the nation have a vital stake in keeping cotton on the 16-million-acre minimum allotment we now have, with the hope that even more acres may be needed for cotton over the long pull.

The alternative of a far smaller cotton industry, with little or no export market, also could have a drastic effect on our chronic and critical deficit in international payments. Our raw cotton exports for hard currency have averaged about $400 million annually over the last five fiscal years. But we are in real danger of losing this source of strength in meeting our balance-of-payments problem.

It also should be noted that textile imports—which are cutting deeply into cotton's domestic market—have a real bearing on the balance-of-payments problem. They are currently adding hundreds of millions of dollars to our deficit. And unless the growth in these imports is put under reasonable restraint, they will greatly aggravate our international payments problem in the years ahead.

Another consideration is the consumer's interest in maintaining cotton as a strong competitive force in the world of textiles. If cotton loses out as a major fiber, markets will largely be supplied by man-made fibers, produced and controlled by a relatively small number of giant industrial corporations.

As we noted earlier, such corporations already have acquired a high degree of control over what is available to the consumer at the retail level. This is one of the reasons for a rising volume of complaints by consumers that they simply can't find the all-cotton products which they want and prefer. Clearly, for the consuming public to be best served, it is important to have a cotton industry which is capable of maintaining and strengthening competition among textile fibers.

SUMMARY

In summary, we are confident that the objective of a growing, self-reliant profitably competitive cotton industry can be achieved. We feel that this is not only in keeping with cotton's best interests, but the best interests of agriculture and the nation as a whole.

Those of us in the industry are moving rapidly to use the tools that are available to us in meeting our competitive challenge. We understand and appreciate the fact that other tools must be shaped and wielded by our government if we are to succeed. If the joint efforts of the industry and the government can be recast in terms of our present needs and future potentials, we firmly believe that cotton can continue and grow as a major segment of the U.S. economy.

Mr. Sayre. In the two latest seasons we have experienced a tremendous effort to reduce surplus under the authority granted by the act of 1965, and as it happened we have also had 2 years of very poor growing weather in most of the Cotton Belt. As a result, the surplus has been eliminated. The carryover on August 1 next will be approximately 6.75 million bales.

Now, under the act of 1965, substantial payments have been necessary not merely because an acreage curtailment was needed. They also have been and are necessary for a more fundamental reason. The price levels which are necessary today to keep cotton competitive for markets are below the level of return which the farmer must have if he is to cover his production costs and provide the minimum of income for economic health.

The record of recent years throws considerable light upon this basic problem. Over the years from 1962–63 to 1966–67, it seems apparent that our export price was competitive enough to hold foreign cotton production under reasonable restraint and to make cotton gain slightly against rayon in foreign countries. And over the years 1964–65 to 1966–67 under the newly established one-price system, our domestic prices also were generally competitive. But the price alone can never do the whole competitive job. Research and promotion and many other factors are always involved.

On the other hand, there is good documentation of the fact that the producer's costs were too high in relation to these price levels. The USDA has been carrying on a very expensive analysis of the cost of growing cotton under appropriations made by the Congress for that purpose. And the results published for the crops of 1964 and 1965 indicate an average cost—and this can vary a lot—of about 28 cents per pound. But since then we have had to face sharply rising wages and other price increases. Obviously an economically sound return to the producer must provide him a net income above his costs if he is to stay in business and to make the big investments which are necessary. The Congress itself in its past legislative enactments has recognized both of these conditions. It has recognized both that the price needed to be competitive if cotton was to survive and that the costs were too high in relation to such a price level and the Congress has made substantial appropriations in order to cope with this basic problem.

Now, in bridging the gap between these costs and the competitive price level, a lot of things are involved, but we believe that our great resources of capital and private enterprise with the helpful cooperation of the Government in certain ways will enable us to maintain cotton as a viable, vigorous growing industry. For one thing, farmers, cotton farmers, have demonstrated their own faith and determination by voting overwhelmingly to go ahead with the dollar bale program which was made possible under the Cotton Research and Promotion Act. They are putting their own money into this new effort. It is a big enough effort to have genuine effect, and it will grow bigger as we return to crops of more normal size.

Another reason we think that we can succeed is that the total market for which we are competing is on the rise. The job of holding and expanding our market is more attainable because the total market is growing.

In this country the consumption of all textile fibers has risen by an average of about 1 million bale equivalents per year for quite a few years. Our problem has been to win a good share of that expansion for cotton in the face of manmade fiber competition. We did fare quite well against our closest competitor, rayon staple fiber, across the years from 1964 to 1967, in fact, we were able to make net gains against rayon. But the newer manmade fibers, the noncellulosics,

have continued to gain at our expense. On balance, cotton has had some net gain in the size of its domestic market over the last 4 or 5 years but not enough.

Now, as we look to the future, with the farmers' big new research and promotion program in the picture we can hope for a better showing. But this has to be with the proviso that we will produce enough cotton to compete effectively with the synthetics, and that we will have a competitive price.

The foreign market for fibers is also rising very impressively, and here, too, there is a new force at work for cotton. In the noncommunistic countries alone the average increase in textile fiber consumption has been around 2 million cotton bale equivalents per year. It is vitally necessary that we keep our export price low enough to meet competition and to discourage any upsurge of foreign production. But we also have a new development in the foreign field which, like our Cotton Producers Institute at home, improves our odds for competing more effectively with the synthetics. One of the best uses ever devised for some of the counterpart funds made available under Public Law 480 has been the cotton research and promotion conducted in foreign lands under the guidance of Cotton Council International.

Now, another big step forward has been taken in that other cotton producing countries have been drawn into this effort. They are putting up funds of their own, as we should, to expand these programs. Last year the newly formed International Institute for Cotton, using funds from these other producing countries was operating at a level of over $8 million in the major cotton consuming countries of Western Europe and in Japan.

Another reason for optimism is that we have clearly entered a new period of faster improvement in the quality of our cotton. Private and public plant breeders have given us 15 new high-quality varieties which were planted on more than 1.5 million acres in 1967, and they are being increased in 1968. This is a revolution in fiber quality.

In all such efforts we begin in cotton with the advantage that it is an inherently marvelous fiber and a real blessing to consumers because it is so comfortable to wear, so easy to launder without special pampering, and so adaptable to all kinds of finishes and so dependable.

So we have a great fiber to improve and promote.

In the field of permanet press textiles, where synthetics have been making large inroads, we are expanding our cotton research. We do need a great acceleration in this area of produce development research. And CPI, for example, this year has allocated over $1.25 million for durable press and related problems in its 1968 research program.

Now, despite the small research funds which have been available for such efforts, we have made encouraging progress in such lines as fire-resistant cotton, cottons with stretch properties, resilient cotton batting which competes well in auto cushioning, bedding, and furniture.

But the most impressive reason for a bright future for cotton is the progress being made toward added efficiency in production. Research developments have made it possible to reduce the labor required for producing a bale of cotton from 175 man-hours at the close of World War II to about 32 today. The reduction is about 82 percent of the labor previously required.

Over the same period the yield per acre rose from about a half a bale just after the war to an average of roughly a bale in recent years.

In brief, we produce a bale of cotton today with less than one-fourth as much labor and with about half as much land as we did just two decades ago.

Now, these, gentlemen, do not sound like figures from an industry which should be in deep trouble. These are figures from a dynamic industry, and cotton is a dynamic industry. And it seems very clear that we can go on being dynamic in this sense.

Entirely new low-cost methods of producing cotton are being developed for some areas. For example, an experiment is underway in Lubbock, Tex., under which cotton is planted in 10-inch rows to a heavy stand. It is laid by at planting time with a broadcast application of herbicides and the field is not entered again until the cotton is ready for a once-over harvesting. This is the kind of breakthrough efforts which we are making to increase cotton's production efficiency.

Now, the question is logical, why is an industry in the midst of dynamic progress having trouble? And why is it a matter of justifiable concern to this Congress? This in part and really basically is to be found in the nature of competition which cotton faces.

First we have to consider the cotton which is grown in foreign lands. We have to be able to sell our cotton at a low-enough price so that our foreign competitors will be restrained from expanding their production too rapidly. And we have 60 of these foreign competitors. When we think of all these foreign cotton-growing countries, we realize that they all stand in sharp contrast to our own economic conditions. In general these are countries with the lowest labor costs in the world. And they are not obliged to contend, as we must, with the rising costs associated with such things as minimum wages and other established welfare and bargaining measures.

In our own country, we have to realize that all of our great progress toward more efficient cotton production, which we have just been reviewing, has been partially offset by rising farm wages and by the rapidly increasing prices of the machines and chemicals and other inputs which are necessary in replacing labor.

For example, if we average the farm wage rates reported by the USDA for January 1, 1968, in the 14 main cotton-growing States, we find that they have risen by 10 percent in the preceding 12 months, just ahead of January of this year. A mandatory minimum wage increase of 15 cents per hour effective Ferbuary 1, 1968, coupled with another 15 cents to be added February 1, 1969, will continue the rapid rise in direct wages.

But our greatest competitor that confronts us is the synthetic fiber industry. And cotton happens to be that particular agricultural commodity which has been called upon to absorb the first all-out assault upon its markets by synthetic substitutes. All of agriculture faces this danger in the future.

If anyone believes, in addition, that cotton has a fair and equal chance to compete on its merits as a fiber, he should contemplate the fact that one synthetic fiber manufacturer now receives more income from fiber than all the farmers in Texas, Louisiana, and Arkansas combined.

The large corporations which produce the synthetics have basic advantages of organization over the hundreds of thousands of farmers who grow cotton. These large firms have the means readily at hand to appropriate huge sums for research, product development, advertising, and merchandising. They can price their products more stategically to exploit markets and maximize their long-range profits. They can withhold sales or develop sales in just those markets where they see the best advantage in doing so. They can exploit programs of combined technical and promotional activity, reaching all the way from the raw fiber to the retail counter. They can induce cutters and retail merchants to stock and push their products and to play down the products of cotton, even when the final consumer would really prefer cotton.

Now, we submit to you that a farm commodity which is making as much progress as cotton, and which is being denied the fruits of its progress by these two forms of competition, deserves the continued concern of the Congress, in the future as in the past. It is in the interest of all the American people that cotton be encouraged to push forward with the accelerating competitive effort which it is now making.

What are the fundamentals of Government policy which will be in keeping with a soundly expanding cotton economy? The council in behalf of all parts of the industry suggests the following:

We believe the Government should, in every possible way, encourage the drive for increased cotton industry efficiency.

We feel that the present 16-million-acre national cotton allotment is the minimum base from which we can move in achieving a fast enough rate of cost reduction.

For an interim period, until farmers can be profitably competitive on their own, some type of cost adjustment program must be provided. This is necessary if growers are to have returns at levels which will justify the great capital investments that are required for added efficiency.

We are strongly opposed to any maximum dollar limit upon any farmer's participation in, or benefit from, a support or payment program.

Gentlemen, the investment per worker in agriculture averages $41,300 versus $21,900 per worker in industry. And strangely enough, the larger cotton grower with limitations would support the drive for low-cost production.

We think that skip-row planting regulations which were in effect in 1965 should be continued on a permanent basis.

We urge the immediate and full implementation of the special $10 million cotton cost-cutting research program originally authorized by the Congress in 1964. So far, only about one-third of this critically needed research program has been funded. We think it will serve the purpose of efficiency to have some increase in the orderly movement of allotted acres into the hands of those who want and need them.

Now, the concept of a competitive, one-place system has been firmly established since 1964. The council is for maintaining that concept on a permanent basis. We must compete in price in this country and abroad. And the price at which cotton can be considered competitive in the domestic and the export markets is now virtually the same.

Our domestic market is being heavily invaded by foreign-produced textiles, and this invasion would only be further accelerated if mills were permitted to buy cotton at a lower price than domestic mills.

It is of critical importance that our export market be restored to a reasonable level and we begin sharing in the growth of fiber consumption abroad. It has been long the policy of our Federal Government, enunciated both in statutes enacted by the Congress and in statements issued by our Department of Agriculture, that effective measures should be taken to insure a strong and healthy export volume. It is the position of the National Cotton Council that cotton exports should be held to a level of at least 6 million bales. We feel that greater use could be made of the basic advantage which this country has in its relative abundance of capital resulting in far lower interest rates than are available in many foreign countries.

Invaluable assistance is being provided by our Government agencies today, and this should be continued and in some cases extended.

We would emphasize particularly that the lending resources of our profit banks could and would be a more powerful factor in our cotton exports if the Export-Import Bank were encouraged to make greater use of its existing authority to provide essential guarantees of the credit risks which exist because of combined economic and political conditions in many of our most promising export markets.

Now, historically, the Council has been for a high level of international trade, and we still are. At the saem time, we have always recognized that the domestic market for raw cotton is the biggest and most dependable market that we have.

Now, we have long recognized the need for reasonable restraints on cotton textile imports—these have shot up to a level equal to about 1 million bales of raw cotton each year. The trend is inexorably upward, primarily because foreign mills operate in an entirely different economic climate and have major advantages in wages and other costs.

We propose that the imports be held, or should be held within bounds which will permit the American raw cotton industry to share in the growth of this domestic market for which it is spending millions of dollars to hold and build for cotton products.

Administrative action has been completely inadequate to cope with this problem. We are convinced that the Congress must provide a solution by establishing specific quantitative controls on imports of textile raw materials and products thereof at levels which will not usurp cotton's current markets and their future growth.

Now, if we are to have and build markets for American cotton, it follows that we must be able to supply those markets adequately, both in terms of quantity and quality.

The supply problem which developed last year came about when sharp acreage reductions were compounded by weather and insect damage and no one could foresee that.

This being true, we strongly recommend that the concept of what constitutes a normal carryover be carefully reevaluated. We think this concept should recognize the wide margins of error that are involved in forecasting.

And in this connection it should be noted that when there is no surplus of cotton but rather a problem of producing an adequate supply it seems far more appropriate for the Government to concen-

trate available funds upon the very real urgent problem of cost adjustment for the man who actually grows cotton.

Now, unquestionably, the short-term program under which we are now operating has served its two chief purposes. It has eliminated the huge supply that was hanging over our heads. It has maintained farm income.

But if we are to generate the confidence in cotton that is needed, the Government should move as rapidly as possible in developing long-range policies which clearly have as their objective expanded consumption and production of U.S. cotton.

We must strive for interaction between Government programing and the industry's own efforts that will continue to make cotton profitably competitive as an enterprise on American farms and in textile markets here and abroad.

We are proposing these modifications based on cotton's great potentials for sound progress and for building a bigger and stronger industry. But the only alternative to this is a far smaller and a far weaker industry.

Unless we meet our competitive challenge, we could lose most or all of our export market, and see our volume of domestic consumption headed steeply downhill. Eight or 10 years hence, we could have an industry based on half of the present national acreage allotment—a shrinking industry with a high-cost, high-processed luxury fiber for the domestic market.

If this should happen, many millions of acres of America's most productive farmland would be forced out of cotton and into other uses. The continuing problem of excess capacity in agriculture would be greatly aggravated.

Thirdly, farmers all over the Nation have a vital stake in keeping cotton on the 16-million-acre minimum allotment we now have, with the hope that even more acres may be needed for cotton over the long pull.

The alternative of a smaller cotton industry, with little or no export market also could have a drastic effect on our chronic and critical deficit in international payments.

Our raw cotton exports for hard currency have averaged about $400 million annually over the last 5 fiscal years. But we are in real danger of losing this source of strength in meeting our balance-of-payments problem.

It also should be noted that textile imports are cutting deeply into cotton's domestic market, but they do have a real bearing on the balance-of-payments problem. We are currently adding hundreds of millions of dollars to our deficit by buying foreign textiles.

Another consideration is the consumer's interest in maintaining cotton as a strong competitive force in the world of textiles. If cotton loses out as a major fiber, markets will largely be supplied by man-made fibers, produced and controlled by a relatively small number of giant industrial firms.

Now, such corporations already have acquired a high degree of control over what is available to the consumer at the retail level. And this is one of the reasons for a rising volume of complaints of consumers that they simply can't find the all-cotton products which they want and prefer.

Now, Mr. Chairman, that concludes our formal statement. I believe you mentioned to a couple of Council representatives the other day when they were testifying on Public Law 480 that you would like to have their views on what happened to price and the relationships of . . . under the act of 1964 and 1965. I have been doing some work on this. I would be glad to put it forward or submit it for the record, whichever you prefer.

The CHAIRMAN. Well, as you know, I vigorously opposed the one-price system of cotton. And I think on all points advanced by me the predictions I made came to pass.

The proponents of the one-price system stated that the consumption of cotton would increase by 1.1 million bales with an 8.5-cent reduction in price. But I find that in 1960 the amount consumed domestically was slightly over 9 million bales, 600,000 short of the target. In 1965, consumption reached 9.4 million bales, followed by 9.3 million in 1966 and an estimate of only 9 million bales for the 1967 crop.

Now, how do you account for that? Here we were led to believe that the way to fight competition from manmade fibers was to give us a one-price system, and we can increase the consumption. And that hasn't happened. And the cost to the taxpayer is such now that we are being criticized for having so increased the cost of this program.

If you consider all payments, it abrogates to around $1 billion a year and the beneficiaries of this are the mills, the cotton mills. The public hasn't benefited by it.

I can well remember when Mr. Hodges testified before this committee that if you give us a one-price systm, the cost of cotton goods will go down at least—I mean will go down to a point where the public will benefit to the extent of about $700 million, but instead it went up. And then on the other hand, in respect to cotton use, in calendar year 1963, cotton's share of the market amounted to 55.7 percent, and manmade 38.4 percent; wool accounted for the remainder. Estimates for 1967 showed that cotton has dropped to 51.4 percent, while manmade's share has increased to 44.6 percent.

Now, with that how can you expect this program to proceed as written and at the cost to the taxpayers?

Mr. SAYRE. Well, if you will permit me, I would like to, then—I have done this on my own—do the review that I have prepared for that type of question.

We are in this sort of situation. The changes in prices of cotton and fabrics do not reflect adequately relative changes in the price of cotton.

Now, this is true in a highly competitive industry. In a highly competitive industry you just don't have cost-plus pricing of your product and sell it. Somebody else will sell it cheaper before you get a chance to get to market.

Now, this is one of the factors that occurred in the short run as we went in, in my view, under the Agricultural Act of 1964. And these facts you can document to some extent by the record of cotton mills margins compiled by USDA, although any of us who work with cotton mill margin figures have real concern as to whether they are truly representative of the entire textile market.

But, Mr. Chairman, there are examples, several of them, of short periods when the price of cotton moved in one direction while the price of cloth moved in the opposite direction.

For example, during the entire crop year of 1957–58, the reported average price of the gray cloth made from a pound of cotton dropped from the previous year by 4.47 cents per pound, or yard, rather, while the cost of the cotton used in making it rose to .82 cents per pound.

On the other hand, in the crop year 1959–60, the price of cloth rose by 5.16 cents, while that of cotton fell by 1.75 cents.

For the past 12 months, ending February 1968, the price of cotton is up by about 6.4 cents per pound—that's in 12 months—while the price of cloth is up by 1.22 cents per yard, so in pound equivalents of cotton mill margins are down by 5.18.

Now, it is well known that textile manufacturing is a highly cyclical thing. It has its ups and downs. And it is primarily a reflection of demand. The wide swings in the level of cloth prices and the resulting variations in mill margins and profit, if you will, depends upon how much consumers have in mind spending for textiles compared to refrigerators and compared to anything else. And in 1964, if you will, we had a big reduction in the Federal Income Tax, since the spending on clothing had been at a rate in 1965 of only about a half a billion increase, or 2 percent, but in 1964 it rose by $3.4 billion, or 13.2 percent and another $3 billion in 1965.

Now, cloth prices did decline a little in the first half of 1964, but by the end of the year there was a powerful enough pull on demand on the upside of the cycle to carry them about the level of the year ago year. And this strengthened——

The Chairman. You mean increased prices?

Mr. Sayre. Yes, sir. The demand for goods——

The Chairman. Well, the prices were so high, that is, the cloth that was sold by the textiles, that that invited more competition from abroad.

Mr. Sayre. Well, I think this is in part the situation, but now we have come to another side of the cycle, Mr. Chairman, where prices have weakened very much for textiles in 1966, the last part of 1966, and all throughout the year 1967, and they are still on a low ebb, and that's in the face of cotton prices having gone up about 6.5 cents.

The Chairman. The contention made by the proponents of this new plan, the one-price system, was that it was going to increase the consumption of cotton to the point where synthetics or manmade fibers would be reduced considerably.

Now, the only area in which there has been some reduction was in rayon.

Mr. Sayre. Rayon, yes.

The Chairman. That's all, and as far as the others, it went up and I——

Mr. Sayre. Well, Mr. Chairman, here is a pair of work pants that I bought in Greenville, S.C., at the J.C. Penney store, and here is a pair right alongside them—these blue ones are 100-percent cotton made out of carded 8½-ounce twist twill. Unfortunately, this is a 50-percent combed cotton and 50-percent polyester fiber. It has been treated for permanent press. It has been treated for soil release. This one costs $3.24 per pair; this one $4.98. And the clerks on the floor told me that this was the one that the ladies were buying for their husbands. And why they were buying

it was the permanent press and the soil release, the easy care. They were able to dry them in a spin dryer, and they didn't have to touch them with an iron and yet this has come from product development. This cloth, they tell me—and I have been sitting on the doorstep of a good many mills trying to understand this thing—they tell me this product wasn't even in existence in 1963, whereas this has been of long standing in the work pants field. And yet people are paying $4.98 for these compared to, I believe, what did I say $3.29—yes, $3.29 for the 100-percent cotton.

Now, this technological development and product development either with CPI or with added teamwork with the Government, we are either going to have to meet and meet it head on or we are going to have to continue to lose these big volume markets such as this.

The CHAIRMAN. Well, how do you meet it head on? You made an eloquent plea there to continue the cotton program——

Mr. SAYRE. Yes, sir.

The CHAIRMAN (continuing). To grow at least 16 million acres of it. But it doesn't seem that the millowners are willing to use cotton. They want to go synthetics. And I am not blaming them now.

Mr. SAYRE. I understand that.

The CHAIRMAN. But how can you paint a fine picture for cotton in in the light of what you have just testified to?

Mr. SAYRE. Well, just this, Mr. Chairman. We are a long way down the road to a full permanent press, soil release, treated cotton. If we had it—and we can have it within 6 or 8 months—I am not saying that is a prediction or promise. I am just saying—and I serve on the CPI executive committee—that we are making the kind of progress in cotton research that it would be a real disservice to the economy of this country if an industry with as much potential and as many possibilities as we have left floundering before we could match some of these things that our competition has come up with.

The CHAIRMAN. Well, I was surely of the opinion that by having this one-price system the cotton mills would use so much more cotton than they actually did and that was the chief argument advanced.

Mr. SAYRE. Well, I think one has to compete in price, in research and product development, and in promotion, and also in some way or another you have to convince people that you are going to continue to be right up with the best of your competitors in having the things that they can make money out of. And this is what we can do in cotton, but we aren't doing it still and we will need more assistance before we can do it.

The CHAIRMAN. Well, I say but 3 years ago we got that assurance, that more cotton would be used, and all of that, if "you give us the one-price system," and of course another area—I don't know why it is, but we were told that our exports would grow, of cotton, but it hasn't. And with all of that facing us and you say what ought to be done for cotton there, you know, unless the domestic mills of this country take more and more cotton, I can see that cotton production is bound to decrease. We can't possibly compete on world markets—in other words, our people would be bound to be subsidized from here out to grow cotton, and you can't compete with South America, Central

America. It would just be impossible. With your high wages and this, that, and the other, I can see no chance for competition.

And as I stated 3 or 4 years ago, if the cotton mills of this country mean to be in business, they had better see to it that the cotton growers are kept in business by the use of more of the cotton.

But I presume, like any other business, they produce what they can sell best and buy what they can get cheapest.

Mr. SAYRE. Well, I think in connection with that—I do think this, Mr. Chairman, I don't ever like to take the negative approach to a question, but I think our consumption could have gone down a whole lot more if we hadn't had a one-price system.

The CHAIRMAN. Well, you may have a chance this year, because I am going to advocate a two-price system. I don't know that I will get by that but I will surely do it.

Mr. SAYRE. Well, I regret that you are moving in that direction, but, on the other hand, we appreciate your understanding of the many sides of this whole problem.

The CHAIRMAN. Well, I will put in the record at this point a letter that I wrote under date of March 12, 1968, to Mr. Seton Ross, editor, Cotton, Hickman Building, Memphis, Tenn.—it was printed somewhere—just indicating that the prognostications that I made 3 or 4 years ago have come to pass. And the point is now being reached where if the subsides that are paid to the farmers continue and then with all of the moneys being paid out not to plant, if we have to reenact it in that manner, I don't know whether Congress will go along with us. And that's what bothers me a lot.

(The letter referred to follows:)

U. S. SENATE,
Washington, D.C. March 12, 1968.

Mr. SETON ROSS,
Editor, Cotton,
Hickman Building,
Memphis, Tenn.

DEAR MR. ROSS: This is in response to your request for my views on new cotton legislation. I might add that I welcome your suggestion that they be made public.

I have already stated that 1968 should be used constructively by cotton producers and others in discussing, planning and developing a cotton program for 1970 and thereafter. Further, it is the intention of the Senate Committee on Agriculture and Forestry, of which I am Chairman, to hold exploratory hearings beginning April 3 on the operation of the present law and to lay the groundwork for future action. While my own views on new cotton legislation have not yet solidified there are certain provisions and aims of the existing program which merit close scrutiny, because in my opinion they have failed to achieve fully the originally stated ends.

I am sure you will recall that I vigorously opposed both the 1964 and 1965 so-called one-price cotton proposals that were finally approved by the Congress. My opposition was based on several major points: (1) that the drastic reduction in the price of cotton to domestic mills would not result in the increased consumption promised by its proponents; (2) that consumers would not benefit by price reductions in finished textiles; (3) that mill consumption of the man-made fibers would continue to increase; (4) that imports would not attain the high levels predicted; (5) that the program would be costly to the government; and (6) that with the application of price support payments producers would be faced with prices at world levels and dependent upon such payments to maintain income.

From the record established under the one-price cotton laws it appears that I have been more or less correct on all counts.

Domestic mills have never fulfilled their promises of increased use of cotton. During the five-year period preceeding the one-price cotton law consumption of upland cotton averaged slightly over 8.5 million bales. Proponents of the new law maintained that consumption would increase by 1.1 million bales with an 8.5 cent drop in the price of cotton. The law was changed. However, mill use has not achieved the stated goal notwithstanding lower prices. In 1960 mill consumption amounted to just slightly over 9.9 million bales; 600,000 short of the target. In 1965 consumption reached 9.4 million, followed by 9.3 million in 1966 and an estimate of only 9.0 million bales for the 1967 crop. Further, in my opinion consumption will never increase to the extent anticipated because price is only one of the many factors involved.

To what extent have the mills been subsidized in the last several years in spite of the fact that goals were not realized? Well, in 1964 we not only reduced the support price of cotton by 2.5 cents per pound but made additional payments to mills of 6.5 cents per pound for a total subsidy of $382.5 million. In 1965 the farm price support level was further reduced by one-cent per pound and payments amounted to 5.75 cents for a total subsidy of almost $400 million. In 1966 the price support payment amounted to 9.42 cents for a total subsidy of $438 million and in 1967 the subsidy amounted to about $518 million.

Consumers were to be benefited in the amount of $700,000,000 through the 8.5 cent reduction in raw cotton prices to mills, according to Mr. Luther B. Hodges, then Secretary of Commerce. But, the fact is that mill unfinished cloth prices increased from 61.54 cents per pound in 1963 to 66.18 cents in 1966, and mill margins increased from an average of 26.18 cents for the 1963 crop of cotton to 40.62 cents in 1966 (see page 35, Cotton Situation, October 1967). On the other hand, textile imports increased substantially. In calendar 1963, imports on a raw cotton equivalent amounted to 634,000 bales. This increased to over 1,000,000 bales in 1966 and will total about 900,000 in 1967. Had domestic mills lowered prices to consumers as had been promised, no doubt imports would have been reduced and U.S. mill consumption of cotton would have increased.

Furthermore, mill consumption of man-made fibers has continued to increase. In calandar 1963, cotton's share of the market amounted to 55.7 percent and man-made's 38.4 percent. Wool accounted for the remainder. Estimates for 1967 show that cotton has dropped to 51.4 percent, while man-made's share has increased to 44.6 percent. And most surprising, the higher man-made fibers are the ones showing a continued gain, while consumption of rayon and acetate has declined slightly, very slightly.

In the five-year period prior to one-price cotton, raw cotton exports averaged about 5.5 million bales annually. Since 1964, however, exports have averaged just about 4 million bales each year. This is notwithstanding the fact that the much lower loan level supposedly would regain our share of the world market. Further, exports of domestic cotton manufactures have also decreased. In 1963, before the advent of one-price cotton, we exported the equivalent of about 435,000 bales in manufactures. This dropped to 395,000 in 1966 and is expected to be even less in 1967. Obviously, neither have we attained our goal in this respect.

In fiscal years 1965 and 1966 the actual cost of the program, including Public Law 480, amounted to about $1.4 billion, in 1967 about $1.2 billion and in 1968 an estimated $1.1 billion. However, on a net expenditure basis, the cost amounted to $902.5 million in 1965, about $1.0 billion in 1966, $357.3 million in 1967 and an estimated $456.1 million in 1968. Now that government stocks have been reduced to minimum levels the sales proceeds offsets will not be as large as in recent years and the real cost will be exposed.

True our surpluses of cotton have now virtually disappeared. Although the program was helpful in this respect, I must say that "weather" had something to do with it. As a matter of fact disappearance exceeded production during only the 1966 and 1967 marketing years since 1960 even though the one-price program was in effect for both the 1964 and 1965 crops. In other words full production from the 16 million minimum acreage, even with low-priced cotton, is now far in excess of our needs for both domestic consumption and exports.

What can we do about the cotton problem? I think there are a number of possibilities. At the head of the list is the requirement hat domestic mills pay more for the cotton they purchase from our domestic producers. Why should mills get cotton at deflated prices at government expense and sell textiles at inflated prices? What sense does it make? Personally, I want to look at this aspect of the cotton problem very closely and with a very skeptical eye.

Obviously, both consumption at home and exports abroad must be increased if our farmers are going to survive. Perhaps we can increase both through the use of incentives. Let us deemphasize low prices and study seriously the use of incentives to increase consumption. In the case of exports one method might be the use of sealed bids. The Department of Agriculture opposes this but it might be used effectively. But other incentives are available. Let our merchants sell and watch our exports expand.

Another possibility is a more realistic pricing of the various qualities and staples of cotton. A number of other changes may be incorporated in a new sales policy. More efficient and effective merchandising is one. Better packaging is another. There are a number of other possibilities, research is one, which I am sure will be advanced and discussed at the hearings.

But I do think it needs saying that the dominance of the textile mill thinking must change. Let us look at the industry as a whole.

I have always felt that domestic mills should pay fair and reasonable prices to domestic producers in order to assure sufficient quantities of quality cotton and to supply our consumer markets with quality merchandise. All in the industry must work toward one end, that is, continued and increased use of cotton, with reasonable profit for all so that all may prosper. However, for one segment to prosper at the expense of the other is a self-defeating attitude for ultimately none will prosper.

With kindest regards and best wishes, I am

Sincerely yours,

ALLEN J. ELLENDER, *Chairman.*

Mr. SAYRE. Well, may I in the interest of rounding out this story here make just three or four more comments. It will take me a couple of minutes.

About 65 percent of the cost of producing average cotton fabric is raw material and 35 percent is power, labor, maintenance, and overhead.

And recently, Mr. Chairman, I spent 2 days in and around Greenville, S.C. to piece together a document, so far as time permitted, the showing what happened after the passage of act of 1964. I was given access to mill records and had an opportunity to look at sales contracts in numerous instances, and take cotton print cloth prices as an example—it was reduced in 1964 and has gone on down since then and I will give you this chart which reflects the sales contract prices of a mill who has been in the print cloth business for many years, and you will note there that all cotton print cloth prices are now $16.75 per yard, the cheapest that it has been during that 20-year period. I have a copy of the sales contract, the type of thing that we got the data from to make that chart.

Then from the print cloth plant I went to——

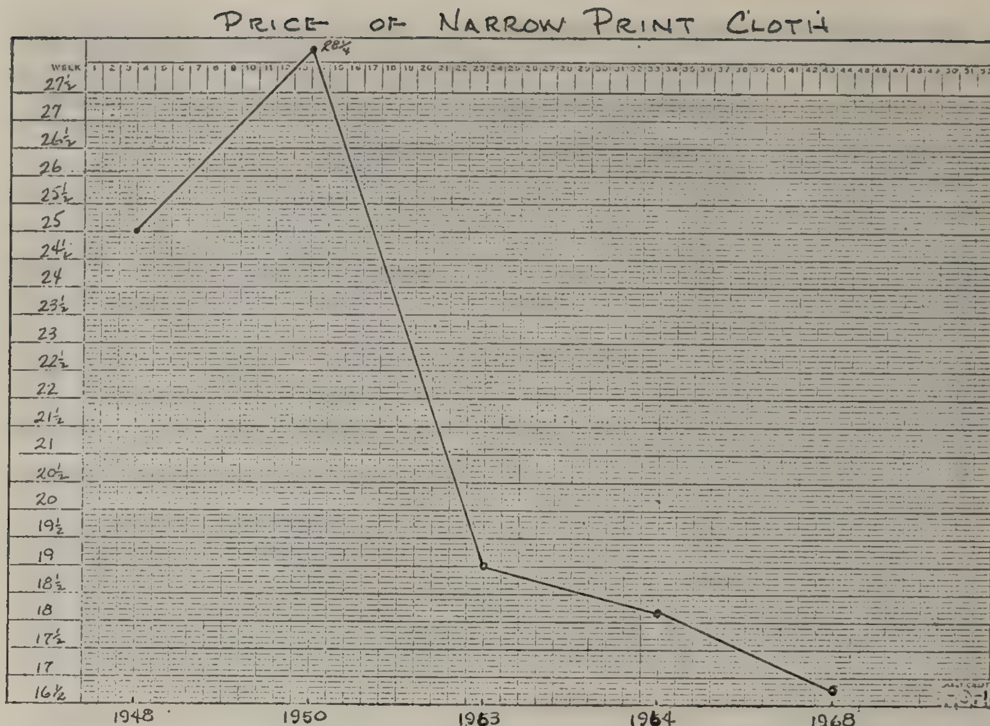
The CHAIRMAN. The chart will be placed in the record at this point.

Mr. SAYRE. Thank you.

The CHAIRMAN. To get all the facts.

Mr. SAYRE. Thank you, sir.

(The chart referred to follows:)



Mr. SAYRE. From the printcloth plant, I went on a tour of twist twill fabrics, the type of things that are in these trousers, and this is what I found.

Comparing March 1963 with March 1968, cotton cloths were down about 15 percent and weighted by that 1965 part component that makes up the total cost, it was 9.5 percent. Add five increases in wages equal to 29.5 percent and weighted that equals 9.3 percent, and finishing costs—and that's when you get from drygoods to finished fabric—had gone up 1.3 percent. Yet this 8½-ounce all-cotton twill is selling today for 56.75 cents per linear yard versus 56.12 cents in 1963, or a difference of only .6 cent per yard.

Senator JORDAN. How was that now?

Mr. SAYRE. The 8½-ounce twist twill was selling at 56.75 per yard in March of 1968, Greenville, S.C., versus 56.12 cents in 1963, a difference of only .6 cent—six-tenths of a cent increase in that period.

Here is the type of fabric, with which you are well aquainted.

Senator JORDAN. And a lot of it goes into Army uniforms.

The CHAIRMAN. Will you let me make a statement?

Off the record.

(Discussion off the record.)

The CHAIRMAN. Any questions?

Senator JORDAN. I want to comment in a minute when he gets through.

Mr. SAYRE. I did buy these pants that I brought along and the price of these work trousers has gone up since March of 1963 from $2.98 per pair to $3.29 per pair.

Now, in this retail store, which was a chain retailer, they had made this one price increase between 1963 and 1968, and during this same period their wages had gone from $1.20 to $1.60, or up 34 percent

and they had made only a 10-percent increase in the price of the pants.

I believe that price reductions in U.S. cotton have kept the industry alive and in a position to grow. I do feel that it has helped consumers considerably, although I also do not fail to recognize that it might not have done all the things that we would have hoped for it to do.

The CHAIRMAN. Any questions?

Senator JORDAN. May I ask Mr. Sayre a question, Mr. Chairman? In your opinion, had the price of cotton for export not been priced downward, we would have probably lost what export market we did have, wouldn't we, over the next 2 or 3 years?

Mr. SAYRE. Well, the action of this committee, the Agricultural Act of 1956, we, I think, saved our cotton exports then. We would have been out of the business even before we got to 1964.

The CHAIRMAN. Well, you are getting world prices now, aren't you, since 1956?

Mr. SAYRE. Well, prices, because of the short crop last year are above world prices by about 7 cents per pound for our type of cotton in the Mississippi Valley. We hope this year there will be a good crop which will get our prices more nearly down to world prices. The present premium is a temporary thing.

Now, I think this, that we have to maintain in the eyes of the world as well as our domestic potential market, the idea that we are going to have a stable price not very far above world prices, maybe a cent or two, with quality consideration, and we are going to have enough cotton to meet their needs.

The CHAIRMAN. Now, of course, we can't produce cotton at world prices, as you know.

Mr. SAYRE. No, sir.

Senator JORDAN. Mr. Chairman, I think I can throw a little bit of light——

The CHAIRMAN. Any further questions?

Senator JORDAN. Mr. Chairman, may I add one thing. I would like to see if Mr. Sayre could confirm this.

In 1967, there were 9.4 million bales of cotton used as against 8.5 million—900,000 bales more in 1967 than there was in 1963, but one of the big problems we have to face—I am talking about the American farmer, cotton farmer and American cotton manufacturers also—is the increasing imports into the country.

Mr. SAYRE. Yes, sir.

Senator JORDAN. Last year—this is in cotton—it was 913,000—nearly a million bales of cotton came in here in cloth or yarns. And in the synthetics, blends—now, that is where we blend it with rayon, nylon, anything we want to blend it with—on which there are no import quotas at all, an equivalent of 879,000 bales came in on that. And imports in January of this year were the highest they have ever been in the history of the United States. And right there is about 2 billion bales of cotton that we didn't spin in this country because of the imports that came in.

Mr. SAYRE. Right, sir.

Senator JORDAN. And at prices way below ours with their wage scale from 17-cents-an-hour wage scale up to 60. And I have the wage scales, too.

The CHAIRMAN. Thank you very much.

Mr. SAYRE. Thank you very much, sir.

The CHAIRMAN. Senator, any questions?

Senator TALMADGE. Thank you, sir. Good to see you.

The CHAIRMAN. All right. Mr. Crabill.

Mr. CRABILL. Yes.

The CHAIRMAN. Would you step forward, please.

All right. Will you identify yourself for the record.

Mr. CRABILL. Yes, sir.

STATEMENT OF WILLIAM A. CRABILL, DELTA COUNCIL, MARKS, MISS.

Mr. CRABILL. I am William A. Crabill, of the Mississippi Delta Council. I have with me B. F. Smith, who is executive vice president of the Delta Council.

The CHAIRMAN. All right. Proceed.

Mr. CRABILL. The Delta Council is an organization supported by the agricultural business and professional leadership of the Yazoo Mississippi Delta area and by the county board of supervisors. Delta Council is authorized to represent the common interest of more than one-half million people who live and do business in the area. Cotton is the principal source of income of the delta, and the Delta Council represents the cotton farmers' viewpoint.

The cotton industry is an extremely important segment of our national economy. An estimated 1,300,000 people live on farms that grow cotton. And additional 7 million individuals are represented by direct handlers and suppliers and by their dependents. In a normal year, the value of the cotton crop, including payments, ranges between $2 and $2½ billion. The total investment in the production of cotton in the United States is estimated at more than $24 billion with about $11,750 million represented by farm real estate.

In our State, cotton is even more relatively important. The number of people living on cotton farms amounts to 233,000 individuals. The value of the cotton crop in 1967, even with the smallest crop since the turn of the century, was almost value of all meat animals plus poultry and eggs. Anything that affects cotton also affects all other segments of our economy.

I am sure that each member of the committee is aware that the cotton industry today faces a supply situation that is vastly different from the situation that prevailed when the Agricultural Act of 1965 was enacted. From a record and burdensome carryover existing at that time, cotton supplies have been reduced to a manageable level. In fact, some of the qualities of cotton are in very short supply. The diversion features of the current cotton law, combined with bad weather, have accomplished this reduction in a 2-year period when it had originally been estimated that 4 years would be required to achieve a manageable supply balance.

The cotton section of the Agricultural Act of 1965 was primarily designed to reduce the surplus, while at the same time cushioning the impact of the supply adjustment for farmers. While payments have helped cotton farmers to make this transition, the impact of these adjustments on agricultural communities has been drastic. There is now a great need for Government policies and a program that will

permit cotton farmers to produce the supplies and qualities needed for domestic consumption and for export in an efficient manner and with the objective of market expansion.

Regardless of the initial producer opposition to the current cotton program, I am sure you recognize the fact that the majority of cotton farmers would like nothing better than to have the program extended for an additional 4-year period. We realize, however, that some changes and modifications are needed—primarily to reduce costs. We also believe that major shifts in the direction of the program would cause undue hardships and would disrupt markets. We, therefore, respectfully submit the following recommendations for modification:

1. Since one of the major objectives of any cotton programs should be to provide an ample supply of the desired qualities of cotton for domestic consumption and for export, we urge that the 16-million-acre national allotment be maintained. Any reduction in the statutory allotment level would be a clear signal for foreign cotton-producing countries to increase their plantings. The history of our efforts to adjust supply with demand since World War II has resulted in this country making the supply adjustment for the entire world. A further reduction in the national allotment would simply make room for another expansion in foreign production.

2. We also recommend maintaining the concept of a competitive one-price cotton system. To accomplish this and at the same time provide for orderly marketing, we recommend continuation of a nonrecourse loan program with loans available to cooperators at 90 percent of the estimated world price but not less than 20 cents per pound, Middling inch, average location.

Senator JORDAN. What is the loan now, do you know?

Mr. CRABILL. Yes, sir; it is 20–25 now.

Senator JORDAN. It is 20–25 now.

Mr. CRABILL. As a minimum.

The CHAIRMAN. Minimum?

Mr. CRABILL. (3) We recommend that the section of the law dealing with the domestic allotment be modified to provide for some degree of elasticity in establishing the farm domestic allotment percentage. Currently, the farm domestic allotment minimum is 65 percent of the farm acreage allotment. We believe that it would be more realistic to provide that the farm domestic allotment percentage range between 60 and 80 percent of the farm acreage allotment, but in no case should the national domestic allotment be less than the acreage required to produce 9.5 million bales of cotton.

4. In order to bridge the gap between a below world price support level and a price that cotton farmers can live with, we recommend that a price support payment be made on cotton produced on domestic allotment acreage representing the differences between the support price and 75 percent of parity, Middling 1 inch, average location. Farmers could grow additional acreage up to their full farm acreage allotment but would not receive payments for production above their domestic allotment. They would, therefore, have a choice of producing their domestic allotment or of producing at any higher level up to the full share of their regular allotment. Nonrecourse loans should be available on the farmer's entire production.

The CHAIRMAN. This land that would not be planted, what would you recommend?

Mr. CRABILL. Well, it would be available for soybeans.

The CHAIRMAN. I see. Or any other crop?

Mr. CRABILL. Or any other crop.

The CHAIRMAN. That is not supported, gentlemen.

Senator JORDAN. But you would recommend that there be no support on what they did not plant?

Mr. CRABILL. Above the domestic allotment. In other words, make it a true choice.

Senator JORDAN. Yes.

The CHAIRMAN. But, as he states, the farmer would be permitted to plant a crop that is not supported, such as soybeans or anything else.

Senator JORDAN. Yes.

The CHAIRMAN. All right.

Mr. CRABILL. The estimated average total cost of producing a pound of lint cotton in the United States in 1965 was 27.3 cents. This estimate was based on a study by the Economic Research Service, USDA, for that year and reflected high per-acre yields. This figure will, of course, vary by areas and from year to year. It will also be influenced by increases in the cost of input items as well as by gains in technology. For instance, a wage raise in steel plants is reflected directly in the price of tractors and other farm equipment. Under the circumstances, a 65 percent of parity return on the farmer's domestic allotment is needed if farmers are to realize returns at a level that will permit them to stay in business and make the capital investments that are essential if added efficiencies are to be attained. We recommend this change in lieu of the provision guaranteeing 65 percent of parity on the farmer's entire permitted acreage.

5. The cotton section of the Agricultural Act of 1965 was designed primarily to reduce the surplus. Consequently, sizable payments were authorized for idling land. Since these adjustments have already been accomplished, we recommend that the authority to offer diversion payments be limited to a standby basis and specifically to situations when the carryover exceeds 7 million bales. It is believed that this figure represents the amount of cotton needed to provide for an orderly transition from one crop year to another.

6. We strongly urge that skip-row regulations in effect for 1964 and reinstated for the 1968 crop be continued on a permanent basis. This practice not only represents a tool by which farmers may obtain greater efficiency, but also results in better quality cotton.

7. Within every State, there are farmers who are shifting out of cotton, either because of land capability, size of farm, or for other reasons. At the same time, other farmers are greatly in need of some more acreage in order to have more economic production units. While the current law provides for shifts in allotted acres, the law also provides for a ceiling of 100 acres on the amount that can be transferred to a farm by sale or lease. We respectfully urge that this ceiling be eliminated so that the orderly movement of acreage can take place within states to farmers who want and need more acreage.

We are opposed to any maximum dollar limitation on farmer participation in any farm program. Such limits would wreck farm programs and would bankrupt those farmers who produce the high percentage of the crop. The productive capacity of a large segment of American agriculture would be virtually destroyed. Actually, consumers of the Nation would be the losers in the long run. Currently,

the Agricultural Act of 1965 provides what is commonly known as a "snap-back" provision as a safeguard in the event of limitations. We recommend that this safeguard be strengthened.

Our calculations indicate that the cost of a program described above would be substantially below recent costs. With the current level of parity and loan and with a domestic allotment based on 1.5 million bales, the payment features of the program would amount to about $581 million. This would represent a substantial savings as compared with program costs in recent years. Built-in costs, including Public Law 480 funds chargeable to the cotton program, small farm minimums, and storage and handling, should not exceed $175 million. Total program costs would, therefore, amount to $756 million, which is approximately one-quarter of a billion dollars less than the cost of the program in recent years.

In conclusion, we would like to urge action by the Congress this year to remove the cloud of uncertainty that exists today with regard to the kind of program that cotton will have over the next several years. We believe that action by the Congress this year would help restore confidence in cotton and would permit farmers and other segments of the industry to move ahead in making the investments that are necessary for efficient production. We are convinced to the fact that additional gains can be made in reducing production costs. These gains will depend upon national research and we respectfully request that the already authorized cotton research programs be implemented to the fullest extent possible.

Thank you.

The CHAIRMAN. How about the terms of renewal. How long would you want to extend the law?

Mr. CRABILL. I should think, would you not, Mr. Smith—

The CHAIRMAN. Four years? These hearings are being held so that we can provide or propose a law come early next January.

Mr. CRABILL. Yes.

The CHAIRMAN. And as you know, much time is taken by committees to develop a bill.

Mr. CRABILL. Yes, sir; I know.

The CHAIRMAN. And since the act does not expire until next December, that is, in 1969, why I think we will have ample time to draft, present a bill that will be effective in 1970.

Mr. CRABILL. We were wondering a little bit about the Constitution of the Congress after the new term begins. Maybe we will lose some of our friends that are here now.

The CHAIRMAN. Well, you have to take chances. I think it will be all right.

Mr. CRABILL. Yes, sir.

STATEMENT OF B. F. SMITH, EXECUTIVE VICE PRESIDENT, DELTA COUNCIL, GREENWOOD, MISS.

Mr. SMITH. Senator, may I add just one thing. And I do not mean to be taking issue with what has been said by the chamber of commerce testimony, but they put some figures in the record in terms of the cost of cotton production that are somewhat misleading in that they did not include many of the costs that are generally in-

cluded by economists when they present these figures. And they quoted particularly for our area 11 cents a pound.

Senator TALMADGE. Their own witness denied their own figure, may I say.

Mr. SMITH. Yes, sir. The best thing I found is quote "the cost of producing upland cotton in the United States—1965 supplement" which gives an average of 27.3 cents a pound. It has broken it down by various regions of the United States, and these do include the total figures that these figures did not represent. I do not know whether you would like to use this in any way or not, but I hope that the hearing will reflect in some way that these figures that they presented are not accurate figures.

The CHAIRMAN. Well, I do not think we have to put anything in the record to convince us that it costs us more than 11 cents to produce cotton. We know pretty well what the cost is.

Senator JORDAN. If they grew it at that price they would be growing it under the house.

The CHAIRMAN. Any questions. Thank you, sir.

Mr. CRABILL. Thank you.

The CHAIRMAN. Mr. Smith.

Senator TALMADGE. Come around, Bobby.

Mr. SMITH. Mr. Chairman, with your permission, I would like for Mr. Maynard Layman, Form Editor of the Decatur (Ala.) Daily, to sit at the witness table with me.

The CHAIRMAN. Surely.

Senator TALMADGE. Mr. Chairman, it is a pleasure indeed for me to welcome our committee a warm personal friend of mine and a constituent, Mr. P. R. Smith, whom we call affectionately "Bobby." He is president of the Southern Cotton Producers Group from Winder, Ga., which happens to be Senator Russell's hometown, as members of this committee know. Bobby is not only an outstanding farmer; he produces a lot of cotton, but he also is familiar with every facet in its production, ginning, warehousing, marketing. He is also a member, if my memory serves me correctly, of the Georgia Cotton Commission.

Mr. SMITH. Chairman. Chairman of that commission.

The CHAIRMAN. Well, we are glad to have you, Bobby.

STATEMENT OF P. R. SMITH, PRESIDENT, SOUTHERN COTTON PRODUCERS, WINDER, GA.

Mr. SMITH. Thank you, sir. I appreciate those very generous remarks, Senator.

Southern Cotton Growers, Inc., is an organization established for and dedicated to the well-being of farmers and to the economy generally in the Nation's old and traditional cotton-producing belt, running from Virginia to Texas. We are financed by a per-bale contribution as cotton is ginned.

Southern Cotton Growers, Inc., is devoted to the best yield, the best quality cotton, and to forwarding public policies that will enable our farmers to get fair and equitable income for their contribution to our total economy and to our strength as a nation.

First, Mr. Chairman, let me express on behalf of our organization, to you personally and to each member of the Committee on Agriculture and Forestry, our sincere appreciation for your unswerving devotion to the farmers of America.

Our farm families, with your help and the support of the Congress, have wrought a miracle of abundance, in food and fiber, such as the world never before has known. Fewer than 5 million farmworkers now feed and clothe 200 million Americans and another 100 million people around the world. Yet these farm people are the least rewarded of all the workers in all major areas in our economic system.

You here are determined to do something about this. Southern Cotton Growers pledge to all of you our vigorous support in this new effort, as represented by these hearings, to bring to agriculture a just income and a decent standard of living for the people who feed and clothe us.

THE NATIONAL INTEREST

We emphasize to you what you are doing goes beyond justice for our farm people. The national interest is deeply involved. Broke farmers cannot continue indefinitely to lavish abundance upon our Nation and provide food and fiber for a large part of the world. And impoverished agriculture cannot feed and clothe the hordes of people in our cities. Our city people must understand this.

Moreover, they must understand that because of poor income in our countrysides, the packing of city slums with refugees from the land goes on apace. The great outpouring of these refugees has come from our southern cotton farms. Mechanization in the cotton fields, and movement of production to newer areas of the West, along with our price problems, have put thousands upon thousands of people on the road. Our urban friends must help us stem his farm-to-city migration. Their own interests, our Nation's well-being is involved. The total farm population in the last 20 years has dropped from 25 million to less than 12 million, while the Nation's population grew from 143 million to more than 200 million. The number of farms has declined from around 6 million to roughly 3 million. Farm income was substantially less in 1967 than in 1947—20 years ago. Farm families caught in the constant crush between rising production costs and falling prices have fled the land. The Nation now is paying a staggering price for this, in terms of welfare or "poverty" handouts in the cities and in unrest that in recent years has exploded into riots and to the edge of insurrection.

Mr. Chairman, we do not plead here for handouts, or for Government programs bringing innovations into our way of life. But we do plead for decent income in rural America and Main Street America. This is urgent and imperative. We believe that fair income for the work we do and the contribution we make will go far to remedy the ills of our countrysides without the necessity of great Federal investments there in welfare and poverty programs.

Therefore, Southern Cotton Producers aline themselves with you, unequivocally, in a determination to get a fair wage for farmers and to stop and to reverse this destructive and dangerous packing of rural people into the cities. We plead with our city friends in the Congress

to understand that the bill you will write here is not merely farm legislation; it is national legislation—with our cities to be great beneficiaries along with rural America and Main Street America. Perhaps there is no legislation the Congress could write that would so fundamentally deal with the pressing and dangerous problems of our cities.

OUR PLEDGE TO ALL AMERICA

There is another commitment we make here, Mr. Chairman. We want the producers of all other crops and of livestock—wheat and feed grains, soybeans, dairy, wool, cattle, hogs, sheep, tobacco, peanuts, and so forth, to know that southern cotton farmers and, we believe, our representatives in the Congress, will work side-by-side with them and we shall support any policy and effective program they develop and approve themselves to gain for themselves prices that reflect income comparable with the earnings of our customers in the cities. We hope the Members of Congress from urban constituencies will see the wisdom and the necessity of a similar pledge to you. We want to work with city people to ease our problems and to ease their problems.

SPECIFICALLY COTTON

Turning now directly to cotton, which is our livelihood, Mr. Chairman, we understand you are developing in these hearings general background information that will be useful in writing major farm legislation which will be completed in 1969, when present laws for the major crops expire. Therefore, we shall confine ourselves to a broad discussion of the present cotton program and possible revisions, refinements, or alternatives.

We have suffered in the cotton country in 1967 the greatest violence of nature to agriculture in the United States since the dust bowl virtually destroyed farming over vast areas of the Midwest and Southwest in the 1930's. We have been preoccupied in dealing with the consequences of this disaster in which rain and cool weather and then an early freeze laid waste to our cotton crop. We are now prepared to make absolute and final proposals for new cotton legislation. We hope we may have an opportunity to make additional representations to your committee at a later date.

THE PROGRAM

Mr. Chairman, without the cotton program, thousands of farmers in the Southland, crushed by the 1966 and 1967 crop disasters, would be worse than broke, as so many of us are. We would be bankrupt. The program has given us in these times of disaster a kind of insurance that will enable most of us to stay in business. The program, with an assist from angry nature, has eliminated the cotton surplus.

No doubt, however, the program has fallen short of your expectations when the Congress enacted the one-price cotton feature in 1967 and the Food and Agriculture Act of 1965. The one-price law makes raw cotton available to American mills at the same price foreign mills must pay for cotton.

But despite this one-price provision the synthetic "test tube" fibers last year, for the first time in history, surpassed cotton in total use in the United States. This was a shock to every cotton producer.

Moreover, the present program, in bringing down the surplus has worked against the cotton economy of the traditional cotton-producing areas of the Nation, hurting especially the Main Street towns and businesses that service the cotton economy. This program places premiums upon the abandonment of cotton production on smaller farms, by payments that entice farmers not to cultivate their allotted acreages. This enticement is especially appealing in those producing regions where in Reconstruction days a hundred years ago the plantations were broken down into small farms.

But please do not mistake us. We are not pleading here for a "40 acres and a mule" cotton economy. We simply want the incentives in the cotton programs of the future to be such as to assure our allotted acreages will be planted and cultivated and harvested in the same proportion with the newer cotton-producing regions. This can be accomplished in a revision of policies that have encouraged smaller farmers to place their acreages into disuse.

As for the operation and effect of the overall cotton program, Mr. Chairman, House Report 366, 88th Congress, filed June 6, 1963, said the Act To Revitalize the American Cotton Industry, through a one-price cotton system, would forestall the ruin of the cotton industry. This report said farmers, through a one-price cotton system, would benefit from an expanded use of cotton. It said "cotton again will compete fairly with synthetic fibers." It said "the competitive position of our domestic mills, against imports of cheap foreign goods, will be vastly improved." It said, "the United States will enjoy a fair share of the world cotton market." It said, "Americans will enjoy lower prices for American-made cotton goods, at savings amounting to more than $500 million a year, according to competent estimates."

That House committee report was based upon information presented to that committee when the one-price cotton legislation was under consideration. These statements still represent our hopes and confidence in that legislation. We want one-price cotton to succeed, to the benefit of our mills as well as to cotton producers. It's up to our friends who own and operate the cotton mills to make one-price cotton work.

Our organization is convinced that if the stated objectives of the one-price policy are realized, our Treasury hardly could find a better way to invest money for the greater good of a greater number of our citizens, numbering millions in the production of cotton, the cotton trade, transportation, manufacture of cotton goods, and in merchandising cotton products. Moreover, the benefits to the consuming public, the users of cotton, should be greater than the program costs to the Government. We need now assurances that the objectives of this program will be realized this year, and the years ahead.

ALTERNATIVES

We believe, Mr. Chairman, that one of your first considerations, in preparing new cotton legislation, might be a possibility that the National Treasury, under present budgetary pressures and during the whole lifetime of the new law you enact, might be unable to finance our cotton program to the extent of our needs.

The present law has a snap-back wherein, if the Secretary has insufficient funds to make one-price payments, then the program would

revert to the status prior to the 1964 and 1965 acts. This would mean marketing quotas and acreage allotments and price supports through loans at 65 to 90 percent of parity, without price supplement payments to farmers. This would end the one-price cotton system. Such a sudden transition would be harsh and tragic for the whole cotton industry, injuring cotton manufacturers as well as cotton farmers. We believe that in the new law you will write, while keeping the present snap-back you should embrace a second and less harsh alternative.

We have been thinking of one possible stand-by alternative for use by the Secretary if events may dictate. We suggest that you may wish to explore again the proposal you advanced when the present law was being written. You suggest then as I recall that the price of all cotton should be maintained through loans at a percent of parity fair to producers, and then adjustment payments should be made on the difference between the average domestic price and the average world price for cotton, for that part of a mill's consumption of cotton, which exceeded its customary use, or a percentage thereof. At the time I believe no one found a sound mechanism for this to work in such circumstances for instance a new mill having no prior record of cotton would receive the low price on all cotton it consumed, to the detriment of mills which customarily used substantial amounts of cotton.

If, indeed, we were forced to move to an alternative program, we might examine the feasibility of making the adjustment payment on the basis of spindles in place in the mills. By the best information available to me, we now have around 20 million spindles in place in all mills, which handle between 4 and 5 billion pounds of cotton annually. This is 200 to 250 pounds of cotton used per spindle.

You might find it feasible, as an example, for the adjustment payment between the world price and the domestic price for cotton to apply to all the cotton a mill used above the volume which exceeded the number of mills spindles in place multiplied by, say 150 pounds of cotton, or whatever poundage you deemed to be fair. The assigned figure per spindle should be somewhat less than the current use of cotton per spindle so that the mills would be assured the world price to cover at least the cotton content of their exports of goods and for that part of their manufactures which are in competition with imported cotton goods.

IMPORTS

Mr. Chairman, our mills and our producers of cotton need now much stronger protections against imports of cheap goods from abroad. These imports have grown by leaps and bounds despite that our own mills for the last 3 or 4 years have been able to buy cotton as cheaply as foreign mills. Our mills simply cannot pay their employees an American wage and compete fairly with yarns and cotton goods made by cheap foreign labor. We have one suggestion in this area. There should be others.

Yarn is an import of great volume. Of our 1 million cotton bales equivalent imported approximately 20 percent is in the form of yarn. We can deal substantially with the import problem by dealing specifically with yarn. We suggest that yarn be defined as raw cotton, for the purposes of the quota we now enforce upon the importation of raw cotton. Yarn is not cotton goods. The yarn mill is no more in the manufacture of cotton goods than the cotton gin. The yarn-

maker and the cotton ginner both are in the business not of cotton manufacture but of preparing cotton for conversion into consumer goods. The gin deseeds and cleans the cotton; the yarnmaker gives it a twist suitable for manufacture into thread and into goods. The yarnmaker is in the same category as the picker-lapmaker. You dealt with the pickerlap problem several years ago. We suggest that this committee write into the new bill a definition of yarn as raw cotton. Then we hope our Tariff Commission will be guided by this definition.

EXPORTS

Mr. Chairman, back in the old days we called cotton white gold. We all now are painfully aware of America's gold problem. I was struck recently by an expression of Maynard Layman, farm editor of the Decatur (Ala.) Daily, writing about our Nation's balance of payments. Layman said: "The United States should send white gold across the oceans to bring back our yellow gold."

Mr. Chairman, we must regain our own cotton export market, if this Nation ever is to enjoy again a stable condition in our cotton country, the strength which exports give to our total economy, and the stability which cotton can give to our balance of payments with other nations. There was a time—during the first hundred years or more of our Nation's history—when the export of cotton and tobacco maintained this Nation's financial integrity before the world. Cotton and tobacco took care of America's balance of payments. We should not forget this.

We are now the residual supplier of cotton in world markets as we have been for many years. The act of 1965 sought to regain this market where for about two centuries we reigned supreme. This act of 1965 sought to bring our price down to the world price. But our export program has been self-defeating. We generally anticipate the world price and then make known our export price, in advance. Other producing countries simply cut their price a cent or two below our price. They thus move their cotton out ahead and we take what's left of the world market. We never shall regain our just share of this market so long as the rest of the world knows our export price in advance.

We must, in the next cotton act, make our cotton truly competitive with cotton produced in any other areas of the world. There must be an export payment involved, for our cotton farmers are in competition with the producers in other world areas whose standard of living now is down where we were in the South when cotton was selling for 5 to 6 cents a pound.

It is our thought that the export problem might be remedied by enabling our exporters, while buying at the American cotton price, to sell in the world markets at a price which will move our cotton, and then pay the exporters an amount equal to the difference between our domestic price (the price exporters must pay for cotton) and the average price that exporters get for the various qualities of cotton in the world market during a season, each exporter receiving a total payment according to the number of bales sold abroad. Such an operation certainly would make our cotton fully competitive pricewise around the world. It should assure care and prudence by our exporters in buying and selling. It should guarantee us a fair share of the world

market, enabling larger production by our cotton farmers and substantially improving our balance of payments.

We think it might be well for the Senate Banking Committee, headed by Senator Sparkman of Alabama, to examine and report on the importance of agricultural exports, for cash and under Public Law 480, to our gold and balance-of-payments situation.

While discussing cotton exports, Mr. Chairman, we should call attention to the act of 1965 renewing and expanding our food-for-peace program through revision of Public Law 480. That act took into account the need for clothing among impoverished peoples in poorer and emerging nations, by authorizing the shipment through this program of textiles where raw cotton accounts for a substantial portion of the cost. But since this authorization was enacted no textiles have moved abroad through Public Law 480. We understand that one nation now is seeking 12 million yards of cloth under this program. We urge you in the Congress to press for activation of exports of cotton goods under Public Law 480.

Similarly, a way might be found to distribute cotton goods among the needy in our own country, as we now distribute surplus foods.

Mr. Chairman, these are our recommendations:

1. Extend the one-price cotton law for 4 years, with revisions and refinements, removing inequities and strengthening the program. We have grave reservations as to converting present farm programs into "permanent farm law." Although, of course, we appreciate help given to farmers generally through the present law, these programs have fallen short of achieving a parity position for agriculture. To freeze these programs, however revised, into "permanent law" would represent an abandonment of farmers aspirations to get a fair price in the marketplace, as do other producers of raw materials, goods and services in our free enterprise system. Moreover, by enacting a "permanent" general farm law the Congress would abrogate to a considerable degree its dominant role in responding to the needs of agriculture.

2. Keep the 16 million acres a national allotment.

3. Write into the new law an alternative program less harsh than the present snapback. We have discussed one possible alternative. On examination it may be found impracticable. The committee may come forward with a better idea. We do not propose any alternative as a substitute program. We simply are looking for an alternative snapback that would be easier and less destructive, especially upon our mills. It is imperative to the cotton producer that our mills be kept in a sound and solid economic position.

4. Embrace in the new low provisions that will make certain that the United States regains its rightful position in the world export markets. Again, we have advanced a suggestion. It, too, may be impracticable. We are confident this committee can find what is practical in this area.

In foreign aid, under Public Law 480 and other programs where we supply dollars to needy nations, we realize that America must continue to assist peoples in the free world. But our own gold situation now makes it absolutely imperative that we ship goods instead of dollars. Our total agriculture—including cotton and cotton goods—offers the Nation the best opportunity to remedy the pressure upon our balance of payments. So we say: Use white gold to keep yellow gold at home, and send white gold to bring back our yellow gold that now is overseas.

5. Protect our textile industry from the great influx of cheap cotton goods from abroad. As a first step, define yarn as raw cotton.

6. Make certain that the program works to the advantage of all cotton-producing regions and to the disadvantage of no region.

7. Revise the present program so that the privilege of a cotton allotment holder be related to cotton production. A reasonable insurance factor could be retained. This can be done by limiting the provisions that the cotton allotment holder receive the price support payment and convert his land to the production of other income-producing crops.

8. Reverse the current provision which forbid the release of cotton acreage on 65 percent of the allotment. This is particularly necessary for allotments in the small farm category of 10 acres or less. However, it is needed on all allotments upon which one-tenth acre is being planted simply to hold farm acreage history.

9. Eliminate the voluntary acreage retirement feature of the present law. Make no payments for acreage retirement beyond a mandatory cut. Payments on voluntary acreage retirement is ruining cotton economy in regions with numerous small farms, while the economy could be strengthened in these areas through allotment rentals or purchases.

10. Liberalize the restrictions on the transfer of acreage by purchase or lease.

CROPLAND ADJUSTMENT

11. Repeal the cropland adjustment program outright and forthwith. Its effect, if continued, will be disastrous to the economy of great areas of our countryside and to small towns, where small farms are numerous. The impact of this program principally is that small farms are bought out of business with taxpayers' money. This is tearing people away from farms and dumping them into cities. If pressed, this program might make "ghost towns" of Main Street communities that service areas having predominantly small farm agriculture.

COTTON

12. Implement the research program now provided for in the cotton law. The law authorizes an initial $10 million expenditure for this special research undertaking; but the program never has been activated, although cotton farmers have cooperated by assessing themselves $1 a bale for research and promotion.

13. Maintain the skip-row planting rules and regulations fair at all times to all the different cotton-producing regions.

14. Write new protections against havoc caused by natural disasters, so that farmers who are the victims of such disasters may use yield records of normal production years, when all requirements and benefits under the cotton program are assigned. Several proposals intended to remedy this situation now are pending before the committee. We shall make a recommendation at a later date on what we deem to be the best remedy.

In this connection, we want you to know we appreciate what this committee did to help us recover from the devastation of last year's crop failure over large areas through loans from the Farmers Home Administration and the Small Business Administration. Every dollar of such loans has helped those in distress; but this aid has been so

severely limited that many good farmers and many good ginners still are suffering unnecessarily. We still are hopeful that the FHA and the SBA will liberalize their operations in a way that will help many more deserving farmers and ginners.

Mr. Chairman, in conclusion, I must emphasize that the old, traditional cotton country of this Nation—your own State of Louisiana, my State of Georgia, and the Carolinas, Alabama, parts of Virginia, Florida, Tennessee, Kentucky, the delta area, the old belt of Texas, Missouri, and Oklahoma—can produce quality cotton as good as anybody. We recently have made great strides in seed breeding and cultural practices. We soon, at long last, shall win the battle against the boll weevil. We are determined to recover quickly from the disasters which laid waste to our crops back in 1966 and 1967 over large areas. By these disasters and by exceedingly heavy voluntary retirement of acreage, we have borne the great burden in bringing down the cotton surplus.

We are ready and eager to produce all the cotton we are entitled to. We want every other region to produce all it is entitled to. Therefore, we are ready to join with all cotton producers to declare a moratorium on bickering among regions. We want a healthy, vigorous, and prosperous total cotton economy, prosperous farmers and a prosperous textile industry.

Mr. Chairman, we are pledging here to help the Congress help the total cotton industry, in achieving fairness for ourselves and in greater service to the Nation.

Thank you.

The CHAIRMAN. Well, the Chair wishes to compliment you on such a fine statement, very thoughtful.

Mr. SMITH. Thank you, sir.

The CHAIRMAN. There is only one question I would like to ask you. Every time we have a bill, questions arise as to the amount of payments to be made to the farmers. Now, a suggestion was made yesterday that unless a farmer or an organization that is farming, that its income constitutes 75 percent of all its income, that it should not receive payments, or they should be reduced. What do you think?

Mr. SMITH. Senator, could that be construed as a limitation on payments?

The CHAIRMAN. No, if you—if you, as a farmer, if 75 percent of your income as a farmer is from the farm—it would not limit you at all; but, as you know, a lot of corporations farm and doctors farm, and lawyers farm, and others; and a lot of criticism has come about because they are not engaged in farming. The chief business is something else. And yet, they benefit greatly from the payments that are made for not planting.

Mr. SMITH. I can see a lot of kick on something like that.

The CHAIRMAN. You what?

Mr. SMITH. I say I can see a lot of kick on something like that. My initial thought is I would oppose such a thing as that. We are in several related agricultural enterprises, and my own personal viewpoint is I would probably be hit by that; but I am, or I call myself a cotton farmer.

The CHAIRMAN. Well, your whole farming operation need not only be cotton, but any other farm commodity. If the income from the

farm is 75 percent of your income, of course you would not be affected at all. It is only a way to try and meet the criticism that we have had here for—well, for at least 20 years.

Senator TALMADGE. If the chairman will yield at that point, some have suggested outlawing the tax deductions, which also might be considered. A lot of people farm at a loss year after year, and while they might have a medical practice that pays them, say, $50,000 a year and farming losses of $10,000 a year, they deducted the farming losses from the medical income and pay the taxes on, say $40,000 a year.

Senator JORDAN. Mr. Chairman, I also know a great many people, particularly small farmers, that have to derive some income off the farm; they simply cannot make it. They farm, but they have to work off the farm to get some cash income.

Senator TALMADGE. In other words, they have got to have some income to support the farm, is what you are talking about.

Senator JORDAN. Well, that is pretty near the truth.

Senator TALMADGE. I have had that experience.

Mr. SMITH. That is the case of a lot of us, Senator.

The CHAIRMAN. Well, it is only an idea that was given to us during these hearings in order to meet those who oppose these huge payments, because there are some corporations——

Senator TALMADGE. If the chairman will yield at that point, I can tell you an interesting story that is a true one.

I have got a warm friend who is now deceased who came over here from Scotland, located around Stone Mountain and went in the granite business. He started cutting granite for a living; educated his sons—they were very smart—pyramided it into a highly successful operation. And one of the boys decided the smart thing to do to save some income taxes was to get himself a farm. So they did, and that went on for 2 or 3 years with huge tax losses; and finally the old Scotchman says, "Get rid of that damned farm; I done save all the tax money I want to."

The CHAIRMAN. Any further questions. If not, thank you very much.

Senator TALMADGE. I want to compliment the witness on an outstanding statement.

Senator JORDAN. Very fine statement.

Mr. SMITH. Thank you.

Senator TALMADGE. If you will excuse me, Mr. Chairman. I have a luncheon engagement.

The CHAIRMAN. Mr. Ransom.

We are happy to have you, Mr. Ransom.

He hails from Louisiana—good cotton farmer. And we are glad to have you as a witness. You may proceed.

STATEMENT OF PAUL S. RANSOM, CHAIRMAN, COTTON COMMITTEE, LOUISIANA FARM BUREAU FEDERATION, MONROE, LA.

Mr. RANSOM. Fine. Thank you, sir.

Chairman Ellender and members of the committee, I am Paul S. Ransom, a cotton farmer, from Monroe, La., and serve as chairman of the Louisiana Farm Bureau Cotton Committee. My statement today represents what I sicnerely believe to be the consensus of our 22-man cotton committee composed of farmers from all the various cotton-producing areas of Louisiana.

The Food and Agriculture Act of 1965, as related to cotton, has been in operation for 2 of the intended 4-year program. This legislation has both strong and weak points, and farmers are gathering information as to the effect of this program on the total cotton economy and farms in particular. It is the opinion of the Louisiana Farm Bureau Cotton Committee that there is still much to be gained from a more complete and longer analysis of this legislation after it has been operative for at least 3 complete years. It is the feeling of our committee that the present law should be allowed to operate the full 4 years of its intended life and that farmers, Congress, and the total cotton industry analyze the strengths and weaknesses of the act of 1965 and proceed legislatively from that point. The point we make is that there is no great clamor, from farmers, to extend or amend the cotton section of the 1965 act at this time.

The committee is of the opinion that it is absolutely essential that this act be administered so as not to build up additional surpluses of cotton in the final 2 years of the program. If supplies of cotton are at a reasonable level when this act expires, the job of enacting constructive legislation will be much easier to accomplish.

Perhaps the most disappointing aspect of the 1965 act has been its failure to achieve the volume of sales, both export and domestic, that its proponents claimed prior to passage. Secretary Freeman has often been quoted—"Cotton is a crop that must export or die." I cannot agree more with this statement. The record shows that exports of cotton, for the past 4 years, have been 5.7, 4.1, 2.9, and 4.7 million bales, respectively; and export expectations for the current marketing year are anything but bright. There is no hope for a healthy, stable cotton economy at the farm level in the United States, unless we drastically improve our export sales of cotton. We feel that export sales of a minimum of 6 million bales per year are absolutely essential for the American cotton farmer. This export figure of 6 million bales can be done, for it has been done. In the marketing year 1959–1960, we exported 7.2 million bales and in the marketing year 1960–1961—6.6 million bales. This was achieved when the USDA regulations allowed aggressive bargaining, pricewise, for export markets for cotton.

Louisiana cotton farmers are also disturbed at the trends that seem to be developing outside the producer level, to strike from the 1965 act that portion that retains the parity of price concept. We feel that the Congress wisely inserted this measure for protection of the producer and, under no circumstances, would this act be acceptable to Louisiana farmers without this measure of protection.

Farmers have been reading in many agricultural journals proposals dealing with stockpiling of agricultural commodities, including cotton. Our thoughts are that stockpiling might have some short-range appeal, pricewise, but that in the long run it will certainly work to the detriment of the cotton farmer; for it makes no difference by what name a cotton surplus is called, it remains costly for Government and is a constantly price-depressing threat to the farmer as he markets his cotton.

We would like to bring to the committee's attention some of the current practices concerning Government-owned stocks of cotton being sold minus many of the normal marketing costs in competition with

farmer-owned cotton, which must bear these marketing costs. These practices make it more attractive to buy Government stocks of cotton, rather than farmer-owned cotton, thereby forcing farmer-owned cotton into the CCC loan and beginning, again, the cycle of Government-cost for storage, etc., before cotton reaches the consumer.

We would like to reemphasize that farmers of Louisiana feel that every effort should be made to keep the surplus of cotton at as low a level as practicable, so that at the expiration of the current cotton program the cotton industry would not be faced with the impossible task of enacting new cotton legislation, extending or amending the present act, under the foreboding shadow of huge surpluses accumulated at high Government costs. It is our feeling that now is the time to redouble our efforts to increase the sales of cotton by everyone concerned—producer, ginner, merchant, spinner, and, certainly, Government; for, in the final analysis, there can be no lasting solution to the problems of cotton until more markets are regained and developed for this great fiber.

May I convey to the committee the appreciation of the Louisiana Farm Bureau Cotton Committee for the opportunity of discussing this matter and presenting our views.

Mr. CHAIRMAN. Mr. D. B. Means, Mr. Philip Wemple, and Mr. H. G. Hardee, Jr., had statements on feed grains, rice and dairy, and due to circumstances beyond their control, they were unable to be here today. We would like to have these inserted in the record as soon as they can be presented to the committee.

The CHAIRMAN. Well, these hearings will be held open for probably as much as a month, and any additional statements would be accepted and placed in the record.

Mr. RANSOM. Right, sir.

(The statements are as follows:)

STATEMENT OF PHILIP WEMPLE, SECRETARY-TREASURER, LOUISIANA FARM FEDERATION, BATON ROUGE, LA.

Mr. Chairman and members of the committee, my name is Philip Wemple. I am Secretary-Treasurer of the Louisiana Farm Bureau Federation and an active producer of soybeans and feed grains in Rapides Parish. My statement today reflects the policies of our organization with respect to farm programs for these commodities.

Although the Food and Agriculture Act of 1965 does not authorize a farm program for soybeans, the following statement was received from soybean producers at our statewide soybean conference this past year:

"We recommend a support price on soybeans of $2.25 a bushel. We advocate complete withdrawal of support prices on soybeans and unsupported open production as being preferable to marketing quotas and acreage allotments."

The belief of the soybean producers in Louisiana is simply this—We do not want a surplus of soybeans owned by the Commodity Credit Corporation either to be used as a price depressor or to justify either marketing quotas or acreage controls.

There has been a tremendous increase in soybean acreage the last few years and more than likely acreage will continue to increase in the near future. At the present price support level there is a possibility of overproduction and the creation of a surplus in the hands of the CCC. Soybean producers in Louisiana do not want this to happen because of the experiences they have had with other commodities that followed this same route.

Therefore, we recommend that any further legislation pertaining to soybeans contain provisions which would repeal the present price support program and authorize government insurance for recourse loans through commercial lending institutions. This method of securing loans with the assistance of the CCC

would provide producers an opportunity to have an orderly system of marketing, prevent the CCC from owning and controlling the marketing of a large surplus of soybeans and still assure the producers of having money available during and after the harvest season.

The recourse loan concept has been advocated by Senator Ribicoff and others for feed grains through legislation they have introduced and referred to your committee. We would suggest that this legislation include soybeans as well as feed grains in order to eliminate the possibility of having another government controlled crop which is not now controlled.

We also support the termination of the existing feed grain program and replacing it with government insurance for recourse loans through commercial lending institutions as proposed by Senator Ribicoff and others.

The soybean and feed grains producers in Louisiana oppose any proposal which would create a "security reserve" or government stock pile of these commodities. The producers strongly feel that government-held commodities of any kind are not good for them because of the depressing effect on prices these commodities have when released by the CCC for the market.

We appreciate the opportunity to appear before this committee and hope that the view of the producers of these commodities will help you in determining their thinking on any farm legislation that would affect soybeans and feed grains.

Statement of Dave Means, Vice President, Louisiana Farm Bureau, Federation, Baton Rouge, La.

Mr. Chairman and members of the committee, my name is Dave Means. I am a Vice-President of Lousiana Farm Bureau Federation and an active dairy producer. My statement today reflects the majority views of the dairy producers in Louisiana whom I represent through our organization.

The Board of Directors of the Louisiana Farm Bureau Federation has approved the following recommendations of our state dairy advisory committee for presentation here today.

We recommend that in 1968 there be no new legislation or changes made in the current dairy program under which we now operate. With respect to the basic provision of the Food and Agriculture Act of 1965 applicable to dairying. we oppose any attempt to provide a Class I base plan on a regional or national basis. However, we also oppose any attempt to make the provisions of the Act of 1965 permanent legislation with respect to dairying.

We support federal milk marketing orders restricted to the historical marketing area, provided that such orders help producers and where the rights of the individual producers are adequately protected. We oppose, however, any attempt to have nationwide or statewide marketing orders.

We recommend that there be no legislation passed that would permit a federal control program based on the supply-control theory.

We appreciate the opportunity to appear before this committee and present the views of the dairy producers in our State as requested by our dairy committee.

Statement of H. G. Hardee, Jr., Vice President, Louisiana Farm Bureau Federation, Gueydan, La.

Mr. Chairman and members of the committee, my name is H. G. Hardee, Jr. I am a vice-president of the Louisiana Farm Bureau Federation and an active rice producer in Vermilion Parish. My statement today reflects the majority views of the rice producers whom I represent through our organization. These views have been expressed in several meetings with our rice producers and particularly in a recent meeting of our state rice advisory committee for presentation here today.

Rice producers in Louisiana basically support the philosophy of the provisions of the Agricultural Act of 1958 with respect to rice. We recommend that there be no rice legislation which would change the basic philosophy of the program under which we now operate. We strongly oppose any legislative proposal that would authorize a two-price plan for rice.

We do have a few recommendations, however, that our rice producers would like to have in any future farm legislation pertaining to rice. These recommenda-

tions would not alter the basic philosophy of the present program under which we operate, but they would be of benefit to the rice producer.

We recommend that the release and reapportionment provisions for the farm administrative areas be changed to permit a producer to transfer rice acreage from one farm which he operates to another farm which he operates without combining the farms on ASC records when all parties concerned are in agreement; provided, however, that this acreage transfer remains within county lines and is made on a year-to-year basis.

Another change we would like to see in the release and reapportionment provision of te present program would be to allow any excess acreage released by producers in a county, for which there were no requests from other producers, to be released by the county ASC Committee to the state ASC committees for reallocation to counties which had requests for more acreage than what was released in that country. At the present time acreage can be released and reapportioned only within the county. We belive this will facilitate the planting of any increase in rice acreage in the future above the present level.

We would like to state here that there is a big need for the betterment of the rice industry for a method of more orderly expansion of rice acreage as the demand for rice increases both for domestic consumption and for exports. In the opinion of those who study the world rice situation, it is possible that greater amounts of rice will be needed from United States production to fulfill requirements of world dollar markets in the future. It is our hope that through cooperation of the rice industry, the United States Department of Agriculture, and the Congress, we will be able to formulate a policy or procedure which will be in the best interest of the rice industry and county as a whole for rice acreage expansion.

As you know, increases in rice acreage have been on a year-to-year basis and based on a formula the U.S.D.A. uses to determine the estimated supply and demand for rice in any given year. These increases have not always been made at an opportune time for the producer to plan his farming operations in his best interest. Acreage increases above the national minimum allotment should be on a more orderly basis rather than on a year-to-year basis so producers can adequately plan their operations with respect to crop rotations, purchasing of machinery and equipment, and irrigation planning.

The expenses in machinery, equipment, handling, drier and milling facilities required this year to accommodate the 20 percent increase in acreage which we needed were substantial. In most cases, the producer must borrow money to expand his farming operations with no assurance that the increase in acreage he received will be for more than one year. A method of planning rice acreage expansion in a more orderly manner is needed within the rice industry, and we would recommend that considerable thought be given to this propsoal.

The demand for rice has steadily increased the last few years with an acreage allotment now set at 2.4 million acres for 1968. The world market price for rice has continually advanced to a price well above the present minimum support level and to a level where export subsidies are no longer required to move our rice into foreign markets. Therefore, we recommend that the minimum national acreage allotment be permanently set at 2.0 million acres with the minimum price support increased from the present level of 65 percent of parity to a level that would return an adequate income to producers without adversely affecting our rice markets.

We appreciate the opportunity to appear before this committee and present our views concerning rice.

The CHAIRMAN. Now, personally, I am the one who suggested that we hold hearings now on an extension for next year.

Mr. RANSOM. Yes, sir.

The CHAIRMAN. And it is not our purpose to—in fact, I don't think the committee will go along and enact a new bill until the next year. And it is my hope that we can have one next year that will take the place of the one we have now. You wouldn't want us to wait until 1970 to enact the law, would you?

Mr. RANSOM. No, sir. I think we need to get a little more experience before this present law expires, make a real effort to see if we can't

do something to improve the situation, whether it is extending the law or amending it, or new legislation. Let's get a little more experience under the law before we—in other words, I would not be in favor of trying to amend or extend it, do anything with the law at this time, during this year.

The CHAIRMAN. Well, of course, that has been the purpose of the chairman, and I am sure the majority of the committee——

Mr. RANSOM. Right.

The CHAIRMAN. When we discussed it and agreed to hold these hearings. And it strikes me that with a program of 4 years, if we can have the experience of 3 years of it, which we would have——

Mr. RANSOM. Right.

The CHAIRMAN. We will have time enough, next year, to put the bill before the Congress and then, again, have hearings——

Mr. RANSOM. Right.

The CHAIRMAN. In the light of the changes we expect to make.

Mr. RANSOM. Well, Senator, that is exactly what I think the farmers in Louisiana would like to see done, consider specific bills in 1969 to be effective for crop year 1970 after the law expires.

The CHAIRMAN. That was the idea.

Mr. RANSOM. Right.

The CHAIRMAN. And you have no suggestions at the moment as to any changes——

Mr. RANSOM. Well, I think——

The CHAIRMAN. To be made?

Mr. RANSOM. I think the changes that—as far as changes in the current law?

The CHAIRMAN. Yes, sir.

Mr. RANSOM. Well, I think we need to take a real good look at how we exported volumes of cotton in the past.

The CHAIRMAN. Well, that is easily answered.

Mr. RANSOM. Right; export subsidy.

The CHAIRMAN. At one time we were called King Cotton, but here lately we have had a lot of competition. In our country here in the last 2 years, you have had a drop in the use of cotton, as pointed out earlier today.

Mr. RANSOM. That is correct.

The CHAIRMAN. And you are getting stiff competition from man-made fiber, not so much rayon now, but——

Mr. RANSOM. That is correct.

The CHAIRMAN. Other synthetic manmade fibers. And it is a problem that I think will continue to be aggravated.

Mr. RANSOM. I am sure that is correct, sir.

The CHAIRMAN. There is no doubt about that. I sincerely thought that by having this one-price system a couple of years ago more cotton would be used by our own textile mills, but that isn't true. It doesn't happen that way.

Mr. RANSOM. I think the records would indicate that you are absolutely correct.

The CHAIRMAN. There is no doubt about that.

Any questions?

Senator JORDAN. Nearly correct. Nearly correct.

The CHAIRMAN. Well, it has cost a lot of money, Senator. You know that. In fact, this whole program has cost a good deal more than I anticipated. I expected at the end of 4 years, it would be getting out of the woods, that our production would be in keeping with our consumption, and that we could go at the market place for prices, but it doesn't seem to turn out that way.

Mr. RANSOM. Sir, I would like to reiterate one point here, that I made. I feel it is absolutely essential that we not administer this law in the final 2 years so as to reverse this downward trend of the surplus and start building this a boom year, and at the end of the 4 years we face a large surplus. It makes any type program almost impossible.

The CHAIRMAN. Well, insofar as I am personally concerned, I have been against the creation of any reserves other than what we provide in the law. What we do is, we provide a sufficient carryover and then enough for our own consumption. And I think that program has worked pretty well. And with our capacity, ample capacity now, to produce, why I am not fearful that we will be without food.

Mr. RANSOM. OK, sir.

The CHAIRMAN. All right.

Thank you very much, Paul.

Mr. RANSOM. Yes, sir.

The CHAIRMAN. All right, Mr. Hamilton. We kept you for dessert. All right.

Mr. HAMILTON. Are you ready?

The CHAIRMAN. You may proceed, Mr. Hamilton.

STATEMENT OF JACK HAMILTON, PRESIDENT, LOUISIANA COTTON PRODUCERS ASSOCIATION, LAKE PROVIDENCE, LA.

Mr. HAMILTON. Mr. Chairman and gentlemen of the committee, my name is Jack Hamilton. I am serving as the first president of the Louisiana Cotton Producers Association, a newly formed organization composed of some 200 top cotton farmers across the State of Louisiana.

On behalf of my organization, I want to express my appreciation for this opportunity to briefly present our views on cotton legislation. Accompanying me today are Mr. Joe Mott from Oak Ridge, La., and Mr. Fred Schneider, from Lake Providence, La., both officers of our organization.

Our organization favors a continuation of the Food and Agricultural Act of 1965 as it applies to cotton through its present life. Generally, we feel that this program has been successful and has accomplished the purposes for which it was enacted. We would like to emphasize some points which we feel strongly should be in any extension of this act.

The 16-million acre minimum national allotment should be retained in any future legislation. We feel that a reduction in this figure would cause an expansion in foreign production and synthetic production that would eventually even further reduce the cotton acreage in this country.

We favor increasing exports. There is little doubt that the United States is entitled to its fair historic share of the world cotton market.

Higher labor costs in the United States make it imperative that cotton exports be supported to whatever extent necessary in order to maintain an equitable share of the foreign market for our producers and prevent destruction of the cotton industry.

We advocate that the Congress appropriate the funds already authorized by the research part of the act. Research is the only way we can possibly survive the price squeeze farmers are now experiencing. There is no better way to help the cotton industry than through implementation of our research program.

We feel strongly that any attempt to limit production payments to any farmer would cause this entire act to fail. We therefore urge that no limitations on payments be placed in any future act.

We feel that the loan rates in the future should more accurately reflect spot market prices as far as premiums on staple and grade are concerned. The loan has long been set unrealistically in this aspect. The marketplace should influence the loan instead of the opposite.

It is our feeling that Commodity Credit Corporation stocks should be held out of competition with current crops in farmer hands. The Commodity Credit Corporation was created to establish orderly marketing and when this governmental agency competes with individual farmers, this is not the intent of Congress.

Our organization is strongly in favor of continuing the skid-row regulations for cotton planting as they apply in 1968. This development in cotton production was accomplished through research and it rewards efficiency and proper application of research principles.

We favor continued sale and lease of allotments within a State. However, we would like to see the 100-acre limitation lifted from this portion of the act. Our reason for this position is to allow cotton allotments within a State to flow toward the areas most interested in raising cotton while allowing those who want to quit cotton to receive some remuneration.

We strongly urge that any attempt to place farm labor—and this has nothing to do with this act, but I want to put this in—under the National Labor Relations Act be defeated. Because of the seasonal nature of farming, disaster would result if farmers were forced to bargain with labor at vital times during the farm year.

COMMODITY RESERVES

We are opposed to the so-called strategic reserve as it applies to cotton. We feel that this reserve could tend to depress cotton markets, and to us does not seem necessary in the national interest.

COTTON

Last, we urge that any cotton legislation written, strive to maintain or raise farmer income. In this area, we believe that the principle behind the Ellender amendment guaranteeing 65 percent of parity should be retained.

In 1954, the first year that I personally farmed, cotton was selling for 36 cents per pound. Fourteen years later, the price of labor has doubled, equipment costs have more than doubled, and other production costs such as chemicals have soared. Meanwhile, the price of cotton has steadily declined. It is only through increased efficiency

brought on by research and your help through price-support payments that we have survived. We thank you for this vital help and urge that it be continued for the health of the cotton industry and our Nation as a whole.

We deeply appreciate this opportunity to present our views to your committee and we expect to have more specific recommendations in the future. We ask your permission to file these views for the record at a later date.

The CHAIRMAN. Well, of course, we expect to hold more hearings later on, after we draft the bill, after hearing all of these witnesses.

Now, in respect to payments, a suggestion was made that in order for a farmer to be able to collect the payments for diversion, and so forth, that he must show that at least 75 percent of his income comes from farming.

What would you say as to ——

Mr. HAMILTON. Well, our organization has no position on it. Personally, I would oppose it, because I think it is a pretty hard guideline to determine. And I think it would work a real hardship on some of our smaller farmers in East Carroll Paris, La., who are making a living partly on the outside, and maybe working a small minor farmland. And it might be that they wouldn't meet this requirement themselves.

The CHAIRMAN. Well, a suggestion was made during these hearings, and I was just trying to get your opinion.

All right.

Now, what is your view on utilizing the land that is not in cultivation for planting other crops that are not supported, in lieu of payments?

Mr. HAMILTON. Well, Senator, again we don't have — we are so new an organization, we don't have a position on a lot of this, but if we could find some crop that wouldn't add to the surplus in another area, I am certain we would be very happy to see a revision to allow us to plant this.

The CHAIRMAN. Well, I wish you would give some study to that, because we are going to have quite a task in reinacting the 1965 Agricultural Act. There has been a lot of criticism about the cost. It has cost a great deal more than we anticipated. And so we will have ample time from here, from now until next — early next year, to think through these programs and come up with something that would assist us in reducing the cost of the program.

Now, Mr. Dean McNeal was supposed to be here today. He asked that his statement be filed, which request is accorded him.

Then, Mr. H. E. Dunkelberger, counsel for the National Canners Association—is he present? If not, permission is granted to him to file a statement.

And Mr. James Connor, executive director, Missouri Cotton Producers Association—is he present? If not, he will be permitted to file a statement.

And Joe B. Pate, Jr., chairman, Texas Association of Cotton Products Organizations, Lubbock, Tex.—is he present? If not, he will be permitted to file a statement. And I wish to again state that the hearings will be left open until at least the middle of May so as to permit others to file, if they choose to do so.

If there be no other witnesses to be heard, the committee will stand in recess until 10 a.m., tomorrow.

(Whereupon, at 1:35 p.m., the committee recessed to reconvene at 10 a.m., on Wednesday, April 10, 1968).

(The statements referred to above are as follows:)

STATEMENT OF JOE B. PATE, JR., CHAIRMAN, TEXAS ASSOCIATION OF COTTON PRODUCER ORGANIZATIONS, LUBBOCK, TEX.

Mr. Chairman, my name is Joe B. Pate, Jr. I am a cotton farmer living in Lubbock, Texas, with farming interest in Lubbock and Hockley County, Texas, and in New Mexico and Arizona. I am also chairman of the Texas Association of Cotton Producer Organizations and wish to offer testimony today in that capacity.

Texas Association of Cotton Producer Organizations, or TACPO, is an affiliation of the six cotton producer organizations holding charters under the Texas non profit Corporation laws. Members of TACPO are the Plains Cotton Growers, Inc., the South Texas Cotton and Grain Association, Rolling Plains Cotton Growers, Inc., Blacklands Cotton & Train Association, the Trans-Pecos Cotton Association and the El Paso Valley Cotton Association. All of the cotton producer groups in Texas holding charters at this time are members.

The combined membership of these organizations produces approximately ⅓ of the cotton grown in the United States. Our membership has its share of small farmers and large farmers; it encompasses producer of the highet quality cottons and the lowest quality cottons, and the variety of growing conditions found in the Rio Grande Valley, Central Texas, the El Paso-Trans-Pecos area and on the High Plains almost exactly duplicate the full range of growing conditions found across the entire cotton belt from North Carolina to California.

The governing body of our organization, speaking for the great majority of cotton producers in Texas, strongly recommends that new farm legislation be enacted this year. In view of the fact that 1968 is an election year, a reorganization of the Congress will take place in 1969. This will delay action on any new legislation, including a farm program to replace the Food and Agriculture Act of 1965. The Department of Agriculture should be in a position to announce provisions of the commodity programs no later than July, 1969. President Johnson in his message to the Congress on February 27, recommended that hearings begin at the earliest possible date. He pointed out that farmers, like all prudent businessmes, should be in a position to make plans well in advance. And the only way this can be assured is through the enactment of legilation in 1968.

At this time, Mr. Chairman, while we are in the first stages of developing legislation, we think it important that certain provisions, basic and essential to any sound program, be given full consideration. Most important, any extension of the present program must be designed to maintain the current level of producer income. We certainly wish to commend you, Mr. Chairman, on your foresight in 1965, when you gave us the "Ellender Amendment", which guaranteed us 65% of parity. This should be an absolute minimum income for cotton producers, and while we agree that provisions of the program must be flexible, we believe it is essential that this amendment remain intact in new legislation.

We are at present working with other groups across the Cotton Belt in an attempt to reconcile differences which may exist in our viewpoints concerning modifications of the present Act. Our discussions in Texas and with other groups lead us to believe that the Food and Agriculture Act of 1965 is the basic legislation upon which a new program can be built. We therefore favor an extension of the Act with minor modifications for a minimum term of four years. Our experience under the program in the past two years has proven the act can provide flexibility to adjust production, and can stabilize supply and income.

Certainly The Act can be improved in some areas. As a means of lowering program cost and improving public acceptance of the program, we favor several changes including a substantial reduction in the 310,000 acre small-farm reserve, elimination of the 10 acre small farm minimum allotment, and elimintion or modifiction of the "double-dip" small farm provisions of the diversion program. While the objectives of these provisions may be worthwhile, there is some question as to whether they contribute to the effectiveness and efficiency of the program.

Authority to transfer cotton allotments between farms by sale or lease should not only be extended, but should be liberalized. This provision of the act has

been very popular with farmers and has been successful in moving cotton acreage into the hands of cotton producers with the economic ability and the desire to produce cotton. It can be made more popular with farmers and more effective in moving acres to areas of efficient production by (1) removing the 100-page limitation and (2) extending the time period during which such transfers can be made.

A program must be designed for domestic and export consumption that will lead to a return to profitable production from the legal minimum 16 million acre National allotment. In this regard, we believe that the American farmer is entitled to price protection on the entire needs of the market.

Texas cotton farmers export approximately 65% of their cotton crop each year. On the farm, we cannot separate domestic bales from export bales. We cannot separate export acres from domestic acres. The cost of producing for the domestic market is no different from the cost of producing for the export market. Therefore we recommend that the price support payment provisions be modified to include the total needs of the market, both export and domestic. Price support payments should be available on the total production necessary to meet total market demands. Please understand we are not seeking greater support, but a spreading of support payments over total production to give producers the necessary incentive to produce for both domestic and export markets.

Provisions in the Act which provide protection against the imposition of limitations on individual program payments must be retained. We therefore recommend that the "snap back" provision in the act remain in effect.

To be eligible for program payments a producer should be required to plant a substantial part of his cotton allotment for that year unless planting is prevented because of reasons beyond his control.

Producers should be required to plant, lease or release a minimum of ⅔ the farm's cotton allotment every other year in order to maintain status as an "old" cotton farm.

We favor a continuation of the non-recourse Commodity Credit Corporation loan at 90% of the world market price.

We believe a high level of exports is essential to a sound cotton economy. All segments of the cotton industry, as well as branches of government, must take significant action to increase exports. We endorse the use of cotton export trade teams on a continuing basis, and think it highly desirable that these teams include cotton producers as well as those in the industry directly connected with the export trade.

In summation, Mr. Chairman, we respectfully recommend that you proceed with action to assure the enactment of farm legislation at the earliest possible date.

We appreciate your consideration of our recommendations and would be pleased to have the opportunity to provide more specific details concerning these rather general statements at a later date.

We sincerely appreciate the opportunity to be here today on behalf of the cotton producers of Texas. We believe the future well-being of the cotton industry is at stake and it is our desire to work with the Congress whenever possible.

Thank you.

STATEMENT OF JAMES N. CONNER, EXECUTIVE VICE PRESIDENT, MISSOURI COTTON PRODUCERS ASSOCIATION, PORTAGEVILLE, MO.

Mr. Chairman and Members Of The Committee, The Missouri Cotton Producers Association represents the Cotton Producers of Missouri. It is indeed a great privilege for me to have this opportunity to submit to you with the recommendations and the support for the continuation of the Agricultural Act of 1965 which expires at the end of 1969, with the following recommendations;

1. Greater assurance that producer income will be maintained or improved.
2. Guarantees against limitation of payments or other programs benefits.
3. Better and more equitable methods for determining projected yields.
4. A "total market" concept to replace the current "domestic market" concept.
5. A continuation of the 16 million acre legal minimum allotment and urgent efforts toward domestic and export consumption that will justify production from that minimum acreage.

6. Adequate flexibility to allow the adjustment of production to keep in line with total market needs.

These recommendations as written was approved by the full membership of the Missouri Cotton Producers Association at their Annual Meeting, in Kennett, Missouri, April 5, 1968.

STATEMENT OF FRED W. ENKE, PRESIDENT, ARIZONA COTTON GROWERS ASSOCIATION, PHOENIX, ARIZ.

The Arizona Cotton Growers Association appreciates the opportunity to express its views on possible agricultural legislation.

The Arizona Cotton Growers Association was originally opposed to the Food and Agricultural Act of 1965 because it contained the low loan-direct payment concept which, though near perfect in theory, held over our heads the ever present danger of payment limitations. The payment limitation feature or snap back as it is commonly known, has at least eased our fears with respect to possible limitations. And today, the Arizona Cotton Growers Association supports the extension of the Food and Agricultural Act of 1965. We feel a minimum of four years extension is necessary and we will support renewal of the Act as permanent legislation.

We believe that the Agricultural Act of 1965 could be strengthened if the cotton section of the Act were amended as follows:

1. More emphasis should be placed on planting inducements rather than diversion. Perhaps the domestic allotment should be increased beyond the present 65% of basic allotment.

2. The export acreage provision should be less restrictive. We would suggest that a producer be permitted substitution of bales; that he be permitted up to 24 months in which to complete the export sales; and the provision that export cotton be grown only by those who held allotments in 1965 or their heirs be removed.

3. The domestic allotment should not be less than 65% of the basic allotment. Our industry can operate only two-thirds of its plant now because diversion payments are received. As already stated, we think you might well consider increasing the domestic allotment as a percentage of the basic farm allotment.

4. The income protection features of the Act should be strengthened, particularly so that we not be made victims of limitations of payment. The members of the Arizona Cotton Growers Association are keenly aware of and approve the income protection feature added to the Act of 1965 by the Honorable Chairman of this committee. We wish to see this continued.

5. We recommend the sale and lease of allotments be made more flexible. Accomplishing all such transactions between arbitrary dates is difficult and not in accord with general business practices. Therefore, we suggest the December 31st deadline be eliminated. We also suggest the present 100 acre limitation be removed and that sale and lease across state lines be permitted.

The cotton industry is fighting for its very economic life under very trying competitive conditions. Permitting the cotton to move to the more efficient areas (wherever they may be) will help very much in solving some of our serious problems.

6. We believe it will be to the advantage of the whole industry, as well as the individual farmer, to grant the farmer more options relative to planted acreage. We suggest removal of the mandatory diversion; that the domestic allotment be made flexible, allowing for an increase above the 65% figure in years of short supply; and that provision be made by law to retain the skip row planting rules now in effect.

It is our conclusion that the Agricultural Act of 1965 has been beneficial to the cotton industry and therefore should be renewed. It appears self-evident that price support programs for cotton will be necessary for a considerable period. So long as the basic legislation establishes a loan level well below the cost of production (as is the case in the present Act), an income protection feature will be necessary or there will no longer be a raw cotton industry in the United States. Today cotton is supported by a loan of 20.25 cents (basis: middling 1″) per pound. The Department of Agriculture has determined in a very careful and exhaustive study that the average cost of producing upland cotton in the United States is approximately 28 cents per pound. This, we submit,

offers complete justification for continuation of the income protection feature of the present Act.

In closing, we wish to express our thanks to the Committee for making it possible for our association and others to be heard on this important matter prior to the consideration of an actual bill.

WHEAT

MILLERS' NATIONAL FEDERATION,
Washington, D.C., May 6, 1968.

Hon. ALLEN J. ELLENDER,
Chairman, Senate Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: We were quite surprised that the Secretary of Agriculture, in urging your Committee to grant permanent status to the Food and Agriculture Act of 1965, requested amendments to the wheat certificate program so as to shift more of the price support cost to wheat processors and consumers; and that these actions be taken before the present program has run its course.

The attached statement was prepared for your current hearings which we understood were to provide a broad review of existing programs and to give a head start on next year's planning. We think this was entirely appropriate. Furthermore, we believe it would be sound judgment to permit the new 91st Congress to make its own determination as to what future farm programs should be.

In our statement we indicate that the Secretary can, and perhaps should, increase the present $1.25 loan. The Secretary has stated that this would be ineffectual because the Federal levy on millers would be reduced accordingly, along with income to growers. This is not the entire story. It is true that if the loan were increased by ten cents, for example, millers would pay ten cents less to the Commodity Credit Corporation and growers would receive ten cents less on their domestic allocation, or on only about 40 percent of their production. What has been overlooked entirely is the effect a higher loan would have on the market price of wheat. If, for example, the market price were to increase by ten cents, every bushel of wheat produced would benefit accordingly, far offsetting any loss in Federal payments.

By the same token, under the Secretary's proposal millers would have to pay more for wheat in the market, yet the minimum fee they must pay to the CCC would become fixed at the present 75¢ per bushel rate. Any tenuous relationship that might exist now between the loan level/market price of wheat and the tax or levy the processor must pay in addition is totally lost. The Secretary would have at his command virtually all of the tools necessary for unrestricted, one-man price fixing of our most basic food commodity. Furthermore, although the present Act guarantees the producer full parity on the domestic share of his allotment, total per bushel returns have in fact been consistently above parity. The Secretary's proposal would serve as an absolute guarantee to growers of full parity plus the increase in the loan rate. Also, to the extent the market price exceeded the loan rate, that amount, too, would be added to the cost of wheat to the U.S. Treasury and the consumer.

The Secretary has also recommended that millers be required to add to their certificate cost any future increase in wheat parity. The CCC is now obligated to issue certificates to growers valued at the difference between the loan rate and full parity, presently about $2.60. All the Secretary's proposal would do is shift the cost of any future increase in parity from the U.S. Treasury to consumers. The wheat producer will not receive one penny more by the amendment. But wheat processors would be subjected to highly disruptive year-to-year adjustments in the processing tax rate and for every penny parity increases, $5 million will be added to the cost of wheat foods.

Mr. Chairman, we urge you not to add further to the Federal level on wheat processors and not to extend the current program this year.

Sincerely yours,

DEAN MCNEAL,
Chairman, Committee on Agriculture.

STATEMENT OF DEAN MCNEAL, CHAIRMAN, AGRICULTURE COMMITTEE, MILLERS' NATIONAL FEDERATION

My name is Dean McNeal. I am a Group Vice President of the Pillsbury Company in Minneapolis and serve as Chairman of the Agriculture Committee of the Millers' National Federation. This association represents about 85% of the productive capacity of the U.S. wheat flour milling industry.

Because of the direct effect the present wheat certificate program has on flour millers and the customers we serve, we appreciate this opportunity to again express our views. The total wheat program is far-ranging and complex. We do not believe it would be appropirate for us to offer opinions on the need or lack of need for a Federal wheat program. That can best be decided by Congress and others.

Assuming the continuation of a wheat price support program, we believe the current concept of establishing a loan at or slightly below the world wheat price level is desirable. In view of new levels to be established under the International Grains Arrangement, if ratified, the loan could logically be increased by about 10–12 cents per bushel. This could have a salutary effect on market prices and, in any event, would establish a higher support under the market than presently exists.

Another basic feature of the present program is the payment of Federal funds to producers who comply with the program. The bulk of the funds for these income-supplementing payments do not come from the Federal Treasury as is true for other competing grains. Instead, processors are required by law to pay to the Commodity Credit Corporation a processing tax on each bushel of wheat processed. These payments are then passed on to producers.

It is this feature of the wheat program—namely, the method of financing cooperator payments—to which we object. To our knowledge, this is the only Federal program which obligates consumers—and it is the consumer who actually pays—to finance the major cost of a commodity price support program. In other words, the consumer is required to pay an additional 75 cents per bushel above the competitive market price for the wheat contained in products she buys.

Questions of principle aside, we believe this is an unsound economic program for all whose livelihoods depend on wheat and wheat products.

Wheat products compete, directly or indirectly, with every item of food available to the consumer. Particularly, they must compete directly with rice, corn, and rye products. Wheat products are purchased not out of loyalty or habit, but because they are good to eat, nutritious and economical.

The estimated Federal cost of the 1967 wheat support program will be about $725 million, of which some $400 million will be financed by wheat processors and consumers. By way of contrast, direct Federal payments to feed grain producers in 1967 amounted to about $870 million and the total cost of the cotton program was $930 million which was paid direct from the Federal Treasury. In other words, well over half of the wheat price support program is being financed by processors and paid for by wheat product consumers. The same principle, if applied to the feed grains, would require that those who purchase corn and other feed grains for human food use pay an additional $450 million or so. (Statistical computations indicate that, for the years 1910–1963, the more or less normal and natural price spread between corn and wheat market prices is about 20 percent; that is, as of today normal wheat prices to the miller would be about 120 percent of the price of corn on a pound-for-pound basis. Instead, however, the cost of wheat to the miller since the inception of the certificate program in 1964 has been between 172 percent and about 190 percent of the corn price on a pound-for-pound basis. It is this increasing artificial price disadvantage wheat now has which is causing ingredient buyers to substitute corn and other grain products for wheat.)

These figures give dramatic evidence of the discrimination against wheat resulting from these certificate payments and the price disadvantage wheat is faced with in competing against corn and other grains for human food use.

The per capita consumption of wheat in the U.S. has declined steadily over the years. Through research, market development, and investment, everyone concerned with wheat is trying to reverse this trend. Millers, bakers and wheat pro-

ducers are presently in the process of attempting to develop a strong, coordinated and well-financed research and promotion program to maintain the role of wheat products in the U.S. and world diet.

It should be obvious that many of these efforts are being discouraged by the unfavorable competitive position in which wheat is placed as a result of these certificate payments. We are seeing substantial evidences of the substitution of other ingredients for wheat flour in certain products and it is being done mainly on the basis of ingredient cost. There is evidence of a decline in new wheat product development and in corporate research on wheat as a source of cereal protein. Flour mills have been closing at a rapid rate. New mill construction and the investment of outside capital in the milling industry is almost at a standstill.

It is impossible at this time to document what the long-run effects of the certificate program would be if extended beyond next year. We do not want to cry, "Wolf", unnecessarily, but we do believe the present method of financing the wheat price support program is potentially dangerous to the entire wheat economy in this country.

These factors inevitably lead us to the conclusion that if the Committee and the Congress feel that wheat market prices provide producers with inadequate returns, any supplemental payments should be provided direct from the Federal Treasury. All other commodity programs are financed in this manner. We believe the singling out of wheat for this unique tax treatment is harmful to the welfare of the entire wheat economy.

We would like to comment briefly on two other matters which have been discussed by other witnesses before this Committee.

The present price support loan rate on wheat is $1.25 per bushel which, as we mentioned earlier, could perhaps logically be increased by 10 to 12 cents per bushel. Other proposals have been made which would permit the simultaneous establishment of different and higher minimum prices. These could conceivably come into play under proposals for farmer collective bargaining, marketing agreements, or Government purchases above the loan rate under so-called strategic reserve or food bank legislation.

There are a number of factors the Secretary should take into consideration in setting the basic loan rate at what should be the highest level he can justify. Briefly, these factors are:

(a) Adequate production for all requirements, including a reasonable carryover.

(b) Competitively priced and readily available grains for domestic and export markets.

(c) Adequate participation in acreage adjustment programs, with primary benefits to cooperators.

(d) Reasonable production balance among competing grains.

Any Government price-propping system superimposed on a properly established loan rate will increase Government costs and tend to overstimulate production, discourage exports, increase benefits to non-cooperators, and disrupt the competitive situation among the several grains.

Collective bargaining for price, as suggested in certain proposals, would bring about the undesirable results just mentioned. In addition, we concur with the recent finding of the National Planning Association that "market bargaining is likely to be of little value for major farm commodities produced on a national scale . . ." Wheat, for example, is produced in most areas of the United States; many sellers and buyers are involved; there would be no one to represent foreign buyers of what is predominantly an export crop; and the combinations of wheat quality factors are almost unlimited.

With respect to reserve legislation, we have stated that we believe there is no need whatsoever for an additional program to protect against shortages of wheat. Reasonable Government practices under present programs can provide such protection and should continue to do so. We feel strongly that if higher supports are justified, they should not come from piling one program on top of others. Rather, if higher supports are justified, this should be accomplished by raising the loan rate to a level near the world price level and reducing certificate values by the same amount, in the event the certificate program is extended.

Washington, D.C. April 9, 1968.

Hon. ALLEN J. ELLENDER, Chairman
Senate Committee on Agriculture and Forestry
324 Old Senate Office Building
Washington, D.C.

DEAR MR. CHAIRMAN:

In response to your letter of February 16, 1968, the National Canners Association, a nonprofit trade association of almost 600 members who have canning operations in 44 States and the Territories and pack approximately 85 percent of the entire national production of canned fruits, vegetables, specialities, meat and fish, respectfully submits the following statement for the record of hearings on "the formulation and establishment of general farm policy for 1970 and beyond."

The canning industry is in a very real sense a part of agriculture, for the grower and canner comprise a partnership in the raising harvesting and processing of highly perishable fruits and vegetables, so that consumers may enjoy these wholesome products of the fields and orchards on a year-round basis.

It is a truism to speak of the mutuality of interest between canners and growers, for each would be helpless without the other. And yet there is at least one aspect of canner-grower relations—the negotiation of price ond other terms of sale—where the interests of the two may appear to come into conflict. Certainly the grower recognizes that he will not be benefited by a raw product price so high that it substantially reduces consumption or drives consumers to competing commodities, and the canner recognizes that he will not gain from a raw product price so low that a sufficient number of growers refuse to produce the crop. Indeed, both parties realize that it is to their interest that the raw product price not approach either of these extremes, but they also feel that there is room for negotiation.

The negotiation process has received increasing attention in recent years, generally in terms of farmer bargaining power. The argument is made that growers are in an inferior bargaining position in their negotiations with processors, and that these growers have thus been unable to obtain a fair return for their crops.

But the comparative bargaining power of growers and processors depends in any particular instance on a number of factors, including:

The markets for and perishability of the crop;

The availability to growers of alternative crops or other uses for their land;

The extent to which bargaining takes place prior to the planting or the harvest;

The relative number of growers and buyers within the production area;

The efficiency and productivity of the individual grower;

The need for processors to obtain sufficient raw product to meet production commitments; and

The extent to which growers feel it is desirable to take advantage of the antitrust exemption granted by the Capper-Volstead Act to bargain collectively for the sale of their production.

Any discussions of farmer bargaining power should begin with the Capper-Volstead Act, under which growers may join together to form agricultural cooperative associations and to process or sell their production exempt from the Sherman Act's prohibition against such collective action. Unlike other commercial enterprises, members of an agricultural bargaining association may agree in advance on the price they will charge to purchasers of their crops, and may delegate to a common marketing agent—the bargaining association—the exclusive right to negotiate for the sale of their production.

Canners and other purchasers of farm commodities are of course fully subject to the Sherman Act, which prohibits joint bargaining or buying activities. There can thus be no question that farmers have had for many years the legal capability to correct any imbalance they feel may exist in bargaining power by organizing voluntary producer associations and enlisting as many of the growers in the production area as wish to join.

The National Canners Association fully recognizes this important right of growers to join together for bargaining purposes. Many NCA members of all

sizes deal with agricultural bargaining associations for the purchase of a variety of canning crops.

On the other hand, some canners believe it is to their interest, as well as to the interest of their growers, to maintain the individual canner-grower relationship that has enabled them to meet the increasing per capita demand for high quality canned fruits and vegetables at a reasonable price, with a fair return to the grower.

For this reason, we must emphasize that the question of whether a company chooses to purchase its raw products by means of negotiations with individual growers, or by means of collective bargaining with an agricultural association, has been—and will remain—a question of individual company policy on which this Association takes no position. In the same way, growers must remain free to decide for themselves whether they wish to deal individually with canners and other purchasers, or to join a bargaining association.

Although a large number of growers of canning crops have named an association as their bargaining representative, many growers have apparently concluded that in view of their return from canning crops and their close working relationship with one or more canners, they have little if anything to gain from joining an association and surrendering their right of negotiating with individual canners for the sale of their crops.

As this Committee well knows, several farmer organizations have charged in recent years that processors have engaged in discriminatory and coercive practices against growers who have joined or who wish to join bargaining associations, thereby denying the right of growers to take advantage of the Capper-Volstead exemption for grower collective action.

In testifying on S. 109—a bill proposed to prevent such alleged discrimination and coercion—the National Canners Association emphasized that it would not oppose the bill if it were modified to meet reasonable objections to some of its provisions.

This Committee subsequently reported out a revised and widely supported version, and a few days ago both the Senate and House completed action on the bill in substantially that form. In our view S. 109 as enacted should serve as further assurance that freedom of choice and action will and should be preserved in the purchase and sale of farm commodities for processing. This Association firmly believes that the introduction of private or government compulsion into the bargaining process would be contrary to the interests of growers, processors and the consuming public.

We have never countenanced private coercion from any source to deny the right of growers to make their own choice for individual or collective bargaining. And we feel just as strongly that such coercion should not be imposed by the enactment of legislation that would compel collective bargaining and force all growers and processors to accept the prices and conditions agreed upon by industry bargaining representatives.

It is of particular interest that Donald Turner, Assistant Attorney General in charge of the Antitrust Division, has made clear his opposition to compulsive collective bargaining in agriculture, when he stated in a speech two years ago:

"There are . . . good reasons for insisting that membership in a cooperative remain voluntary, and for refusing to let a cooperative coerce outsiders by depriving them of access to markets. The same reasons make it inappropriate to permit the cooperative to become in effect the sole bargaining agent for members and nonmembers by entering into agreements with buyers setting the price those buyers must pay to anyone from whom they buy."

He went on to say that if farmers are not receiving their fair share of the national income, "there are better ways than monopoly for redressing the balance. For monopoly means inefficiency and waste in the allocation of our Nation's resources, and we can ill afford any conscious policy of adding to the waste and inefficiency that existing monopoly has produced."

Although the Committee notice of these hearings emphasized that they have been scheduled for the purpose of considering questions of farm policy in general terms, rather than any particular bills, we believe it will not be inappropriate to close our testimony with a brief reference to S. 2973, the National Agricultural Bargaining Act, which was introduced earlier this session by Senator Mondale and others for the stated purpose of "encouraging and focusing discussion of the potential benefits and problems associated with collective bargaining." The bill

includes three titles, each taking a somewhat different approach to farmer bargaining power.

Title I of S. 2973 would establish a National Agricultural Relations Board along the lines of the National Labor Relations Board. Under its supervision, growers of a commodity would elect a marketing committee to negotiate price and other terms of sale on behalf of all growers of the crop, whether or not they wished to participate in this manner. Purchasers of the commodity would be represented in the negotiations by a Purchasers Committee, and both sides would be required to bargain in good faith. Any price agreement would be binding on all sellers and purchasers, and would be expressly exempted from antitrust prosecution.

If no agreement were reached, a joint settlement committee would be chosen to establish a minimum price, subject to judicial review. The Marketing Committee would also develop a plan of marketing allotments, with or without acreage or production limitations, subject to grower approval by referendum.

Title II of the bill would enact amendments to the Agricultural Marketing Agreement Act of 1937 to write a compulsory bargaining procedure into existing Federal marketing order authority. In addition, it would establish a procedure whereby any commodity could be made eligible for marketing orders, and would authorize the use of marketing orders to attain prices in excess of parity.

Finally, Title III would enact S. 109 substantially as introduced, without the amendments as adopted by this Committee and as enacted last month.

We recognize that a detailed presentation of the basis for our opposition to S. 2973 is neither appropriate nor necessary at this time.

The comments at the beginning of this statement should serve as a sufficient indication of why the National Canners Association objects to compulsory collective bargaining for farm commodities. Should the Committee decide to give specific consideration to S. 2973, or other farm bargaining or marketing order legislation, the National Canners Association requests that hearings be held and that it be given the opportunity to express its views thereon.

Very truly yours,

R. B. HEINEY,
Director, National Canners Association.

FARM PROGRAM AND FARM BARGAINING

WEDNESDAY, APRIL 10, 1968

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Holland, Talmadge, Mondale, Young of North Dakota, and Miller.

The CHAIRMAN. The committee will please come to order.

This is a continuation of our hearings on the operation of the 1965 act, and how to improve it and also we have a new bill before us for consideration. We will be glad to hear any witness who may desire to speak to them, either for or against.

Our first witness is Dr. Williams.

Mr. WILLIAMS. Yes, sir.

The CHAIRMAN. Doctor, will you identify yourself for the record, please?

STATEMENT OF DR. WILLIARD F. WILLIAMS, CHAIRMAN, DEPARTMENT OF AGRICULTURAL ECONOMICS, TEXAS TECHNOLOGICAL COLLEGE, LUBBOCK, TEX.

Mr. WILLIAMS. I am Dr. Willard F. Williams, chairman of the Department of Agricultural Economics at Texas Tech, west Texas, at Lubbock.

The CHAIRMAN. All right. You have a prepared statement.

FARM BARGAINING

Mr. WILLIAMS. Yes, sir. I have two or three, a prepared statement and a separate summary which is available. I thought that I would summarize—I do not expect to read the full report but simply to bring out the prinicpal points that I think are most important.

The CHAIRMAN. Well, what does this report cover? I notice "Bargaining Power for U.S. Agriculture."

Mr. WILLIAMS. The testimony is in regard primarily to the Mondale bill, to S.—what is it—2973.

The CHAIRMAN. Yes.

Mr. WILLIAMS. And related agricultural policy considerations.

The CHAIRMAN. Well, does this—does your report deal with the bill itself?

Mr. WILLIAMS. It deals with the economic considerations bearing on the bill, I would say, less than it does on organizational matters of the bill itself; the administrative provisions of the bill, more on the economic soundness of the concepts on which the bill is based.

The CHAIRMAN. All right. The report will be filed for the record, and you may proceed to highlight it.

Mr. WILLIAMS. All right, sir.

The CHAIRMAN. And we will probably take some excerpts from it that are pertinent to the bill before us, because up to now we have had very little testimony on the Mondale bill or this bargaining power for U.S. agriculture," as you term it.

Mr. WILLIAMS. I see.

The CHAIRMAN. So you may proceed.

Mr. WILLIAMS. All right, sir.

The interest of the U.S. farmers and ranchers in bargaining power is genuine, widespread, and rising. As I define it, however, this interest is not new. The basic objective of improved bargaining power, it seems to me, is higher and more stable net incomes and returns to resources employed in agriculture. In these terms, U.S. agriculture has been actively seeking more bargaining power since the 1920's when the slogan was "equality for agriculture." What the Nation's farmers seek is more "income power" through ligitimate means of which collective bargaining is only one.

In this paper I begin by briefly exploring and reexamining the nature and dimensions of what is called, in oversimplification, "the farm problem." I then attempt to relate the farm problem to the bargaining power issue. After raising a serious question or two in this effort and offering several suggestions with appropriate comments regarding S. 2973, I turn to consideration of specific program alternatives. Most of these are alternatives within the general framework of S. 2973. In general, however, I am more concerned with economic justification and effects than with detailed legal or administrative requirements.

The CHAIRMAN. Well, Doctor, in that connection, I am sure there is a good deal of sympathy among members of the Congress for such a bill, but the diffculty arises as to how to do it.

Mr. WILLIAMS. Yes.

The CHAIRMAN. And I think the committee would be more interested in seeing how to do it. Now, the Mondale bill, to my way of thinking, is a price-fixing bill.

Mr. WILLIAMS. I agree myself to this, I certainly do.

The CHAIRMAN. Very well. That is what I am sure the committee would be particularly interested in. And you might relate it to the bill before us by way of either criticising it or saying how it can be put in better language and how the—and what commodities are to be covered, because we have some testimony there that indicates that the bill as written may not be applicable to a commodity that is grown in every State, let us say, like corn or wheat——

Mr. WILLIAMS. Yes.

The CHAIRMAN (continuing). You understand.

Mr. WILLIAMS. I will be commenting on these aspects.

The CHAIRMAN. Very well.

Senator HOLLAND. Mr. Chairman, may I ask a question at this point?

The CHAIRMAN. Yes, Senator.

Senator HOLLAND. Does this bill offer amendments to the Capper-Volstead Act to give further freedom from the provisions of the antitrust laws?

Mr. WILLIAMS. In effect, by authorizing the marketing committees, I believe it would do this. As I will point out, I believe there may need to be a specific amendment to the Capper-Volstead Act which would do two things, I think: One, permit the cooperatives to combine for bargaining purposes, for joint bargaining purposes, and also to permit them to meet and sit down with buyers in a group rather than individually.

Senator HOLLAND. Well, I would favor such approach. Now, you remember, of course, that the Capper-Volstead Act did give certain freedom from the Antitrust Act so long as the co-op was acting within and among its own members, but when there got to be wider action, as for instance in the actions covered by the antitrust cases in the California Federal district courts where the Florida Citrus Exchange was charged with antitrust acts in connection with certain California groups, the courts have held that there was no such freedom given.

Is it part of your position that there should be freedom from antitrust legislation given so that co-ops can contract with each other on behalf of their members in the fields of marketing?

Mr. WILLIAMS. I am not competent in the field of law, but from the standpoint of the economic effects I would favor and be in sympathy with such an approach. I do not see how we can authorize or develop any degree of power in agriculture without some authority to combine on a more highly organized basis and we——

Senator HOLLAND. This results from the fact that most co-ops are limited in their locale.

Mr. WILLIAMS. Right.

Senator HOLLAND. And that they cover, as for instance, producers let us say in the State of Florida or in the States of California and Arizona, or in the State of Texas, in the field of citrus production, whereas many problems that confront them have to be solved on a broader base than that.

Do you call attention to this in your statement?

Mr. WILLIAMS. Yes; I do, sir.

Senator HOLLAND. Well, it will be very interesting to examine your statement because I have long felt that the cooperatives should be given broader power than they now have. And while I do not think that would apply to the production and the producers of staples, because they have not shown any great ability to organize in cooperative groups, it would apply in very large measure to the producers and the production of various fruits and fruit products, and also in a more limited way to the producers in production of vegetables, vegetable crops; in other words, to perishable commodities that are not, in my judgment, sufficiently protected now by the cooperative marketing laws or by the marketing agreement and marketing order laws on the Federal level.

I hope you will deal with both of those problems in your statement.

Mr. WILLIAMS. Well, even in the case of a commodity like cotton

where maybe 40 percent of it is marketed under the control of cooperatives but on a divided basis among these—I believe a bill would help to organize marketing in a more coordinated manner commodities such as cotton.

Senator HOLLAND. You say the bill will do that? Do you mean the Mondale bill or the bills which you recommend?

Mr. WILLIAMS. No; I think it would take additional legislation to do this—an amendment to the Capper-Volstead Act.

Senator HOLLAND. Thank you, Doctor. I am sorry to have interrupted at this time, but I felt it was appropriate to see whether or not you are covering this missing link, or these missing links in the field of cooperative marketing.

Mr. WILLIAMS. Well, I probably do not do so well enough, but I do touch on these.

I think it is worthwhile to touch on what we might call the basic problemcs in agriculture. In much of the writing that we have available to us, and I am sure this committee is familiar with some of these, we have characterized the problem in agriculture as one of an excess resource problem.

Faced with little opportunity to influence his low and variable market prices and presented with new technological possibilities, the farmer's focus of attention has been directed toward efficiency. Here were variables affecting net farm income which he could manipulate to his advantage. The initial results generally have been gratifying. Early adopters of cost reducing techniques reaped benefits. The problem is that most of these techniques also were output increasing. The principal results have been increased farm production and sharply reduced farm prices which largely, if not entirely, offset effects on costs of the gains in efficiency. In addition, total cost outlays are increased and prices even lower, the farmer resumes his search for new, lower cost methods and techniques. We refer to this process as "the agricultural treadmill."

And so it is that we have a situation where farmers may appear well off in terms of assets, he may dive a Cadillac, but he may be underpaid in terms of his resources. If these resources were invested in an industry off the farm, his return would be much higher.

Now, the question is, How would the current proposals for bargaining power relate to this problem?

The usual rationale of the bargaining proposal—and I may appear opposed to the whole question of bargaining power for a time here. Actually I am more of an analyst. I have no particular ax to grind one way or the other. But I think we will reach a point where we can become a bit more positive about the bill under consideration. But I do want to point out that the usual rationale of the bargaining power proposals supported by some factual data goes along like this, that the farmers are many, dispersed and relatively small and, therefore, weak and disadvantaged in the marketplace. In contrast, the remainder of the economy, including the agricultural marketing system, is highly organized, characterized by a few, large disciplined firms and, therefore, strong.

This description of agriculture and the structure of the agricultural marketing system is not entirely consistent with some observed facts.

Many of the agricultural marketing sectors, meatpacking, for example, are not highly concentrated. But even if this portrayal is accepted as accurate, the answer to our original question is not obvious. How will higher prices, if this is the immediate goal of bargaining power, solve the problem of an excess supply of fixed resources which have persistently contributed to price depressing levels of production? Higher farm prices always have attracted additional resources to agriculture. The usual solution suggested at this point is some form of production control or supply management. Now, I think we have to recognize rather pointedly and clearly that higher farm prices as such are not the answer to the basic farm problem. We have had a long history of experience, of demonstration which has shown to us that higher farm prices really are not the answer. If there is fat in the marketing system for farmers to acquire, studies have shown that this is small. Success, therefore, in raising farm prices through bargaining undoubtedly would result in higher consumer prices.

Now, I am not saying this is either good or bad. Many farmers are beginning to say that consumers simply must begin to expect to pay higher prices. Statistical data show that food prices in this country are a bargain, perhaps not the bargain they once were but nevertheless a bargain. But the potential effects on consumer prices need to be recognized.

Now, some of the disadvantageous secondary effects, such as effects of higher prices—higher prices tend to encourage increases in production, to discourage consumption, to discourage exports and to encourage imports, and these effects, as we have seen in the cotton industry and butter and other industries, have been disastrous.

Some of the disadvantageous secondary effects would be removed if prices of all agricultural products were raised simultaneously. For example, marketing controls and higher prices on beef would benefit hog and broiler producers significantly unless supply controls also were placed on these products. Even so, what could be done about nonfarm substitutes for meats and other products? These are serious questions which I think cannot be avoided.

In some instances, for commodities in which foreign trade is small and which have no close substitutes, modest price increases probably could be achieved without serious secondary effects. Fortunately, higher prices are not the only legitimate goal of farmers and the only route to higher and more stable net farm incomes. Agriculture also is subject to the ravages of wide cyclical, seasonal and irregular variations in prices, revenues and net incomes associated with periodic gluts and shortages. During periods of high prices resources are attracted to agriculture which are seriously underpaid during periods of low prices. In a more general sense, agriculture has never been able to coordinate production in terms of grades, qualities, types and varieties of products and services and in point of time as well as in terms of total volume to the requirements and increasingly detailed specifications of a fairly stable demand situation. "Orderly marketing" defined to include all dimensions of coordination, therefore, also is an important and legitimate goal of farmers.

It is one that we have to be satisfied with taking a little longer time to achieve but one which seems to promise more permanent and real benefits for agriculture.

The argument between the advocates of higher price approach and orderly marketing have been around for a very long time. Some of you gentlemen may remember in 1933 when George Peek was appointed Administrator of the newly created AAA. Peek and Wallace had been at odds over this matter before the appointment was made. Peek favored the marketing agreement approach with emphasis on orderly marketing while Wallace favored a more direct approach offering assurance of more dramatic short-term results. The views of Wallace, supported by the President, prevailed and Peek resigned. The high-price approach, as amended and changed by subsequent legislation, has remained the principal farm policy goal. Considering the results, it is time, it seems to me, that the other received more serious attention.

Senator HOLLAND. You mean considering the lack of results, do you not?

Mr. WILLIAMS. That is correct, sir.

Senator HOLLAND. All right.

Mr. WILLIAMS. Now, in this regard the orientation of S. 2973 appears slanted to some extent toward prices and the high-price approach. I see nothing in the bill however which would prohibit farmers, in programs developed in accordance with the provisions of this bill, from adopting orderly marketing and coordination as the principal goal. In addition, the bill is written in sufficiently broad terms that it provides the flexibility needed to adapt its provisions to the particular requirements of individual sectors of agriculture. This is what farmers want, that is, a bill that will permit those of any particular sector to begin where they are now and not at the point some other sector has reached or where they might be 10 years from now, and where they can have a role in the determination of what kind of a program they will have.

Now, I shall return to some of these points but now as to several specific points with regard to the alternatives—the question of how.

All bargaining proposals involve an organized group or committee which shall represent producers at the bargaining table. Provisions of S. 2973 for designation of marketing committees and purchaser committees appear reasonably adequate. Many will prefer means other than ASC county committees for selection of marketing committee members. It seems to me that the principal purpose of this is to avoid questions of conflict regarding who or which organization shall represent producers of a particular agricultural commodity. However, it seems to me that existing agricultural organizations should be employed in this process to the extent possible. The advice and suggestions of existing commodity organizations should be sought—in a little more formal way, I believe, under provisions of the bill.

It seems to me, also, that producers of closely competing commodities will require formal representation and that a master committee, a cross-commodity committee, will be needed to settle intercommodity differences and disputes. These matters, it seems to me, will be beyond the capacity of the Board to handle. These and other organizational matters will need careful consideration.

Now, we could begin in a very simple way speaking of voluntary bargaining associations. I think most of you are familiar with these. These are faced with many disadvantages and many problems that have been encountered. I mention that the Sherman Act and FTC

regulations introduce legal limitations to the relationship between the voluntary bargaining association and first handlers. An amendment to the Capper-Volstead Act, similar to the one attempted in 1961 which would have exempted mergers of cooperatives and joint bargaining arrangements among cooperatives from provisions of section 7 of the Clayton Act, is needed. The legal authority of voluntary bargaining cooperatives to bargain with purchasers as a group rather than individually also needs to be strengthened and clarified.

Now, historically the principal achievements of the voluntary bargaining associations, despite a number of them, over 300, must be attributed mainly to supplementary programs such as marketing orders and agreements. Others are primarily trade associations. However, their accomplishments must be recognized in this regard.

It is the labor bargaining model which has so excited the interest and imagination of American farmers. With this one we strengthen the legal position of the farmer bargaining organization and provide for compulsory bargaining and arbitration. This is accomplished in specific sections of S. 2973.

By themselves, the compulsory bargaining and arbitration features do not add significantly to the economic power position of the voluntary bargaining association. In the absence of some effective power source, accomplishments will be confined mainly to mutually advantageous adjustment ideas which emerge when men are forced to reason together.

The labor bargaining model and conceptualized agricultural models differ fundamentally in several ways, two of which I believe are very basic. The first difference between agriculture and labor is the difference between the two in the effects of variations in supplies on prices; that is, the price of farm products is much more sensitive to changes in the supply of agricultural products than are wages to variations in the supply of labor. In general, wages are, and usually have been, more nearly administered prices. Accordingly, wage increases often, perhaps generally, need to be extracted while farm prices, theoretically, can be manipulated and virtually controlled through supply controls.

The second major difference is found in the ability of labor to bargain effectively without particular regard for, or attention to, subsequent effect on employment. Restrictions on entry to specialized sectors of the labor market through any of several means can be imposed with little thought or concern about the excluded and unemployed unit of labor. If bargaining results in wage rates at which a reduced number of laborers will be employed, this is merely an unfortunate side effect. Agriculture, in contrast, must be vitally concerned at all times with relations between supplies and prices. It cannot deny a market of some type to an agricultural producer with the same impunity accorded to labor. This means that if a price increasing bargain is concluded in agriculture, supply controls of some type must be imposed. A "home" must be found for all units of the commodity.

There are some other things that can be learned from the labor bargaining model which I do not think we need to stop and consider here.

Let us go on. Suppose we consider a compulsory bargaining situation supported by legalized voluntary supply management; that is,

we might place agriculture in a position where they were authorized under specific regulations to voluntarily control the supply of agricultural products. This also will be no more than a modest improvement for agriculture over the present situation. In addition, such legislation would establish conditions which could lead to considerable internal conflict, strife, and outright violence. In effect, the law would give agriculture the responsibility for volume control and supply management without necessary enforcement authority required for the effective exercise of this responsibility. No voluntary supply control program, of which I am aware, has ever worked in this country for very long.

I comment here on the current actions of the National Farmers Organization which appear to me to be ineffective, and even if they were, would worsen the situation that they are really trying to correct. For example, in cattle, the program of NFO conflicts directly with the program of the National Cattlemen's Association. For the past several months ANCA (the American National Cattlemen's Association), with some success has been encouraging cattlemen throughout the country to keep their cattle moving to market and to avoid excessive weights and glutted markets later in the year. So the current action is in conflict with this more reasoned aim.

Senator HOLLAND. May I intervene there, Mr. Chairman?

The CHAIRMAN. Surely.

Senator HOLLAND. I do not note any comment on the destruction of hogs and destruction of milk which has been supported at least by units of the National Farmers Organization.

Mr. WILLIAMS. These, it seems to me, are political actions and may have political results which are beneficial to the people conducting these. From an economic point of view, I do not believe they can be defended.

Senator HOLLAND. They are indefensible.

Mr. WILLIAMS. From an economic point of view, I believe so.

Senator HOLLAND. Well, I agree with you entirely. I think they are also indefensible from the good will point of view because I think that the general consuming public in a world which is hungry, a large part of it, can never approve of that kind of tactic. And I think that it is a very unfortunate thing that we have seen fit to have hogs destroyed in at least four areas, and I have the letters from those who have destroyed them in at least four areas. There may be more. The pictures in the papers have shown us the same thing. And, of course, we had a great deal more of the same during the pouring out of milk a year or more ago when we had that trouble.

It seems to me that your statement makes it very clear and more clear by your answers to my questions that you do not favor that kind of approach in any way.

Mr. WILLIAMS. No, sir. That is correct.

Senator HOLLAND. Thank you.

Mr. WILLIAMS. I must point out a basic incompatability between price bargaining and supply management which does not by any means destroy the bargaining argument, but still must be recognized. We have clearly pointed out that price bargaining in the absence of production or marketing volume controls will be ineffectual. Now, if we

consider this matter further, we run into a problem of incompability. If through bargaining a fixed price is established above equilibrium levels—and this generally is the objective—the association must be in position to determine and establish supplies almost precisely and to enforce compliance rigidly. Supply and price cannot be determined independently of one another. On the other hand, if a high degree of precision actually can be persistently achieved in controlling marketable supplies, we encounter a very obvious question. It is: Why bargain? There is no need for it. Supply control with precision will produce the prices desired.

Senator HOLLAND. May I ask a question here. What do you suggest with reference to the disappearance of the surplus when there is a surplus. What is the method of disposing of the surplus which you suggest?

Mr. WILLIAMS. What I suggest is that we do not introduce conditions which will produce one. What I am going to suggest here again is that a bargaining approach which will raise prices above an equilibrium level and produce a surplus should be avoided under a bargaining program.

Senator HOLLAND. I understand that you have suggested that surpluses should be avoided but suppose Mother Nature smiles and the peach trees in California or the citrus trees in Florida or the apple trees in the Appalachian region and the northwest just produce more than can be swallowed by the market. What do you suggest as the best method to have the surplus disappear or be utilized?

Mr. WILLIAMS. As I am going to suggest later, I think that the question of bargaining power must go much beyond programs such as we have suggested in the Mondale bill. I think this is a part of the picture, but I think we will also need as suggested by the National Advisory Commission on Agriculture, programs which will further develop markets for agriculture. We also probably will continue to need a bill which will pull excess land out of agriculture and hold it out when it is unneeded. If a surplus develops under the alternative programs I consider in my prepared testimony some help would be available through broadening the authority of the marketing order act, to introduce certain types of modest storage programs or something of this sort, but a serious surplus is beyond the capacity of a program or bill such as the Mondale bill. I would think you would need other authority to handle those.

Senator HOLLAND. You approve of the approach under the use of the section 32 funds, particularly with reference to perishable commodities, such as meat and poultry and fruit and vegetables to take the surpluses off the market but make them available to the disadvantaged at smaller prices or for no price at all, in order to keep them from wastage. You approve of that, do you?

Mr. WILLIAMS. Let me put it this way. The programs for the beef industry, while they receive very little, relatively little publicity, I believe they work very effectively.

Senator HOLLAND. They were rather large problems. I remember one year when $100 million out of section 32 funds was used to use up a surplus in beef production. And another year, with reference to pork production an almost similar amount—and I forget the exact amount—

was used with reference to that industry to expand the use of the product in fields where it would not otherwise be used so as to avert the great surpluses brought on presumably by Mother Nature. You approve of the continued use of section 32 funds in that way, do you?

Mr. WILLIAMS. They have apparently been sound economically without some of the disadvantages of other surplus disposal techniques. They have effectively removed surpluses from the market without encouraging increases in production. They have not discouraged exports or discouraged consumption. And I believe these are among the more sound means of handling this kind of problem.

Senator HOLLAND. Of handling surpluses that just cannot be avoided because sometimes they do present themselves?

Mr. WILLIAMS. Yes, sir.

Senator HOLLAND. You are familiar, of course, with the method of the removal of surpluses in the California peach industry through the marketing agreement there?

Mr. WILLIAMS. Yes, sir.

Senator HOLLAND. You approve of that method?

Mr. WILLIAMS. Again, as I point out in here, I believe that bargaining power will require approach involving several different techniques. Now, the cling peach industry, for example, has a bargaining association which bargains with the canners. They have a cooperative organization which owns six canning plants, and is also integrated into the fertilizer industry. It has a marketing order under which supplies are regulated in the marketing system without seriously affecting or endangering consumers.

Senator HOLLAND. This is both supplies and quality, quality through grade and quality regulations.

Mr. WILLIAMS. The "green drop" provisions whereby immature fruit has been dropped has been used very seldom but the authority is there. And apparently the program has not greatly encouraged increases in production. But this is a combination approach that I believe eventually will be required by many industries rather than any single or simple approach in agriculture.

Senator HOLLAND. In that instance, it is a voluntary approach under the State Marketing Agreement Act, is it not?

Mr. WILLIAMS. It is voluntary so far as the cooperatives and the bargaining association are concerned. It is mandatory under the marketing order program; yes, sir.

The CHAIRMAN. Well, Doctor, under the only bill we have before us on the subject, this Mondale bill, as I understand it, the Board could be helped by producers——

Mr. WILLIAMS. Yes, sir.

The CHAIRMAN (continuing). In order to make a determination as to whether or not they are going to come within the act. And if an affirmative vote is made, then the committee is selected. And if the committee bargains with, let us say, cooperatives, or other distributing centers or people then in order to deal with the problem of overproduction, they can put marketing quotas on, they can create or have acreage allotments. And the point is how would that differ from what we can now do under the law?

Mr. WILLIAMS. It would differ in one way, an important way. It seems to me that the most important provisions of this bill is that it

gives farmers and ranchers an opportunity to begin developing a sense of responsibility for their own future. It will begin to permit them to learn the facts of economic life as it affects their industry, and many of them do not sufficiently appreciate these things. They have expected the Government to control supplies and increase their prices and, at the same time despite the money that has been spent, have complained about the programs.

I think it is time that they began to face up to this problem, and I believe they will learn, as the Government has learned, that there are certain things that you cannot do without serious consequences.

The CHAIRMAN. But in order to attain their goal they follow the same procedure as is now provided in the law, and that is marketing agreements and acreage allotments, which they have to vote on, and if a majority desire it, just as we have under the present law, the Secretary of Agriculture makes the rules and regulations. I am just wondering what the difference is.

Mr. WILLIAMS. There will be no difference if they follow the same kind of a program. What I am suggesting is that under this one they do not need to follow the objective, the short-run objective, of boosting their prices.

The CHAIRMAN. Well, the only difference between the methods that has been submitted here in the Mondale bill is that this committee has the right to bargain for minimum prices.

Mr. WILLIAMS. Right.

The CHAIRMAN. And those prices go into effect. And if there is disagreement, then it is arbitrated, and then after it is arbitrated, it becomes final. And in order to curtail the production they follow the same procedure as is now provided in the law, and the same agency that governs or that makes your rules and regulations now will also make them if this law goes into effect, as I understand it. Now, if I am wrong in that, I would like to be corrected.

Senator HOLLAND. Could I ask a question at this point?

The CHAIRMAN. I thought he might be able to shed a little light on what I just said, if he knows.

Mr. WILLIAMS. The bill would shift emphasis away from the provisions of the acreage allotment and quota programs, marketing quota approach.

The CHAIRMAN. You mean in the method of attaining that?

Mr. WILLIAMS. Right. And would shift it more to a marketing order approach. Under a marketing order, there is no real authority as I see it to control farm level production, that the control mechanism is within the marketing system through several techniques which would have a limited ability to increase prices and, therefore, would have a limited effect on production and surpluses would tend not to produce surpluses to the same extent as an outright support price at an arbitrarily high level.

The CHAIRMAN. Well, now, as Senator Holland suggested to you awhile ago, if the farmers do vote a marketing quota and do vote acreage controls, and if those acres produce more than is anticipated, then how will the surpluses be handled? Will it be different from what the law now provides? Would loans be made on the excess?

In other words, as I see the Mondale bill ultimately I can see no difference except as you say the farmers apply for the board that is

created. The farmers, let us say who produce eggs, might apply to this board and the board will then be authorized to find out from the producers whether they want to come under this law. And if they do—if they vote favorably, the next step is to create a committee, and that committee will bargain with those who handle the commodity affected. Any they fix prices. And if they cannot, then it is left to arbitration. And after the price is fixed, they can go a step further and ask for marketing quotas, some method of marketing quotas and acreage allotments.

I hate to repeat all of that, but I would just like to get from you—I am sure you have studied this bill, and you know what the law now is—how does that differ ultimately?

Mr. WILLIAMS. It does not.

The CHAIRMAN. Well, that is what I thought.

Mr. WILLIAMS. My point is here that I would favor amendments or provisions in the bill which would prohibit in some effective manner the bargaining to the extent that it would encourage increased production.

The thing that this bill offers is an opportunity finally to begin to coordinate production and marketing. The problem with agriculture is not that we have persistently low average level prices. The problem is that we have such wide and severe variations. And when we have high prices they induce an inflow of resources into agriculture. We increase livestock production, and then we go through periods of disastrously low prices. With more stability I believe that many of the economic problems with which agriculture is faced, particularly the livestock sectors, would be removed. And if we are a little more sensible about going about this thing, taking a little more time, we would have an improved situation in agriculture without endangering ourselves, exposing ourselves to the possibility of severe surpluses and of severely damaging our markets.

The CHAIRMAN. Well, under the law as it now stands, the Government provides loans to farmers at a certain amount of parity. This is price fixing and it is definite. And it may be that a fixed price will encourage production much more than under the present law, because if they are capable of producing on a given acreage more and more commodities than the acreage usually produces, why they are going to do, in my opinion, the same thing that is now being done.

Mr. WILLIAMS. Except that they will not be saying the Government did it. They will begin to realize that it was their responsibility, and I think the most important thing that could ever be accomplished here is the farmers begin to realize that no one can violate certain economic laws and rules with impunity, that there are things that they can do and there are things they cannot do.

The CHAIRMAN. Well, the farmers are very smart people. On any of these programs they take a pencil and sharpen it well and they figure out how best they can produce, and I do not see that it will differ at all, particularly if you fix the price in advance.

Mr. WILLIAMS. Well, I agree with you. If the price is fixed here, then they have got to have authority to control production or marketing here about the way we have had. I do not see how they could do it themselves. It would require the help of the Federal Government to the same mechanism.

The CHAIRMAN. Well, assuming they fix marketing quotas and each farmer is told, well, of your production you can ship so much. What is he going to do with the surplus he has? Will it be handled in the same manner as it is handled now? Will the Government step in and assist? He would expect it.

Mr. WILLIAMS. It certainly would.

The CHAIRMAN. Well, I know that. He would certainly expect it. So again I say the program does not differ materially from what we now have.

Mr. WILLIAMS. There is another point to be considered on this one, that the power of agriculture in bargaining, backed up only by marketing orders would not be such that they could acquire, that they would have the strength to enforce or get very high prices. They would not be able to push prices very far in a bargaining situation around a table with only the authority of marketing order controls; that is, without some farm level production control. I do not see why they should necessarily have access to acreage allotments and marketing quotas to back up any level or price that they wanted to set. Certainly there would have to be some level of responsibility about how far they would be permitted to push prices. Left to themselves, I doubt seriously in any of the agricultural situations that I see that high prices would result. Simply backed up by marketing order authority, the buyers are not likely to agree to a price that would be very far out of line. Bargaining with marketing orders would tend more to stabilize conditions. Producers also would tend more toward contractual arrangements, to contracting volume, and to price bargaining which may produce a degree of coordination and stability here that we have not had.

The CHAIRMAN. Well, now, in your discussion, do you provide or suggest any alternatives?

As I stated a moment ago, it was stated that this program would not work too well on commodities that are produced nationwide but that it might work pretty well on a regional basis. Now, that is what I think—I mean we ought to have some testimony along that line so that if it is decided that it cannot work on a nationwide basis, we might think of exempting certain commodities that are produced nationwide and relegate this program primarily on a real basis to certain commodities.

Mr. WILLIAMS. My position on that is that the bill is written sufficiently broad so that, let us say, the cattle industry could begin with what they have right now, and if they wanted to go one slight step further and organize some program that would tend to discourage increases in weights of cattle marketed, and this is all they could do this. They would not have to go the whole way, as other commodity groups might.

The bill provides for them to sit down and to determine for themselves what kind of a program they would like to have. So that I do not think—while I do not believe that it would work right at this moment for many of our major commodities, I believe that it would be well for them to have available to them some legislation of this kind.

Senator TALMADGE. Mr. Chairman, may I ask a question?

The CHAIRMAN. Yes, Senator Talmadge.

Senator TALMADGE. Dr. Williams, I am intrigued, of course, with this idea of giving the farmers better opportunity to bargain. However, I fail to see how you can work out the mechanics as to how you can proceed. Will you give us your idea of a commodity-enforcement agency and mechanics of how the farmers can proceed and how they can dictate their prices.

Mr. WILLIAMS. I do not really believe that I am fully qualified to do that. I can point out some examples of what is being done. And I can make, I believe, some pertinent comments on it, but I do not believe that I am sufficiently trained on the question of exactly how administratively you set it up to do an adequate job for you.

We do have today under a few voluntary organizations—for example, the Southwestern Egg Producers Association in the Los Angeles, Riverside area what is known as a voluntary marketing order program. It is made up of a relatively few large egg producers. They have an agreement with buyers in Los Angeles and Southern California to this effect, that the producer shall determine the price.

The CHAIRMAN. Do they not have a State law——

Mr. WILLIAMS. No, it is a voluntary arrangement. And they also back this up with a diversion program by which they divert a certain percentage of eggs under certain criteria to the breaker market, out of the commercial channels.

Now, why would buyers agree with this? Because the producers have learned that there is a level of responsibility here which they have accepted. They have already learned that they cannot——

Senator TALMADGE. Are they getting a higher price in that area than they are in the State of New York?

Mr. WILLIAMS. What they have learned is this. They cannot do this. They cannot expect to get a higher relative price in Los Angeles, but they can stabilize their marketing conditions. And these, they have learned, are extremely important to them.

My point here is that higher prices is not the whole goal.

Senator TALMADGE. In many areas price is the problem right now. It is with the egg producers, for instance. We have got some in Georgia a few weeks ago who were selling them for 20 cents a dozen. I think now it is about 25 cents a dozen. And I have produced eggs, and I know you cannot produce them for that, and I know they are going broke.

Mr. WILLIAMS. Well, on a national basis, they would be able to use, under this bill when conditions are depressed, they would be able to divert supplies under a marketing order to alternative markets to reduce the volume in commercial channels. And this would have beneficial effects in the short run, and if it were not continued on a permanent basis would not have any long-run deleterious effects on their markets or tend to encourage overproduction, I would think. So in a short-run sense, they could—if they're in a severe short-term oversupply situation, they could use provisions of this bill under any means. Any technique which attempts to boost prices on a permanent basis above what is justified by economic circumstances of supply and demand is going to run into serious consequences no matter how we do it, by producers, the Government or otherwise. And if this is the case, I think it simply has to be recognized. There are certain things they can do that will help them in the long run. There are other

things that are going to cause the situations as we have had in the cotton industry, an increase in the production of synthetics, a destruction of the foreign market, increases in production which have to be controlled under allotments and quotas, and we have learned quite well that these are the techniques that cannot be used, that we cannot boost prices to this extent. And I think producers and all of us must begin to learn this lesson. We should have learned it quite well. We have had enough examples of what will happen to us.

The same thing with the hog producers. If they were successful in negotiating a price high enough that they were satisfied with, I am sure that the beef people would be quite happy and the broiler people also because hog producers would lose part of their markets, and they have been having difficulty holding their markets as it is.

The CHAIRMAN. Was that done on a voluntary basis?

Mr. WILLIAMS. If it were done——

The CHAIRMAN. I mean the hogs. You say the hog producers are now satisfied.

Mr. WILLIAMS. No. What I was saying is that if future bargaining were successful in negotiating a price with which they would now be satisfied today, let us say the price they have announced which is something like, I do not know, $30 or something, I am quite sure that the beef people and the poultry people would be quite happy because it would destroy some of the market for pork. It would shift some of the consumption to beef and to broilers, and in a long-run sense they would simply lose their markets.

The CHAIRMAN. Well, Doctor, as you know one of the difficulties is that if this year, let us say, the hog market was high and the producers made good money, next year you have a lot of others to come in.

Mr. WILLIAMS. Right. That is correct.

The CHAIRMAN. How would you stop that?

Mr. WILLIAMS. What I am proposing here is that the bill be used for stablization, for coordination of production and supply. The economy is not going to permit agriculture very long to continue a situation of uncoordinated farm production that is not carefully organized with the marketing system and with consumption requirements. The rest of our economy—the lesson to be learned in the industrial sector is not higher prices but a coordinated system where supplies are regulated enough that we do not have serious excess supply situations, products move through the system into production, and this is what we need in agriculture, by grades, qualities, locations, and areas. And this cannot be done by distorting the price system but by coordinating the production system with the marketing system and consumption.

Senator YOUNG. Might I ask a question at that point?

Marketing orders and agreements are used now to a considerable extent for fruits and vegetables and milk, are they not?

Mr. WILLIAMS. Yes, they are. In milk we have been succeeding in coordinating the supplies of milk with the consumption requirements. Through establishing price differentials, we tend to divert supplies from the fresh milk market to the manufactured milk market in such a way that we have a fairly stable situation. We no longer have the chaos we did when we had farmers dumping milk and this kind of thing.

Senator YOUNG. What you are saying then is that if you had marketing orders on one type of meat you would have to have them on all, say, beef, pork, and poultry?

Mr. WILLIAMS. You would if you are trying to boost prices, if you are trying to coordinate and stabilize prices leaving the average price about where it was. Then you probably would not—you could have programs for individual commodities, and I believe—what I am saying is in the long run you are going to be much better off. You are going to be able to do much more. For example, advertising promotion programs will pay off a great deal more, much better with a stable price situation than with a highly variable price situation.

The lamb industry is an excellent example of how—the lamb people—money is being spent in advertising promotion which could pay off much more than it is. I am not saying that it is not having good effects. But here you have a situation in which lamb prices because of the high cost of marketing are above the prices of beef and pork, generally rather high prices.

The CHAIRMAN. That is due to short production, too.

Mr. WILLIAMS. The short production has come about not because of the production end. It has come about because the lamb people have lost their market. They have lost demand and have had to cut back production to maintain the price that they would like to have. And until you were able to get market costs on lamb down to where in the market it can compete with other meats, then the advertising promotional programs they have today will not pay off to their full potential.

Senator YOUNG. We have an unusual situation right now. I don't think it has ever happened before in our history. During a war all prices are usually inflated and during most wars in the past, I think agricultural commodity, prices were inflated first. We have a situation now where you have inflated prices for everything a farmer buys while the prices for farm commodities are actually lower than they were.

Mr. WILLIAMS. Exactly, and part of the reason they are lower now is they were higher earlier. We had prices which drew resources into agriculture, and when they get in there, they are trapped. Once we get money invested in equipment, in fixed resources in agriculture, they are not easily moved out. We do not move out farmland. Even if the land changes hands, it stays in production. We do not break out land into production, we do not move out this land equipment or buildings, machinery. This investment stays there.

Senator YOUNG. Well, this is the great difference between grain production, for example, and hogs, for example. Farmers will go in and out of the hog business but if they have land somebody will farm it. I never saw land lay idle in my life because the price was too low; somebody farms it.

Mr. WILLIAMS. Well, that is true. That is true. And what I am saying is that stabilization would tend to prevent these large slugs of resources coming in and then being trapped there. We would have—with the growth and size of the farm and ranches in the United States, we would have more of a—when we realize that 85 percent of the production, the value of farm production in the United States is pro-

duced by fewer than one-third of the farmers today, the progress of structural changes in agriculture is pretty far advanced, and one of these days through integration into agriculture, through further growth in size of agriculural producing units, we are going to have—farmers and ranchers are going to be more responsible about the way they handle their investment and the way they respond to prices. In a way they will be, in effect, industrial firms acting like a supermarket or any other firm outside of agriculture. So I think this must be taken into consideration.

Senator HOLLAND. Mr. Chairman.

The CHAIRMAN. Senator Holland.

Senator HOLLAND. It seems to me that probably the most meaningful thing that this very fine witness has stated was the statement in the beginning that when we talk of the farm problem we are oversimplifying it because it has many, many problems. And it seems to me that one of the ways oversimplification can be avoided is by differentiating between the highly perishable products such as fruit, vegetables, red meat and all the meats, poultry, on the one hand, and the highly storable quantities much more generally produced, such as the grains, cotton, tobacco, and the other products which are storable and which are generally dealt with by Federal legislation which is much further reaching than it is in the other feeds.

Now, in the field of the highly perishable crops, I think our approach up to now has been much more nearly adequate, much more nearly satisfactory. We have the cooperative machinery which has been more generally used in that field, and I fully agree with the witness that we have got to have some additions to that machinery by way of amendments to the Capper-Volstead Act, as he has mentioned. We have the marketing agreement and order machinery, both Federal and State, which has operated very satisfactorily in this field.

We have the section 32 operation which has operated very satisfactorily in the handling of temporary surpluses, particularly with reference to fruits and vegetables and also with reference to red meats and in some instances with reference to poultry, though not so satisfactorily there.

We have got the Foreign Agricultural Service and the resort to the use of that service by such organizations as the National Fruit Council with which you are familiar, I am sure, and their various commodity groups that are producing fruits and fruit products, whether in fresh form or the processed form.

It seems to me that there is one large group which must be dealt with more or less separately in legislation, and it seems to me that the thrust of the Mondale Act—and I recognize that it has many useful features—goes more to the attempted stabilization of the operations, production, prices, marketing procedures of the more or less nonperishable crops, the grains, the cotton, the tobacco, and others which will occur to you.

Is that one of the oversimplifications that you have referred to in your original statement, the effort to put both the perishable and the relatively nonperishable in one package for the purpose of dealing with it through legislation?

Mr. WILLIAMS. We must recognize very great differences between these commodity types, no doubt.

Senator HOLLAND. Well, is it not the wise course to continue to recognize that difference and to continue to have different legislation applying to the——

Mr. WILLIAMS. Not necessarily. I think——

Senator HOLLAND. For instance, you cannot have acreage allotments with reference to fruits.

Mr. WILLIAMS. Yes.

Senator HOLLAND. You cannot have acreage allotments with reference to the nationally produced vegetable crop which has timing to take into consideration, because it is produced from the wintertime in certain parts of our Nation up to the early wintertime, the fall and early wintertime in other areas.

Is it not wise for us to start, if we do start, on a real program of trying to work out new legislation, differentiating between these two general types of production, the one of nonperishable, storable, world consumed crops and the other of the highly perishable crops which I mentioned a while ago?

Mr. WILLIAMS. I would not agree entirely with that, because I think this bill is sufficiently broad that so far as the commodities are concerned, they can adapt and develop different kinds of programs under it.

I like the approach that the bill has in that it places responsibility on the farmers themselves for deciding what kind of a program they want and not having it decided here or in the Department of Agriculture precisely what shall be accepted by them with a club on the side that you vote for.

Senator HOLLAND. Do we not have that already given under the cooperative and marketing order techniques with reference to the highly perishable crops?

Mr. WILLIAMS. Yes, we have, except that there is no basic legal authority for bargaining as a group.

Senator HOLLAND. Well, that is where you come into the necessity of amendments of both the Capper-Volstead Act, the Cooperative Setup Act, and the Marketing Agreement and Order Act, is it not—the perfection of existing techniques which will be relatively satisfactory where utilized?

Mr. WILLIAMS. Yes. I would agree that we should not disturb the fruit and vegetable people too greatly in the programs they have had. I will finish up very quickly with just a few points.

May I point out that I do discuss here mandatory producer level production programs and the marketing order programs?

The CHAIRMAN. Well, your whole statement will be put in the record.

Mr. WILLIAMS. All right. And then I would like to draw attention to one thing that is discussed in here which I call the sliding-scale arrangements which have used successfully in California in which you do not bargain for a fixed price but you bargain on a scale of prices and quantities associated with those prices; that is, you would bargain for acceptability of a range of prices. You would say, "Well, we will accept this range of prices being relative and then we bargain in terms of the quantities which the buyers will accept, contract for, under these different price arrangements." Now, what this does is

remove some of the pressure on the marketing association for precision in determining precisely what the supply must be.

Also in the bargaining process here neither the buyer nor the seller are quite so concerned that if an error is made, let us say if it turns out that the price, that the supply—that the crop—is smaller than it otherwise would be and producers have bargained for a price, then they have bargained for a lower price than they might have had if they had not bargained at all. Then, on the other hand, if the crop is—well, if the crop was larger, then the buyers would be hurt.

Under a sliding-scale arrangement what you do is provide a mechanism by which you have an agreed range of prices and associated quantities. You can use marketing agreement order provisions here with a partial initiation payment to producers and then a final payment after it is determined what the total supply is. And this has some real possibilities, I believe, for——

The CHAIRMAN. Well, under such a scheme do you envision a quota system?

Mr. WILLIAMS. There would be no need for a quota system under it because——

The CHAIRMAN. You think the farmers would comply with it without fudging a little bit, you know, producing more than they should?

Mr. WILLIAMS. Well, I am thinking of this in connection with the marketing order in which you would handle problems of— you could divert some products from the main channels of distribution. For example, even in something like beef, it might be possible, if it were desired—and I am sure it would not for some years yet, but you could, for example, under a marketing program with sliding scale bargaining arrangements, divert part of the supply from, let us say, the fresh beef, block beef market to processed beef channels.

The CHAIRMAN. Well, how about your price? Would it not be affected if you——

Mr. WILLIAMS. Certainly. Then the producer would be in a position of deciding for himself do I want to restrict my supplies some and get this higher price which we have bargained for in connection with that volume, or do I want to increase my production, sell more and get a lower price. And that is always the choice that he has, except in this case there is the certainty involved, there is the stability involved here with producers and marketing people sitting down together and developing a sensible program.

The CHAIRMAN. All right. You may proceed.

Mr. WILLIAMS. I also talk about bargaining in terms or price differentials. This can be done. And it avoids—it reduces the pressure or need for control of the physical products themselves. By setting price differentials in a certain way we can manage to manipulate the available supplies among markets without the need of regulations on physical quantities.

Now, there are disadvantages to this and there are limited specific conditions under which it has to be used.

A word or two about additional sources of bargaining power. We are going to have additional bargaining power just simply through the structural changes that are taking place in agriculture, and I believe that legislation is needed to recognize and facilitate these rather than

93-192—68——28

to nostalgically try to preserve something that is going to pass away anyway.

Outside the Corn Belt we have pretty much a big, a large-scale and corporate agriculture. This is coming, I believe, and I believe that when we get more of this, whether we like it or not is something else, that we will have more stability; we will have more highly organized management of the production and markeing system. I believe that we need some of these changes in the legislation I have talked about in connection with cooperatives. Through further vertical integration by the cooperatives into the marketing system certain advantages could be derived. For example, an added degree of competition is provided when farmers integrate forward into the marketing system, and we need removal of certain legal impediments to this.

Now, while the possibilities require imagination, they are not unrealistic. In the cotton industry, for example, cooperatives act for a relatively high percentage of the marketings. I see no compelling reason why these cooperatives should not be permitted to federate or merge and possibly to integrate into cotton fiber milling or even into the production of synthetics. This is what industry is doing.

I think we must reach out in our thinking, in agriculture to the kind of things we think are everyday sorts of occurrences in industry.

The CHAIRMAN. Well, they do that today to some extent in the cooperative field.

Mr. WILLIAMS. Yes.

The CHAIRMAN. They manufacture their own gasoline.

Mr. WILLIAMS. Right. Why we could not do this on a national scale——

The CHAIRMAN. And you would want to extend that further——

Mr. WILLIAMS. Yes, sir.

The CHAIRMAN (continuing). Through cooperatives?

Mr. WILLIAMS. Yes, sir. We are doing it in industry. Our large national firms, large conglomerates today are doing this. We need to study the possibilities for improving bargaining power with respect to the agricultural supply industry. Now, not much can be gained there until some stability with respect to the marketing system is developed, but this should be looked into.

As I said before, we will need to continue to have programs which will boost foreign and domestic demand. We will need programs for both permanent and temporary retirement of crop land to avoid excess use.

The Federal Government could introduce and expand many services and regulations which would improve bargaining power which would tend to give us a more complete package with or without collective action. For example, we need improvement in the type, quantity, or coverage and quality of marketing information available. There is nothing more destructive to farmer bargaining power than lack of information or poor quality information. And we have had some serious problems. I have a paper that I could leave with you which is an evaluation of the market news, national agricultural market news and what is needed there. And we have had some serious problems. I believe the Department of Agriculture—I would recommend a thorough reevaluation of all USDA market news and statistical

sources toward the end of providing farmers and ranchers with improved guides to production and marketing decisions.

Senator YOUNG. I talked with some of the top people in the Department of Agriculture just a few days ago on this subject. They recognize this, and they are working on a new program. It will cost a little more money, but I hope that next year we can get a start on a better system of getting information.

Mr. WILLIAMS. It is going to take——

Senator MONDALE. Mr. Chairman, could we include that paper in the record.

The CHAIRMAN. It has been.

Senator MONDALE. Oh, it has been. I am talking about the paper on the——

Mr. WILLIAMS. Oh, this one, Market News.

Senator MONDALE. Market information, I think we should at least have it in our files, if you do not think it should go in the record.

Senator HOLLAND. Well, it is not very long. It could be put in the record, Mr. Chairman.

Mr. WILLIAMS. I believe in that same connection we need further improvements in the official grades and quality studies as they apply to agriculture. These are fundamental to an improved marketing information system—they are part of what we call our nonprice terms of trade. Many of these nonprice provisions simply could be specified with proper authority to do so by the Department of Agriculture as they have done recently under the Packers and Stockyards Act in specifying the conditions for carcass grade and weight selling of livestock. In other words, we would not have to depend necessarily on bargaining for these; some of these simply could be regulations.

The CHAIRMAN. Well, without objection the document referred to by Dr. Williams, "National Agricultural Market News," will be placed in the record at this point.

(The document referred to follows:)

NATIONAL AGRICULTURAL MARKET NEWS—AN EVALUATION [1]

(Willard F. Williams [2])

The task before me today is a real challenge and one which even in contemplating the remarks I would make is a humbling experience. For anyone to come before the distinguished body of authorities in the role of a critic is, at best, foolhardy. I am sure that everyone who has become even remotely familiar with the market news programs of the U.S. Department of Agriculture and of the various state departments of agriculture has been impressed with the size and scope of these programs and with the work that is undertaken daily. Some additional familiarity brings with it an appreciation of the innumerable complex problems encountered and of the imagination and ingenuity displayed in solving these problems. All across and throughout these United States, including our new states, and in some foreign lands, dedicated U.S. market news specialists are providing farmers and others with the most complete and timely market information to be found anywhere. Market news programs are typically American and rightly so because they are consistent with private enterprise economic systems. This does not mean, of course, that improvements cannot be made or that some changes are not urgently needed.

[1] Paper delivered at the annual meeting of the National Agricultural Market News Association, August 1967, Houston, Tex.

[2] Professor and Head, Department of Agricultural Economics, Texas Technological College, Lubbock, Tex.

Market Performance

Accurate and timely marketing information is an essential ingredient for fully satisfactory performance of any marketing system. The key word here is "performance." A market which performs in a highly satisfactory manner generally will be one in which 1) "adequate" but not excessive quantities of goods and services are produced at the time, in the place, and in the form desired, 2) the products are distributed through time and geographically in the quantities and form desired, 3) the cost of production, processing, transportation and distribution, including retailing, are about as low as possibly could be expected, given the technology and methods available and given weather and general economic conditions, i.e., a systems which encourages adoption of improved technology, methods, and organizational systems about as fast as these become available, 3) the system tends to encourage the discovery of new technology, methods and organizational forms through research and development, 4) prices at all levels tend to reflect necessary costs, i.e., profits are sufficient to provide a competitive return on investment and provide the necessary incentives for progress but not excessive which means that, in general, the benefits of reduced costs and improved efficiency are passed along to consumers and other buyers, 5) price differences between spatially separated markets are reflections primarily of cost difference, 6) price differences among grades or forms of the product reflect cost differences 7) price differences through time are minimized, i.e., to the extent possible, through storage and other means, price differences and variations are eliminated.

Operational Efficiency

What I have said is that the tasks of the marketing system fall into two equally important categories. The first is that of moving products from farms to consumer and providing all of the necessary services along the way. In this sense the marketing system can be viewed as an assembly line. We begin with a raw product and then enhance or add value by providing or attaching the services consumers require. We want to do this as efficiency as possible. Efficiency, therefore, is an important measure of market performance.

Pricing Efficiency

Efficiency, however, in moving products from farm to consumer and in providing all of the necessary services along the way is not enough. As a matter of fact, we are beginning to ask questions in our economy about how much efficiency we want. It would not be difficult, for example, to imagine a highly efficient marketing system for manufactured dairy products which was owned outright by one firm. In this situation we would begin to inquire rather seriously about competition, pricing, margins and profits. We would begin to realize that private enterprise markets have another task to perform and that efficiency here also is required. Accordingly, let us call the type of efficiency we have already talked about, i.e., efficiency in moving products to market and providing the necessary services, *operational efficiency.*

The second major task of the marketing system is to provide a system of pricing and communication. This can be an adequate, effective and sufficiently intricate system or it can be one characterized by inadequacy and ineffectiveness. "Pricing efficiency" is concerned, therefore, with the accuracy, rapidity and effectiveness with which marketing information is developed and disseminated relative to the cost involved. To be effective, however, sufficient information must be generated for immediate distribution that prices are permitted to perform functions expected of them.

In our society, prices are expected to 1) tell consumers what to buy and determine which consumers will buy particular products, 2) determine which markets packers or processors will select for their shipments, 3) determine which marketing services will be supplied and how much of each will be employed, 4) allocate producer resources among commodities and among varities, grades or qualities of individual commodities. If, as in the signal of a radio station or a television station, there is interference, "snow" or distortion, consumers, merchandizers, processors or producers simply may not "get the picture." They do not receive accurate signals quickly, the effectiveness of prices is reduced, pricing efficiency falls, and market performance is less than fully satisfactory. Examples are all about us. If, for instance, the marketing system does not adequately distinguish between consumer values of fat and lean pork, consumers often are disappointed, marketing firms are misguided

and producers are misdirected in the use of their scarce resources. The responsibility of a public marketing information service, therefore, is great.

REQUIREMENTS OF A TOTAL SYSTEMS APPROACH TO PRICING EFFICIENCY

What does an efficient pricing system require? Certainly, a well-developed efficient, integrated market price reporting system is one essential requirement. I maintain, however, that even this is no longer enough. Much more is required in a highly progressive nation which no longer consists of many small and virtually isolated markets. For most agricultural products, technological improvements in transportation, communications and intransit refrigeration have transformed these small, isolated markets into one huge market or markets much more highly integrated and interrelated than ever before. Farmers, ranchers, feedlot operators, packers, processors and others are much more keenly aware today than ever of small changes in prices and marketing conditions. They have become merchandizers and marketers as well as producers. They are business men with a greatly expanded appetite for knowledge.

Within this framework, producers and other agribusiness people are interested not only in immediate, current prices but also in short term, intermediate term and longer term price trends and they are interested in prices within detailed specifications which remain constant from day-to-day and week-to-week. Furthermore, they are interested in the reasons for existing levels and changes, i.e., in all of the more relevant factors and forces affecting underlying demand and supply conditions. They are concerned about past and probable future psychological reactions to recent changes and implications for the future.

This is a large order requiring close coordination of all Federal and State information agencies, integration, interpretation, analysis and evaluation. I suggest, however, that the time has arrived to consider market *news* reports that are more than market *price* reports. I am thinking of something like condensed versions of the wheat situation, the fruit and vegetable situation or the livestock and meat situation which could be released almost daily. But market news reports which covered all of these things, you say would be research reports and outlook statements and the material would enfringe on the subject matter areas of the Statistical Reporting Service and other agencies.

Market reporters, it is true, may need to become analysts and assume more responsibility for the significance of their results. As for the other question, I have never been convinced that there is justification, from the standpoint of the industry decision maker, for the sharp separation of functions defined as "market news," "statistical crop and livestock reporting," and "outlook." The Statistical Reporting Service develops much current data which most certainly can be considered "news." The problem is that SRS, like Market News, issues individual statistical reports with little comment and virtually no analysis. Outlook material also is "news." Do we face any really good technical reasons why we could not integrate all of our public sources of marketing information and issue daily or weekly market analysis complete with price reports or quotations, marketings, storage stocks, crop conditions and all other pertinent information? In this day of computers and close knit communications, this should not be impossible.

The complaints we all hear about marketing information—about estimating and forecasting errors of public and private outlook statements should be considered seriously. They do not mean, it seems to me, that our efforts to provide the best and most complete marketing information possible should in any degree, be discontinued. They do mean, however, that we may need to become a good deal more sophisticated in market reporting, in the development of statistical series, and in our analytical techniques. If there is one thing I have learned in some of the work I have been doing in developing outlook procedures for the livestock industry, it is that we cannot expect to develop annual, quartely or even semi-monthly forward estimates and expect these without further work and continuing revisions to be of much real value to industry decision makers. We must be in position to remain abreast of all developments and to make repetitive revisions as new information becomes available.

IMPLICATIONS OF THE TOTAL SYSTEMS APPROACH

Let us now consider additional implications of what I have said for improvements in the present situation and in agricultural pricing efficiency.

A few individuals have objected to the statement made in my book in reference to the Federal Market News Service and the Statistical Reporting Service which reads as follows: "Both services grew 'like Topsy' usually without benefit of research on questions regarding 1) economic justification of the proposed work, 2) significant gaps in the information from national and inter-industry viewpoints, and 3) probable marginal benefits of alternative proposals."[1] This is not meant as an indictment of individuals employed in either service. It should be recognized, nevertheless, that both services probably have been more markedly affected by special interest pressures, earmarked congressional appropriations and expediency than by carefully organized research. The informational requirements of a modern day commercial farmer or feedlot operator may be quite different than the needs of small family farmers in the 1920's when many of our procedures and reports were designed.

Nevertheless, few basic studies have been made of the information needed or desired by producers or others in making decisions. Many basic studies are needed to 1) determine the uses of and needs for specific types of market news data, 2) develop new methods or select among alternative methods for collecting, analyzing and disseminating marketing information, and 3) evaluate the accuracy and usefulness of the final results. A more highly developed "feedback system" is needed. Despite this fact many of the market news and Statistical Reporting Service people have displayed marked antipathy for research. This is like sticking your head in sand. I must admit, however, that the Statistical Reporting Service has been more progressive in recent years. Also, some of the Federal Market News branches, the dairy and poultry people particularly, have displayed some interest in research.

Another related problem area involves questions of adequate funds and Federal-State cooperation. In many instances market reports and Statistical Reporting people have been assigned tasks through congressional or other pressures with inadequate resources for these tasks. When state cooperation in the form of financial support is lacking, these tasks sometimes become well-night impossible with any degree of accuracy. For example, State Statisticians in each of the states are required to develop annual data on "marketings" and "inshipments" of livestock by species. These figures are developed and published but what they mean no one really seems to know. That the "marketing" figures on cattle for a state such as Texas do not actually represent total marketings is clear. This type of thing in Market News as well as in SRS, it seems to me, must change. A market reporting job worth doing is worth adequate financial support. By agreeing to "get by" and "do the best we can" in the face of inadequate resources, the public market news services may be slowly "cutting their own throats." The support of industry people, educators and others may be needed to develop public appreciation of the financial requirements involved.

There has been much political feetdragging among the states in matching Federal expenditures for marketing information. When initiated, State programs sometimes proceed without adequate advance planning and research. Too often the State programs degenerate to the point that in the face of serious deficiencies and data gaps at the national or statewide level, much useless local information is generated.

I am not suggesting here or in anything I have said that State or local market information and statistics programs are not justified. Quite the reverse. I do believe, however, that attempts should be made in many specific ways to achieve more uniformity among the states and to integrate local, state and national data efforts and results. A national plan is needed which would more effectively involve the state agencies and their data by counties and crop reporting districts.

But permit me for my remaining moments to be more specific and for convenience here, most of my comments will be made with primary reference to the livestock and meat industry. In most instances, however, these comments will be equally applicable to most other agricultural industries.

1. Grades and specifications seem to require increased attention. As every good market reporter knows, a price quoted in the absence of specifications is virtually meaningless and useless. It was for this reason that official U.S. grades and standards initially were developed primarily for use by market reporters. Never-

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[1] Willard F. Williams and Thomas T. Stout, *Economics of the Livestock Meat Industry,* The Mcmillan Company, 1964, p. 460.

theless, some of the philosophy of the people responsible for the series on Prices Received By Farmers, who delight in "hog round" prices for "all cattle" or "all hogs" seems to persist.

Since agricultural products are inherently heterogeneous, any efficient agricultural pricing system requires maximum development and use of widely-recognized and well-understood grade standards. More effort is needed to achieve more uniformity among the states and between Federal and State agencies in the use of precisely the same grades and other specifications.

2. There seems to be some general agreement that it is the packers' selling price, the wholesale price, that livestock buyers have in mind in buying livestock. Nevertheless, wholesale meat price data are available at only a few locations in the U.S. No such reports are available anywhere in the South for general distribution. Only at the insistence of the Oklahoma and Texas Cattlemen's Associations has this matter even been given serious consideration. The result so far has been a feasibility study by USDA. A copy of the finding, AE Rpt. No. 115, *Price Information and Meat Marketing in Texas and Oklahoma*, arrived at my office early this week.

3. Given specified wholesale meat prices, prices received by packers for offal and by-products are important determinants of prices packers can afford to pay for the live animal. As I have reported elsewhere, cattle feedlot operators sometimes have acquired an interest in meat packing facilities for the primary purpose of acquiring more reliable information on yields and on prices of offal and by-products. Nevertheless, it was not until after this matter came forcibly to the attention of an Assistant Secretary of Agriculture in London, of all places, where he was attending a trade seminar on variety meats, that weekly reports on offal prices began to appear. More attention to this and related matters is needed. Ranchers and feedlot operators generally do not have the ability or time to translate prices of 15–20 by-products into prices packers could be expected to pay.

4. Livestock still are sold on a "hog round" basis or by guess more than is true of almost any other farm product.

a) Volume or volume relative to other channels has declined at many terminal markets so severely and become so unrepresentative that prices reported at the markets actually may mislead rather than aid buyers and sellers in country areas or at other markets. At the present time, volumes and prices reported on fed cattle at "the 7 markets" or the "12 markets" have a disproportionate influence through about Wednesday of each week on both live and futures prices of cattle and hogs.

b) Auction sales are reported infrequently and reports on country sales have been developed only on a scattered and incomplete basis. Too often, country sales prices are obtained through contacts with a few buyers and are not verified through contacts with sellers.

c) Disinctions among the non-fed slaughter, feeder and replacement markets are not made clearly and uniformly. The term "stockers and feeders" became so common and well-established in earlier years that the market news and reporting services still no not realize, apparently, that the stocker and feeder markets are quite different markets.

d) Actually, the market reporting of stocker and feeder types of cattle never has been entirely satisfactory and now can be characterized as deplorable. One important reason is that the official grade standards for feeder cattle never have been realistic. Market news services and the industry have an important stake in the development of feeder cattle grade standards which meet minimum requirements.

e) Other complications given little organized consideration in market reporting are 1) the extent of selling in feeder and slaughter markets on a forward contract basis, 2) the extent of grade and weight selling and other forms of rail selling, 3) the growing importance of precise specifiications on grade, weight, pencil shrinkage, cooler shrinkage and other shipping or selling conditions. Price difference associated with differences in delivery point rather than origin generally are not specified. While complex, these complications must be faced and solved by our public market news services.

f) Despite improvements, reported price ranges on both livestock and meat, even on carlot sales, often appear excessive and the meaning or significance of the upper and lower limits seldom are made explicit. How is an upper or lower limit to be interpreted if no one knows precisely how these limits are defined?

5. The present narrative form of many livestock and meat reports is difficult to read, difficult to understand and still more difficult to evaluate and interpret. It is almost impossible in many of these narrative reports to form impressions of price differentials and changes. In many instances only very small numbers of livestock are involved and when these are merely reported in narrative form, they often tend to mislead. Most anything worth reporting, I believe, can be tabularized. The narrative portion of such reports, I believe, should be confined to and clearly labeled as scattered and, possible, unrepresentative sales.

Many additional comments could be made regarding the adequacy and reliability of SRS estimates on livestock and meat. For example, no commercial slaughter data are available for the various classes of cattle and hogs. No reliable national data series are available, so far as I am concerned, on interstate or intermarket movements of livestock, meat, feed grain, and numerous other commodities. I do not mention the recent serious errors in the cattle inventory data because I believe the SRS people have been made sufficiently aware of this.

I conclude by summarizing my principal points. While we have the finest market news service in the world, many improvements could be made which would contribute greatly to enhanced pricing efficiency. Wider, more carefully balanced and integrated coverage geographically and among the agribusiness sectors would be desirable. More percision in price reporting through increased use of specifications also is needed. But the immediate and widespread dissemination of precision prices does not satisfy the requirements of a total systems approach to pricing efficiency. Since performance of an economic system is determined through the decisions of producing and marketing firm managements, prompt and intelligent responses to changing market conditions are required. Slow or inexact responses and poor performance, in the form of alternating gluts, shortages, cycles and disorderly marketing, can be expected under conditions in which decisions are made in the absence of all relevant facts or by men unable alone to interpret the facts with which they are provided. "All relevant" facts do not begin and end with price reports or quotations which are history regardless of how rapidly they may be disseminated.

When a price report is issued, it is assumed that the report can be used intelligently as a basis for future decisions. The report, therefore, is not an end in itself but, in effect, is an outlook statement.

In attempts to close the informaion gap, reported price ranges have been narrowed in some instances, "mostly" prices often are reported and efforts are made through the use of various terms to describe the "tone" of the market. But even this is not enough for the total systems approach I am suggesting. National, computerized economic models eventually can be constructed into which information could be channelled from all over the nation on prices, shipments, sales, storage stocks, remaining supplies etc., for daily or weekly evaluations, analysis and release as complete economic news reports. These could provide implications for short term, intermediate term and long term market developments. In the meantime, we could be doing what we can toward this end.

Mr. Williams. I think I might even go further on certain commodities and consider the regulations requiring prominent grade or quality labeling of all meat and finished agricultural products. This would contribute significantly to coordination of the market system in terms of prices and quantities and serve as an aid to consumers. Such regulations would also improve opportunities of producers for vertical integration wherever proprietory brands have become an effective barrier to entry. There are all kinds of arguments about that. My position would be that there are conditions that I believe justify further vertical integration by agriculture.

Finally, the great need in agriculture is for collective ability and means by which farmers and ranchers can satisfactorily manage their own affairs. This need can be met only through improved knowledge and understanding in agriculture of the economic facts of life affecting this industry, wider opportunity for collective responsibility, and the experience gained in exercising it. Mistakes will be made. An enabling law nevertheless, is needed which, within prescribed limits

and controls, incorporates, through the principle of self-determination, the right to make mistakes for this is essential to learning. They need a law which permits the varied sectors and subsectors of agriculture to wrestle collectively with their problems and, within a reasonable framework of authority, design their own solutions. Developing attitudes in agriculture and, as expressed in S. 2973, therefore, are commendable as they are consistent basically with these principles.

What I am saying here is that while we must face up to certain serious responsibilities in connection with a law like this, agriculture needs to take this responsibility itself. The law offers that possibility under proper prescription here concerning the range of authority that they might have.

(Dr. Williams' prepared statement is as follows:)

Summary

The interest of farmers and ranchers in additional bargaining power appears justified and commendable. Farm prices were lower in 1967 than in 1950 but prices paid by farmers rose more than one-third during this period. Earnings of resources devoted to farming were about 15 percent smaller in 1966 than earnings on comparable resources in other industries and 1966 was an unusually good year for agriculture.

Questions arise regarding the potential contribution of additional farm bargaining power to solution of the basic economic problems of agriculture. A persistent excess supply of resources in agriculture which results in chronic conditions of high level production and low prices is the basic problem. Higher farm prices through bargaining or other means would tend to increase the flow of resources into agriculture or retard the outflow; stimulate domestic production, foreign production, imports and the production of synthetics and byproducts; and reduce domestic and foreign consumption. Higher prices, it is concluded, are not the answer.

Fortunately, higher prices are not the only legitimate and available source of higher net farm incomes which actually are the principal goal of improved farmer bargaining power. The possibilities of modestly enhancing and stabilizing net farm income on a long-term basis through bargaining improve considerably when attention is drawn away from higher prices to the goals of orderly marketing and to closer coordination of the production and marketing sectors of agriculture. A solution to the basic farm problem in all of its dimensions is more than can be expected of any single approach. Bargaining alternatives with supply management directed toward coordination and alleviation of wide variations in producer prices and incomes may not contribute further to the resource problem in agriculture and, in combination with other programs, could help to reduce it.

A variety of alternative programs generally involving combinations of bargaining and supply management deserve consideration. A number of voluntary bargaining associations presently are operating in agriculture. These have functioned most effectively, however, in combination with supplementary programs such as marketing orders. Others are severely disadvantaged. An amendment to the Capper-Volstead Act is needed which would clarify the legal authority of cooperative to merge and to bargain jointly.

It is the labor bargaining model with compulsory bargaining and arbitration which has excited the imaginations of American farmers. By themselves, however, these additional features add little to the bargaining strength of farmers. Farmers cannot strike except through restrictions on production or marketings. Labor can virtually ignore effects of higher wages on unemployment but a market of some type must be provided for all producers and all units of an agricultural product. Supply control or management, therefore, is essential to effective bargaining by farmers.

Price bargaining and supply management are not always fully compatible. It generally will be necessary to complete the bargaining process before the planting, breeding, or feeding season or period. If a fixed price is established above equilibrium levels through bargaining, marketings must be determined precisely

and compliance must be enforced rigidly. These requirements seldom can be met in agriculture. On the other hand, if high degrees of precision and discipline can be consistently achieved in forecasting and controlling marketable supplies—why bargain? Supply control under these conditions will produce the desired prices. There are other goals and more compatible conditions, however, for bargaining.

Contracting as a means of shifting supply control responsibility to the buyers is increasing in popularity. Under some conditions price bargaining and contracting would work out fairly well. Unless care is exercised, however, the drive by agriculture for higher prices through bargaining could result in contract strait jackets imposed by processors and other buyers.

Mandatory supply controls or management can be considered a substitute for bargaining, it is necessary for power in bargaining, but it must be used judiciously with bargaining. Farm or ranch level production controls appear infeasible or impractical unless direct compensation for diversion is provided. Marketing system supply controls and management with bargaining are economically more feasible and are more easily administered than farm level production controls. Potential contributions of these controls to price enhancement generally are limited but they are more compatible and consistent than farm level controls with the goals of orderly marketing, stability and coordination. Marketing system supply controls presently are available for specified commodities through marketing orders.

Price bargaining on a sliding scale of prices and quantities with marketing order supply management authority offers advantages over many other alternatives. In this arrangement, producers and buyers bargain with respect to the acceptability of a suggested range of prices and in terms of quantities which shall be produced and accepted at these prices. The principal advantage is that the scale would provide some latitude for errors of estimation, acts of God, and outright failure of producers to control supplies as required under fixed price bargaining arrangements. The system has been tried and found advantageous.

A variety of other alternatives might be considered. Bargaining, for example, could take place with respect to price differentials among market outlets with the general level of prices determined either by the free market or marketing order supply management. Price differentials can be manipulated for the same revenue advantages available through physical market allocation. The principal advantage in manipulating price differentials is that this reduces the burden on overt supply management techniques.

Any of the alternatives probably would yield mutually advantageous improvements in the non-price terms of sale to buyers and sellers. However, an excessive degree of standardization in these terms, detrimental to farmers, is possible. The aim, it appears, must be to standardize in a manner and to the degree that while opportunities for exploration of ignorance, distortions and discrimination have been removed, legitimate merchandising opportunities have been preserved.

The sources of agricultural bargaining power, defined broadly, are more numerous and varied than generally is assumed. They include the dramatic structural changes now taking place in agriculture. Soon a typical agricultural firm will be operated and managed much like any industrial firm. Firms such as this will manage their resources, their production and their marketing efficiently at reasonable rates of return if permitted to do so.

The ability to adjust quickly and effectively to changes in technology and markets is the key to a prosperous agriculture. Many adjustments have been made but others are required and for many, facilitating legislation is needed. Unless farmers and ranchers are permitted to assume more responsibility for efficient resource management, orderly marketing and the coordination of production and distribution, this may be done for them through vertical integration into agriculture. Substantial advantages may be found through expanding marketing on an organized basis, rather than individually. Legislation facilitating further development of cooperatives through growth, mergers or acquisitions is needed.

Further vertical integration on a sound economic basis would be found advantageous by larger and more highly organized cooperatives. Skillfully employed, marketing orders would provide an added degree of coordination. All of these adjustments and devices, larger and stronger cooperatives, bargaining committees, vertical integration and marketing orders may be needed to acquire desired levels of bargaining power.

Possibilities for improving the bargaining position of agriculture with respect to the agricultural supply industries also need to be explored.

More general programs also are needed. These include programs to broaden both domestic and foreign markets and others to retire unneeded cropland.

Many Federal services and regulations could be introduced, expanded, or revitalized to improve farmer bargaining power. These include improvements in the type, quantity and quality of public marketing information; more adequate and more meaningful official commodity grade and quality standards; and regulations requiring the prominent grade or quality labelling of intermediate and finished products.

Most important, farmers and ranchers need to learn and understand the economic facts of life affecting them along with the opportunity and ability, as well as the desire, to manage their own affairs. An enabling law, therefore, is needed which incorporates, through the principle of self determination, the right to wrestle collectively with their problems and, within prescribed limits and controls, design their own solutions. Mistakes will be made but these are necessary to learning.

Development attitudes in agriculture and of the Congress as expressed in S. 2973 appear commendable as they are consistent basically with these principles. While the bill, as law, would not solve all of the economic problems of agriculture, its provisions, generally, are economically sound. Everyone concerned, however, should recognize the limitations associated with the goal of higher prices for agriculture. This recognition probably should appear in the bill. On this score we have made all of the mistakes in policies for agriculture that appear necessary.

Bargaining Power for U.S. Agriculture [1]

(By Willard F. Williams [2])

The interest of U.S. farmers and ranchers in bargaining power is genuine, widespread and rising. As I define it, however, this interest is not new. The basic objective of improved bargaining power, it seems to me, is higher and more stable net incomes and returns to resources employed in agriculture. In these terms, U.S. agriculture has been actively seeking more bargaining power since the 1920's when the slogan was "equality for agriculture." What the nation's farmers seek is more "income power" through legitimate means of which collective bargaining is only one.

In this paper I begin by briefly exploring and reexamining the nature and dimensions of what is called, in oversimplification, "the farm problem." I then attempt to relate the farm problem to the bargaining power issue. After raising a serious question or two in this effort and offering several suggestions, with appropriate comments regarding S. 2973, I turn to consideration of specific program alternatives. Most of these are alternatives within the general framework of S. 2973. In general, however, I am more concerned with economic justification and effects than with detailed legal or administrative requirements.

My approach generally is that the analyst without an interested position either to promote or defend. On balance, despite some critical comments and within my own particular interpretation of the bill and its possibilities, I find myself in general support of S. 2973.

CURRENT STATUS OF "THE FARM PROBLEM"

In terms of output and efficiency, U.S. agriculture is the success story of the past century. The dramatic history of accomplishment is a matter of record with which, I am sure, this Committee is familiar. I am not sure, however, that the extent of changes and their implications are fully understood by everyone. In my view, the evolutionary developments in agriculture are so great and impressive that we must change our traditional views of agriculture.

Despite the changes, returns to resources in agriculture have been and remain significantly and persistently lower than returns to similar resources in other industries. This also is a matter of record. The recent USDA report *Parity Returns to Agriculture* undoubtedly has been made available to you. We know also that prices farmers received from all farm products were 2 percent lower last year, 1967, than in 1950. At the same time, prices paid by farmers for all production and living expenses rose 34 percent—one-third. Numbers of both

[1] Testimony submitted to the Senate Agriculture Committee, Preliminary Hearings, April 10, 1968, Washington, D.C.

[2] Professor and Chairman, Department of Agricultural Economics, Texas Technological College, Lubbock, Texas.

family workers and hired workers have dropped sharply—40–50 percent since 1950, while purchased inputs to agriculture have risen 30 percent. During 1950–66 farm expenditures for tractors and other machinery and equipment rose 70 percent; the increase for fertilizers was 104 percent; it was 246 percent for pesticides and 311 percent for interest paid. Even with the help of government programs, average earnings of resources devoted to farming in 1966 were about 15 percent smaller than earnings on comparable resources in other industries and 1966 was an unusually good year for agriculture—much better than 1967.

Part of the explanation is found in the definition and composition of "farms." In 1966, more than half of all U.S. farms, 54.4 percent, had sales of $5,000 or less. Many of these probably should not be classified as farms. The definition and composition of farms, however, is not the complete explanation. According to the report mentioned earlier, net returns of farms with sales of $10,000–$20,000 annually were significantly smaller by all measures employed than "parity returns" in 1959, 1964 and even in 1966. The report also indicated that net returns of many much larger farms and ranches often are significantly under parity and returns of some are persistently lower.

While the ability of U.S. agriculture to increase output and increase efficiency is its greatest asset, this ability also is the economic "Achilles heel" of agriculture. The demand for agricultural products is such that small variations in production or marketings greatly affect farm prices. Furthermore, increases in consumer incomes generally have relatively small effects on quantities of farm products consumed or on prices consumers are willing to pay. Given these conditions, a more rapid rise and more variation in output and productivity in agriculture must be reflected in farm prices which are relatively lower and more variable than prices of non-farm products and services.

Faced with little opportunity to influence to influence his low and variable market prices and presented with new technological possibilities, the farmer's focus of attention has been directed toward efficiency. Here were variables affecting net farm income which he could manipulate to his advantage. The initial results generally have been gratifying. Early adopters of cost reducing techniques reaped benefits. The problem is that most of these techniques also were output increasing. The principal results have been increased farm farm production and sharply reduced farm prices which largely, if not entirely, offset effects on costs of the gains in efficiency. In addition, total cost outlays are increased even though per unit costs are reduced. With costs higher than before and prices even lower, the farmer resumes his search for new, lower cost methods and techniques. We refer to this process as "the agricultural treadmill."

Thus it is that, in terms of assets, a farmer or rancher may appear wealthy, he may drive a Cadillac, but he may be seriously *underpaid*. Returns to his resources would have been significantly higher had these resources been invested in another industry. But if this is true, the obvious question is why do not excess resources in agriculture move out. The answer is that the basic resources, farm land and investments in buildings and equipment, cannot. The off-farm "salvage value" of farm land, equipment and even of many older farmers is so low that transfers out of agriculture are discouraged or prohibited.

BARGAINING POWER AND THE FARM PROBLEMS

If this characterization of the farm problem is valid, and I believe that most informed analysts would agree that it is, an obvious question arises concerning the connection, if any, between the various dimensions of this problem, on the one hand, and bargaining power proposals, on the other. It would appear, offhand, that unless the roots of the farmer's economic problem can be found in the market place, then the bargaining power approach loses much of its defense.

The usual rationale of bargaining power proposals, supported by some factual data, is that farmers are many, dispersed and relatively small and, therefore, weak and disadvantaged in the marketplace. In contrast, the remainder of the economy, including the agricultural marketing system, is highly organized, characterized by a few, large disciplined firms and, therefore, strong.

This description of agriculture and the structure of the agricultural marketing system is not entirely consistent with some observed facts. Many of the agricultural marketing sectors, meat packing for example, are not highly concentrated. But even if this portrayal is accepted as accurate, the answer to our original question is not obvious. How will higher prices, if this is the im-

mediate goal of bargaining power, solve the problem of an excess supply of fixed resources which have persistently contributed to price depressing levels of production? Higher farm prices always have attracted additional resources to agriculture. The usual solution suggested at this point is some form of production control or supply management.

We are well acquainted through solid experience with some of the effects of raising farm prices above levels justified by existing supply-demand conditions. Increased production is encouraged and both domestic and foreign consumption are reduced. Foreign production, imports and the production of synthetics are stimulated.

Programs directed toward the goal of higher farm prices and made effective through supply management tend, on the one hand, to attract additional resources to agriculture and on the other to immobilize them. This is what we have been doing with our price support and acreage diversion programs. In addition, supply restrictions do not remove the effects of higher prices on demand and consumption.

Some of the disadvantageous secondary effects would be removed if prices of all agricultural products were raised simultaneously. For example, marketing controls and higher prices on beef would benefit hog and broiler producers significantly unless supply controls also were placed on these products. Even so, what could be done about non-farm substitutes for meats and other products? The examples of butter and cotton are clear-cut illustration of results which must be considered entirely possible for other farm products.

A considerable amount of research indicates that if there is "fat" in the marketing system for farmers to acquire, it is small in quantity. Success, therefore, in raising farm prices through bargaining would mean higher consumer prices. This is not to say that higher consumer prices are either good or bad. Many farmers are beginning to say that consumers simply must begin to expect to pay higher prices. Statistical data show that food prices in this country are a bargain, perhaps not the bargain they once were, but, nevertheless, a bargain. Potential effects of higher farm prices on consumer prices, however, should be recognized.

In some instances, for commodities in which foreign trade is small and which have no close substitutes, modest price increases probably could be achieved without serious secondary effects. Even in these situations, however, higher prices generally are only temporary solutions. It seems to me, that regardless of the programs adopted for agriculture, farmers, in their own interests, must avoid raising prices to levels which permanently damage their markets and result in unmanageable surpluses. Higher prices, therefore, are not the answer.

Having said these things we are in a position to shift the discussion in a more positive direction. Fortunately, higher prices are not the only legitimate goal of farmers and the only route to higher and more stable net farm incomes. Agriculture also is subject to the ravages of wide cyclical, seasonal and irregular variations in prices, revenues and net incomes associated with periodic gluts and shortages. During periods of high prices resources are attracted to agriculture which are seriously underpaid during periods of low prices. In a more general sense, agriculture has never been able to coordinate production in terms of grades, qualities, types and varieties of products and services and in point of time as well as in terms of total volume to the requirements and increasingly detailed specification of a fairly stable demand situation. "Orderly marketing" defined to include all dimensions of coordination, therefore, also is an important and legitimate goal of farmers.

Basic philosophical conflicts between the advocates of the higher price approach and the orderly marketing approach have existed at high levels of government for decades. In 1933, George Peek was appointed administrator of the newly created AAA. Peek and Wallace had been at odds over this matter before the appointment was made. Peek favored the marketing agreement approach with emphasis on orderly marketing while Wallace favored a more direct approach offering assurance of more dramatic short-term results. The views of Wallace, supported by the President, prevailed and Peck resigned. The high price approach, as amended and changed by subsequent legislation, has remained the principal farm policy goal. Considering the results, it is time, it seems to me, that the other received more serious attention. Orderly marketing has been the principal goal of marketing agreement and order programs and these have been among our most successful farm programs. These programs, however, never have received much attention by our major commodity groups.

The second major error involved on both sides of the bargaining power argument lies in assuming that the farm problem can be solved quickly or through any single approach or program. Like others, marketing agreement and order programs have their disadvantages and limitations. Properly defined and intelligently administered, programs directed toward orderly marketing and coordination, it seems to me, could have some alleviating effect on the resource problem in agriculture but they would not solve it. No single proposal of which I am aware, however, will entirely solve the farm problem in all of its dimensions. This is more than can be expected.

The rising interest of the farmer in market power and his new determination to become the master of his own economic destiny appear justified and commendable if this means that the farmer is now prepared and able to accept his share of the responsibility for, as well as the benefits of, actions and programs designed to improve his economic situation. I interpret "responsibility" to include recognition of what he already knows and what I, among others, have said about the effects of programs aimed primarily at higher farm prices.

The farmer has observed what organized labor has been able to accomplish. As I shall point out, however, the situation of labor and agriculture are quite different.

In looking toward industry, some farmers are beginning to see advantages other than higher prices in the structural organization found there. More highly disciplined, some of the non-farm business sectors succeed rather well in coordinating production and marketings. This rather than higher prices is the lesson to be learned by agriculture from industry. Variations in production are controlled and through management those remaining are not permitted to affect prices greatly. In many, where the firms are few in number and large in size, exceptionally high levels of efficiency have been achieved. Some have integrated horizontally, vertically or in a conglomerate fashion for additional cost or revenue advantages. Furthermore, evidence of competition has persisted despite strong tendencies toward price stability. Competition is expressed through advertising and promotion and in rivalry with respect to the quantity, variety, and quality of services provided as well as on a price basis.

Looking toward government and S. 2973, farmers see interest in agriculture flagging as Congress and the various administrative agencies devote increasing attention to the problems of the urban centers and to consumers. Pressure is building and will continue to build for reductions in incentive payments for diversion and other direct payments to agriculture. On the other hand, since farmers have remained dissatisfied despite the extensive and expenssive programs undertaken, many government officials feel "damned if they do and damned if they don't." Under these circumstances and in view of the waning political power of agriculture, it is not difficult for Federal administrators to begin to suggest that agriculture run its own affairs—especially if farmers are suggesting that they can do a better job of it.

In my view, continued but more intelligent and effective cooperation between agriculture and government are essential for the welfare of agriculture and of the nation. Intelligently designed proposals for collective action would open the way for more effective participation of farmers in the decision-making process. I am, therefore, not impressed with the reasoning of bargaining power opponents who argue that collective action would deny farmers some of their individual freedom. There is more to be gained than lost.

The orientation of S.2973 appears slanted to some extent toward prices and the high price approach. I see nothing in the bill, however, which would prohibit farmers, in programs developed in accordance with the provisions of this bill, from adopting orderly marketing and coordination as the principal goal. In addition, the bill is written in sufficiently broad terms that it provides the flexibility needed to adapt its provisions to the particular requirements of individual sectors of agriculture. This is what farmers want, i.e., a bill that will permit those of any particular sector to begin where they are now and not at the point some other sector has reached or where they might be 10 years from now.

I shall return to this discussion for comments on other portions of the bill and suggest additional measures which appear consistent with the general goal of orderly marketing and coordination. At this point an analysis of alternative bargaining proposals appears appropriate. I encounter difficulty in visualizing significant advantages for agriculture in collective bargaining alone.

ALTERNATIVE PROPOSALS FOR IMPROVED BARGAINING POWER

All bargaining proposals involve an organized group or committee which shall represent producers at the bargaining table. Provisions of S. 2973 for designation of marketing committees and purchaser committees appear reasonably adequate. Many will prefer means other than ASC county committees for selection of marketing committee members. Although use of these committees will tend to avoid questions and conflicts regarding who or which organization shall represent producers of a particular agricultural commodity, existing agricultural organizations should be employed in this process as much as possible. The advice and suggestions of existing commodity groups certainly should be sought. It seems to me also that producers of closely competing commodities will require formal representation and that a master committee, a cross-commodity committee, will be needed to settle intercommodity differences and disputes. These matters, it seems to me, will be beyond the capacity of the Board to handle. These and other organizational matters will need careful consideration.

For purposes of evaluating the scope and adequacy of S.2973, I am more concerned at this point with the mechanisms of alternative proposals. Those of principal interest at the moment are 1) collective bargaining, 2) supply management, and 3) combinations of these. It would seem desirable to consider the various proposals under these headings. As we shall see, however, it is extremely difficult to concentrate realistically on collective bargaining alternatives without also considering supply management. We begin, therefore, with voluntary bargaining associations and proceed to more complex models.

Voluntary Bargaining Associations

We have a number of voluntary agricultural bargaining associations in operation today. These, essentially, are farmer cooperatives organized for the purpose of bargaining with processors or other first handlers over price or other contract terms.

The Farmer Cooperative Service recently reported on 311 bargaining associations with a combined membership of 206,555.[3] These organizations are faced with many political, economic and social problems and limitations. With little economic power, attracting membership and active support is a problem. At present, agricultural bargaining associations have no legislative authority through which they can enforce a common front. The Sherman Act and FTC regulations introduce legal limitations to the relationship between the voluntary bargaining association and first handlers. An amendment to the Capper-Volstead Act similar to the one attempted in 1961 which would have exempted mergers of cooperatives and joint bargaining arrangements among cooperatives from provisions of Section 7 of the Clayton Act is needed. The legal authority of voluntary bargaining cooperatives to bargain with purchasers as a group rather than individually also needs to be strengthened and clarified.

Historically, the modest achievements of voluntary bargaining associations must be attributed primarily to supplementary programs, such as marketing orders. We find that 226 of the 311 associations mentioned earlier were dairy product cooperatives. A few, such as the Southwestern Egg Producers Association of Riverside, California claim success through voluntary supply management programs. This one, for example, has established a "voluntary producer controlled marketing order" in which bargaining activities are supported by the diversion of "surplus" fresh eggs to subsidiary outlets.[4] However, the membership consists, primarily, of a relatively few large and well-educated producers. At present, the legality and economic stability of such programs are questionable.

Some intangible long-term advantages or benefits as well as limitations of voluntary bargaining associations should be recognized. They have established the fact that the first step in any program toward improved agricultural bargaining power is a strong and viable producer organization. Cooperatives, it seems to me, will play an increasingly prominent and vital role in any national program that is adopted. In addition, voluntray bargaining associations provide opportunity for producers to learn many facts of economic life very quickly. This may be the most important benefit of any program. They learn, for example, to

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[3] Nelda Griffin, "Financial Structure of Bargaining Cooperatives," *Proceedings of The 11th National Bargaining Conference*, FCS, U.S. Department of Agriculture, pp. 7–22.

[4] Arthur Bortz, "New Concepts In The Art of Bargaining," *Proceedings of the 11th National Bargaining Conference*, FCS, U.S. Department of Agriculture, January 1967.

attribute low prices primarily to the supply side rather than to consumers, to imports or the marketing system. They also learn, as one association manager has stated, "we cannot expect the retailer or housewife * * * to absorb a cost that is not in line with values in other areas." [5]

The Labor Model-Compulsory Bargaining With Arbitration

It is the labor bargaining model which has so excited the interest and imagination of American farmers. With this one we strengthen the legal position of the farmer bargaining organization and provide for compulsory bargaining and arbitration. This is accomplished in specific sections of S. 2973.

By themselves, the compulsory bargaining and arbitration features do not add significantly to the economic power position of the voluntary bargaining association. In the absence of some effective power source, accomplishments will be confined mainly to mutually advantageous adjustment ideas which emerge when men are forced to reason together. Friendly persuasion must be recognized as a positive force and possibly would yield adjustments in some of the non-price terms of trade but it is not likely to produce kinds of results farmers are thinking about. In many instances an impasse would develop.

The labor model and conceptualized agricultural bargaining models differ fundamentally with respect to economic circumstances. Two major differences are particularly important.

The first of these is the difference between the two in effects of variations in supplies on prices. Prices of farm products are much more sensitive to supply variations than is true of wages. In general, wages are, and usually have been, more nearly administered prices. Accordingly, wage increases often, perhaps generally, need to be extracted while farm prices, theoretically, can be manipulated and virtually controlled through supply controls.

The second major difference is found in the ability of labor to bargain effectively without particular regard for an attention to subsequent effects on employment. Restrictions on entry to specialized sectors of the labor market through any of several means can be imposed with little thought or concern about the excluded and unemployed unit of labor. If bargaining results in wage rates at which a reduced number of laborers will be employed, this is merely an unfortunate side effect. Agriculture, in contrast, must be vitally concerned at all times with relations between supplies and prices. It cannot deny a market of some type to an agricultural producer with the same impunity accorded to labor. This means that if a price increasing bargain is concluded in agriculture, supply controls of some type must be imposed. A "home" must be found for all units of the commodity. In instances where perishable commodities are involved, and in one degree or another most farm products are perishable, this problem would become acute and serious. It is the strike, primarily, that provides labor with its power. The only strike power available to agriculture for any type of bargain, on prices or other matters, is potential ability to control production or marketable supplies.

Despite these and other differences it is interesting and instructive to note that the geographic dispersion of labor in particular industries and the heterogeneity of labor even within industries have not been such serious impediments that effective and viable bargaining organizations could not be developed. Even in industries where the number and variety of employers are large, effective organization for collective bargaining by labor apparently is feasible.

Compulsory Bargaining Supported By Legalized Voluntary Supply Management

Enabling legislation merely adding clarified legal authority for voluntary supply control programs to the compulsory bargaining with arbitration features of the labor model could be considered only a modest improvement for agriculture over the present situation. For most commodity bargaining groups, programs under this authority probably would be ineffectual. In addition, such legislation would establish conditions which could lead to considerable internal conflict, strife and outright violence. In effect, the law would give agriculture the responsibility for volume control and supply management without the necessary enforcement authority required for the effective exercise of this responsibility.

No voluntary supply control program, of which I am aware, has ever worked in this country for very long. Such a program sows the seeds of its own defeat.

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[5] *Ibid.*

Any rise in prices always induces at least a few producers to increase their production or marketings at the expense of the others. In the case of livestock, continued withholding, even if successful, will result in additional marketings, excessive weights and even lower prices in the future than would have been received without the program. The present example of the holding action on cattle and hogs by the National Farmers Organization is a case in point. Close observation and analysis indicates that to this date these actions have not been particularly successful. Although prices of both hogs and cattle are higher than at this time last year, factors other than the NFO withholding actions are responsible. Furthermore, the objectives of the NFO action on cattle conflict directly with those of a more carefully developed and well-reasoned program sponsored by the American National Cattlemens Association. For the past several months ANCA, with some success, has been encouraging cattlemen throughout the country to keep their cattle moving to market and to avoid excessive weights and glutted markets later in the year.

The Compatibility of Price Bargaining and Supply Management

We have clearly established the point that price bargaining in the absence of production or marketing volume controls will be ineffectual. Pausing for further consideration of this matter, we encounter a serious problem of incompatibility. If through bargaining a fixed price is established above equilibrium levels, and this generally is the objective, the association must be in position to determine and establish supplies almost precisely and to enforce compliance rigidly. Supply and price cannot be determined independently of one another. On the other hand, if a high degree of precision actually can be persistently achieved in controlling marketable supplies, we encounter a very obvious question. It is, "Why bargain?" There is no need for it. Supply control with precision will produce the prices desired.

Here, if one is to be found, is the basic weakness in collective bargaining proposals for agriculture. It appears highly unlikely that bargaining associations or others always will have the data, the analytical tools and ability, the foresight and the disciplinary ability to control production and marketings of most agricultural commodities as required by fixed price bargaining. To the extent that this is true, fixed price bargaining in combination with supply controls is impractical. But under conditions in which precision forecastng instruments are devised and effective volume control mechanisms are developed, price bargaining is not necessary.

We might visualize a situation, under the authority considered here, in which some particular sector of agriculture was successful in negotiating prices which were higher than justified by prospective supply-demand conditions. We also might suppose, realistically, that, subsequently agriculture found it could not effectively reduce production or marketings through voluntary cooperation. In this case, either contract prices would be broken and violated on the downside as the actual supply moved to market or some producers would be unable to find a "home" for their production.

All of this is not to say that with an effective supply management program, nothing can be gained through bargaining. Guidelines regarding the practical limits for the exercise of supply management authority might be established through bargaining. Opportunities for and the probability of success in bargaining on non-price terms of sale would be enhanced. In addition, and as described in more detail later in this paper, sliding scale price bargaining arrangements could be adopted which would reduce the degree of precision required in supply management and, at the same time avoid much of the incompatibility described here between fixed price bargaining and supply management.

Compulsory Bargaining With Contracting

Contracting is a means by which at least some of the responsibility for supply control is shifted to the processors and other first buyers. For example, in the case described above there would be another possible outcome after the first year. Since farmers had been unable to ration supplies to fit prices, the buyers, in order to protect themselves, might decide to accomplish this task for agriculture. In the manner of the sugar beet industry, the buyers might be inclined to buy only on contract, i.e. to contract acreage or production. In this situation, many farmers, those assured of contracts, probably would look on acreage or volume contracts with favor. In fact, the farmer organization might actually bargain for such contracts. Shifting responsibility for supply control to buyers would appear to be an easy way out.

Under very special conditions, including a small number of buyers and absence of a chronic oversupply situation, the mechanism of price bargaining and contracting could work out reasonably well. Forward contracting is now practiced widely in some specialized sectors of agriculture and seems to be increasing in popularity. Even for sectors afflicted with some chronic excess production, workable arrangements in bargaining and contracting with gradual adjustments in supply might be developed through time.

Even under special conditions, however, contracting would mean delivering to buyers the power to determine where the product shall be produced, who shall produce it and how much each producer would supply. Suppose these matters also were made subject to negotiation. In this situation, the association or marketing committee would find, I believe, that its bargaining power was sincerely limited. With success in negotiating prices considered attractive, producers would be forced to accept a reduced contract volume. Negotiations which resulted in agreements to expand contract acreage or production would be met with fierce price bargaining resistance. A degree of stability and coordination, however, might be achieved.

In major sectors of agriculture with many widely dispersed buyers and sellers, many organizational and administrative problems would be encountered with bargaining and contracting. For example, books of all buyers probably would need to be audited. The problem of determining who shall and who shall not produce would assume major proportions regardless of the seat of responsibility for these decisions.

Unless considerable care is exercised the drive by agriculture for increased bargaining power could lead to contract strait jackets imposed by processors and other buyers. On the other hand, consistent success in negotiating for high prices could result in loss of markets.

Mandatory Producer Level Production Control With Bargaining

According to the discussion earlier, all forms of supply management, including farm level production controls to which we now give attention, can be considered as substitutes for bargaining. Bargaining with power and effective supply control conceivably yield the same effects on prices.

At the present time and for most smaller as well as larger sectors of American agriculture, farm or ranch level production controls exercised to sustain a significant rise in price through bargaining appear infeasible or impractical unless direct compensation is provided. Even so, this technique invites all of the effects of the high price approach described earlier. Many producers, those of the livestock industries in particular, are not prepared even to consider mandatory producer level production controls.

Controls on production generally mean restrictions on some necessary input. For crops, the only input it has been found possible or feasible to control is the land input. This means acreage allocations and 1) frozen area and regional patterns of production unless some complex adjustment scheme with negotiable allotments or something on this order is worked out, 2) reductions in acreage per farm in some instances to units of uneconomical size, 3) some generally rather costly method of individual farm inspection and acreage measurement, 4) efforts of every conceivable type to offset effects of reduction in the land input with increases in other imputs such as labor, fertilizer, water and equipment, and 5) severe penalties for violations. Farmers may talk about the desirability of bargaining power but they have never indicated willingness to impose conditions of this nature on themselves without substantial and direct compensation.

Farmers probably could not be expected to impose severe acreage restrictions on themselves as often required today under the Federal farm programs without the direct payment feature of the present law. On the other hand, control requirements for small reductions in output probably would not be worth what these requirements would cost in dissatisfaction and frustration as well as financially.

An apparent alternative in connection with basic commodities and the feed grains and other similar commodities would be a combination involving 1) marketing committee bargaining and agreement with buyers on price and direct responsibility for acreage allotments and marketing quotas, and 2) direct payments by government which also might provide nonrecourse loans and storage facilities. In other words, while the USDA would buy compliance of farmers and maintain secondary lines of defense against the marketing of excess producer supplies, the marketing committee association would assume responsibility for the decisions and mechanics of production control. The

bargaining would determine how much supply control was needed. This alteronative may have possibilities deserving of more careful study. It might be a logical first step of the basic commodity subsectors toward more independence and responsibility.

Disadvantages are that the public would continue to pay the bills and the direct payment method of ensuring compliance is extremely expensive. If extended to commodities other than those now covered, the public cost soon would become prohibitive unless payment rates were sharply reduced. Payment rates, however, probably could be reduced. Reduced payment rates determined by acres planted but allocated to individual farmers rather than land would offer economic advantages over the present system. The payments would no longer tend so strongly to induce increases in production and, in addition, they would be less likely to be capitalized into the value of land.

The preceding discussion assumes the high price motive. If provided for purposes of enforcing agreements toward stability and coordination, the potentials of farm level production control authority improve somewhat. Standby authority, however, would be effective in bargaining only if buyers were convinced that this authority would be used when and if necessary. Used occasionally on a limited basis, many of the shortcomings of continuous supply control, nevertheless, would be removed. For example, mandatory restrictions on slaughter weights could be used to provide strength in bargaining and would provide temporary price benefits. If used continuously, numbers of slaughter livestock simply would be gradually increased at least sufficiently to offset effects of weight reductions. Since it is extremely difficult to control crop yields, "a little" farm level production control with respect to crops is less feasible but, intelligently handled, not impossible.

Marketing System Supply Controls and Management With Bargaining

Marketing system supply management and volume controls are economically more feasible and are more easily administered than farm level production controls. Potential contributions of these controls to price enhancement generally are limited but they are more compatible and consistent than farm level production controls with the goals of orderly marketing, stability and coordination. The usefulness and limitations associated with marketing system supply management devices have been amply demonstrated in numerous Federal and State marketing agreement and order programs. The wide variety of marketing system supply control techniques presently available reduce, essentially, to three:

1. Through such devices as minimum maturity, size, quality or weight regulations or through "green drop" or "plow up" requirements, attempts are made to eliminate some portion of the supply entirely from "commercial" channels. Diversion to livestock feed or byproducts also sometimes is considered to be a means of isolating a portion of the supply from commercial markets.

2. Virtually all of the remaining devices available to specified commodities, other than milk, involve establishing criteria for physically allocating commerical supplies among alternative markets to the income advantage of producers. The alternative markets may consist of different outlets or uses, different geographic locations or differing points in time. The basic idea behind most of these techniques is to shift a specified portion of the available supply (a) from markets (such as fresh markets or domestic markets) where the deletion will have a relatively large increasing effect on prices and a positive effect on producer revenue, (b) to markets (such as processing or export markets) where the addition will have relatively little depressing effect on prices and little, if any, diminishing effect on producer revenue.

3. The third mechanism involves establishment of price differentials between markets or alternative uses of a product which (a) maintain high prices in markets (as for fresh milk) where the higher prices will not greatly reduce volume purchased or consumed and (b) establish relatively low prices for markets (such as milk for processing) where the price reductions will have relatively large increasing effects on volume purchased and consumed. The advantage of this mechanism is that supplies are effectively allocated among markets to the advantage of producers, but direct volume controls on producers and shippers are not required. This is accomplished automatically through manipulation of price differentials.

Marketing agreement and order programs are not well understood generally by the public or by most farmers and ranchers even though they have been used with some success for many years. Such programs, however, are more consistent than other presently available Federal programs with the deepiening desire and determination of farmers and ranchers to participate actively in policy decisions affecting them and to assume responsibility for these decisions. A marketing agreement and order program is a marriage between agriculture and government in which (1) official committees of producers and handlers make the principal decisions within the range of authority provided by the law and administer the programs and (2) the government enforces the program on all affected provided that all legal requirements have been met which include certain safeguards for consumers and others. These programs are developed through an agreement, public hearings, and popular voting procedures. They are terminated the same way.

Interestingly, S. 2973 provides for amendment of the Marketing Agreement Act of 1937. The intent apparently is to use marketing agreements and orders rather than farm level production control as the principal source of bargaining power. To my knowledge, marketing agreements and orders have not been used successfully during any length of time for the purpose of raising the general level of prices. Even when employed to manipulate supplies among alternative markets to the income advantage of producers, acreage and production generally have tended to rise.

In selecting marketing agreement and order programs as the principal supply management device, the authors of S. 2973 imply that the principal aim of the bill is orderly marketing and coordination rather than higher prices. The provisions for bargaining and those for marketing orders are inconsistent in some degree if price enhancement is considered the principal objective of bargaining. On a temporary or short term basis, orders often would provide the power to enforce demands for higher prices. On a sustained longer term basis they clearly would not.

Price Bargaining Under Sliding Scale Arrangements With Marketing Order Supply Management Authority

Under what I have called "sliding scale bargaining arrangements" the bargaining would take place with reference to (1) the acceptability of a suggested range of prices and (2) total quantities which shall be provided and accepted at these prices. Sliding scale bargaining arrangements could be combined effectively with marketing order programs. Some means of restricting production, marketings or both are essential under this bargaining arrangement—otherwise the bargaining is meaningless.

The principal advantage of the sliding scale price bargaining arrangement is that pressure on the marketing committee and producers for a high degree of precision in forecasting production and regulating marketings would be reduced. In bargaining, neither the producers nor the buyers would be so fearful as under other arrangements that marketings would not be regulated in accordance with the dictates of bargained prices. The scale would provide some latitude for errors of estimation, acts of God, and outright failure of producers to control supplies as required under fixed price bargaining arrangements. The system presently is employed in the California cling peach industry with some apparent success in connection with a California state marketing order.

Requirements of the system would include partial initial payments to all producers with remaining payments to each deferred until some prearranged time when final information on the total volume of marketings would be available. As in the case of most marketing order programs, reports with provision for inspection of records and auditing probably would be required of each first handler marketing firm. For large volume commodities, hogs or beef cattle for example, the costs of these tasks could assume major proportions.

In any system of bargaining with supply management on major commodities, procedures would need to be devised for grade or quality, size, volume or regional price differentials. These would complicate and institutionalize the system considerably. Sliding scale arrangements would contribute further to the problem of establishing appropriate price differentials.

Bargaining In Terms of Price Differentials

A wide variety of other alternatives might be considered. For example, instead of establishing price differentials under a marketing order as in the case of milk, it would be possible under compulsory bargaining provisions to establish

these differentials through bargaining. In general, the objective would be to establish price differentials which took advantage of differing demand characteristics among markets and tended to increase aggregrate gross returns to producers. The general level of prices could be determined either by the free market or as influenced by marketing volume controls under a marketing agreement and order program. Another variation, a system of bargained sliding scale prices and quantities for a base or standard grade or quality with price differentials among market outlets fixed through bargaining and enforced through supply management, offers some additional advantages.

The principal advantage of manipulating price differentials is that this reduces the burden on overt supply managment techniques. Independent and simultaneous determination of price differentials and physical quantity allocations among these same markets is not economically feasible. Either can be employed with restrictions on the total volume made available for market. Together they must be carefully and closely coordinated but since they produce the same result there would appear to be little need for both. In either case, i.e. with fixed price differentials or physical intermarket allocations, safeguards in the marketing system, possibly all of the way to the retail level, generally would be necessary in order to prevent leakage from one market to another.

A Note On Non-Price Terms of Sale and Bargaining

With any effective degree of agricultural bargaining power, substantial progress probably could be made through bargaining in regularizing and standardizing the non-price terms and conditions of sale. These terms include the assembly arrangements; the shipping time and conditions; packaging requirements; the point, time and conditions under which transfer of ownership will take place; responsibility for shrinkage or loss during assembly, in shipping or in transit; discounts for blemishes; units of the commodity not meeting grade or quality specifications; arrangements for reparations and damages, and other matters.

In some sectors of agriculture, most of the more important non-price terms have been fairly well standardized. Even in these sectors, however, these terms have not necessarily been standardized to the full satisfaction of agricultural producers. In others, relatively little progress has been made. In such industries, it often is difficult to make valid price comparisons among different geographical locations, among the different buyers or among producers.

Numerous conflicts and complexities, however, would be encountered in attempting to standardize all sale conditions. Standardization often is considered detrimental to competition and, in effect, discriminatory action designed to destroy certain competitors and to control entry. More important, if price has been institutionalized and fixed through bargaining or direct government action, the standardization of all non-price terms and conditions of trade tends to erase all opportunity for inter-firm rivalry in buying. If competition cannot be expressed in terms of prices, quality or services, the system has become almost completely institutionalized. The aim, it appears, must be to standardize in a manner and to the degree that while opportunities for exploitation of ignorance, distortions and discrimination have been removed, legitimate merchandizing opportunities are preserved.

ADDITIONAL SOURCES OF BARGAINING POWER

The sources of bargaining power, defined broadly in terms of net income and returns to resources in agriculture, are more numerous and varied than generally is assumed. Included among these sources are the structural changes presently underway in agriculture. We have seen the trends toward large scale farming and corporate agriculture for some time. When it is understood, however, that less than one-third of the farms of the United States produce 85 percent of the total value of all farm production, we realize that the process of structural change already is far advanced. This is true particularly of areas outside the Corn Belt. The integration of agriculture and marketing also is proceeding at an advanced rate. Through cooperatives, producers now own significant portions of the processing and marketing facilities for some commodities. Contracting and integration into agriculture by marketing or other non-farm business firms are other means by which integration between business and agriculture is taking place. While everyone knows this is true of the broiler industry, it is a factor of considerable importance in many others, including the cattle industry. It seems to me that in terms of ownership or of the financial interests involved, agri-

culture and marketing or other business interests will become so interwined within a few years they will be almost indistinguishable.

I neither applaud nor condemn these developments. In the present context, the significance of emerging trends is that soon a typical agricultural firm will be operated and managed much like any modern industrial firm. This is characteristic today of our large cotton farms, cattle ranches and cattle feedlots in Texas and elsewhere in the West. An average modern feedlot in West Texas, Colorado or California may have an investment of half a million dollars or more and an annual operating cost of $10 million. Some are much larger. Firms such as these will manage their resources, their production and their marketings efficiently at reasonable rates of return if permitted to do so.

We must accept agriculture for what it is and what it will become rather than for what we nostalgically would like it to be. In our dynamic age, the ability to adjust quickly and effectively to changes in technology and to the changing requirements and tightening specifications of markets, is the key to a prosperous agriculture. Adjustments have been made but others are needed. Legislation which would facilitate the changes that in any case are coming appears essential if the resource and income problems in agriculture are to be solved and a reasonable degree of stability and coordination is to be achieved. The nation's business economy will not long permit agriculture to remain disorderly and uncoordinated in her marketing practices. Unless farmers and ranchers quickly assume responsibility for efficient resource management and for more orderly and coordinated production and marketing patterns, this will be done for them through vertical integration and conglomerate ownership as in the broiler industry.

Substantial advantages may be found by agriculture in expanding marketing on an organized basis, rather than individually, through the skilled merchandising facilities and services of farmer owned marketing organizations. This would permit larger numbers of smaller farmers to enjoy the benefits of modern large scale merchandising. Legislation facilitating further the development of cooperatives through growth, mergers and acquisitions is needed.

When they have become larger and more highly organized, further vertical integration by cooperatives on a sound economic basis will be found advantageous. Farmer owned processing or marketing facilities and services can be employed usefully to force an added degree of competition among remaining buyers, to improve market knowledge, and to standardize and improve trade practices. The removal of certain legal impediments and additional Federal technical services would facilitate this process. While the possibilities require some imagination they are not unrealistic. In the cotton industry, for example, cooperatives account for a relatively high percentage of the marketings. I see no compelling reason why these should not be permitted to federate or merge and, possibly, to integrate into cotton fiber milling or even into the production of synthetic fibers.

Skillfully employed to avoid increases in production or prices which discourage consumption and exports, marketing orders would provide an added degree of coordination. As implied in this paper, these can be combined with certain types of bargaining arrangements. The National Agricultural Advisory Commission suggested programs of this nature to fit the wide variety of special circumstances and possibilities existing in agriculture. S. 2973, therefore, appears generally consistent with the carefully analyzed needs and requirements of agriculture today.

Even more is needed. California producers of a particular agricultural commodity provide an example of the multiple approach to bargaining power. These producers have had an active bargaining association for many years and have been bargaining on a sliding scale pricing basis. They have a cooperative which owns six canning plants and which also has integrated into fertilizer production on a large scale basis. Through a marketing order, minimum grades and standards are established and enforced, the commodity is allocated among markets in an orderly, coordinated way, and an impressive advertising and promotional program is liberally supported.

Studies of possibilities for improving the bargaining position of agriculture with respect to the agricultural supply industries are needed. Purchased inputs, as indicated earlier, have become increasingly important ingredients of farm production. Potentials for further development and adoption of commodity futures markets for use by farmers and ranchers in hedging against wide variations in prices and in shifting price risk to others—possibly to a special Federal agency—deserve detailed investigation. It would be as easy and less expensive

for the government to deal in contracts for future delivery as in the physical commodity.

The National Agricultural Advisory Commission suggested more general kinds of programs to deal with the price and income problems of farmers. These included programs to broaden markets for farm products in useful ways at home and abroad. A higher level demand improves the bargaining power of agriculture. The cotton industry in particular, presently in danger of losing her export market entirely, is urgently in need of programs of this nature. The Commission also urged the development of programs aimed at both permanent and temporary retirement of cropland as a means of preventing the expansion of production at an excessive rate.

The Federal government could introduce and expand many services and regulations which would improve the bargaining climate for farmers—with or without collective action. Substantial improvement in the type, quantity or coverage and quality of marketing information available to farmers is needed. In the absence of publicly supported marketing information, agriculture is severely disadvantaged. Inadequate or poor quality public information, however, also results in disadvantages to agriculture. In some commodity sectors, livestock particularly, there is considerable question about the effects of present marketing information programs on farmer bargaining power as compared with the effects on bargaining power of the buyers. I would recommend a thorough reevaluation of all USDA market news and statistical services toward the end of providing farmers and ranchers with improved guides to production and marketing decisions. Agricultural marketing research, disadvantaged in appropriations in recent years by the Congress, also could be revitalized and expanded toward this same end.

Marketing system supply management techniques and effective bargaining would require adequate and meaningful official commodity grade standards which also are needed for modern and meaningful marketing information systems. Grade and quality regulations, however, also are a "hit and miss affair." Thorough study of existing standards or lack of them directed toward improvements is needed. Improved grade standards and many others of the non-price terms of trade simply could be specified, with proper authority to do so, after public hearings and consultation with the industry. Regulations requiring the prominent grade or quality labelling of all intermediate and finished agricultural products would contribute significantly to coordination of the marketing system and serve as an aid to consumers. Such regulations also would improve opportunities of producers for vertical integration where proprietary brands have become effective barriers to entry.

Finally, and most important, the great need in agriculture is for collective ability and means by which farmers and ranchers can satisfactorily manage their own affairs. This need can be met only through improved knowledge and understanding in agriculture of the economic facts of life affecting this industry, wider opportunity for collective responsibility, and the experience gained in exercising it. Mistakes will be made. An enabling law, nevertheless, is needed which, within prescribed limits and controls, incorporates, through the principle of self determination, the right to make mistakes for this is essential to learning. They need a law which permits the varied sectors and subsectors of agriculture to wrestle collectively with their problems and, within a reasonable framework of authority, design their own solutions. Developing attitudes in agriculture and, as expressed in S.2973, therefore, are commendable as they are consistent, basically, with these principles.

The CHAIRMAN. Are there any further questions?

Senator MONDALE. I would just like to express my appreciation to Dr. Williams for being among the very select group of economists in this country who have tried to come to grips with this problem, and for the extraordinary amount of effort that he has undertaken to try to do it in a reasonable fashion. I am most grateful.

Mr. WILLIAMS. Thank you, Senator.

Senator HOLLAND. Mr. Chairman, I would like to say one thing.

I noticed you used the word "quota" two or three times, but I think always applicable to the quota allowed to be produced by our local people.

Have you dealt at all with the problem of import quotas, which is so important in the field of perishable crops?

Mr. WILLIAMS. Now, again, we run into the need for all kinds of quotas and regulations, when we are thinking of supporting a price above some justified level in the market today. If you are not trying to stabilize conditions, you run into less need for this kind of thing. There is some need for it anyway. You have regulations. But when we are trying to support a price that currently exists, we are going to run into the need for, not only import provisions, but protection against increases in consumption of some substitute products.

If we are trying to allocate the product among various outlets, we have got to be careful that somebody doesn't pick it up out of one outlet and sell it in the other one. These kinds of things have to——

Senator HOLLAND. Well, I am stating only my own opinion in this matter. It seems to me that we have realized when we set up the deficit machinery for sugar and wool that import quotas were a necessary part of that, but we seem to be stumbling whenever anybody suggests a quota which will protect our other industries, which are the ones that are most needing of protection, because any effort made by the producers of a commodity or by the Government, or the State government, in connection with them can be so easily hurt it may be destroyed in its effect by excessive exports.

You haven't dealt except by remote reference to that problem, but you recognize it as some problem we have got to face up to and solve, don't you?

Mr. WILLIAMS. Well, yes, sir. I think it is in a different context. I believe my approach here was that it wouldn't seriously involve the question of imports or exports. The approach I was taking here was one of a more orderly marketing climate.

Senator HOLLAND. You spoke of the fact of raising prices as to some commodities, didn't you, to figures that are higher, because they are necessary to allow the people to stay in business.

Well now, how are you going to keep them higher if there is going to be a flood of imports in here to disturb those higher prices?

Isn't it absolutely necessary to have the quota system in effect to protect those higher prices?

Mr. WILLIAMS. Let me say this: The possibility of competition from abroad is another of the facts of life that I think the producer has to face up to, and it is one reason why I think we don't need to fear from this bill too much. If you do not increase import quotas, then the producer is going to be in a position of having to consider what is going to happen to his market if he boosts that price too much. And it may not be justified.

If it is, I think he can go through other channels to get, maybe, import controls. And this can be considered on its own merit. But I wouldn't think that it should be a part of this bill, that is, a provision for higher import controls.

Senator HOLLAND. Have you any comment to make on my statement, which is certainly accurate, that the quota system to control imports has been found to be an absolute necessary prerequisite of the wool program and the sugar program——

Mr. WILLIAMS. Oh, yes, sir.

Senator HOLLAND (continuing). And yet it has been found impossible by some, at least, to consider using the quota system to protect

the average producer who needs it so much more than those people who are allowed to produce at a good price the deficit crops which I have mentioned?

Mr. WILLIAMS. I think there is so much involved there, sir, that I would really not like to respond on that.

Senator HOLLAND. Well, you are our expert witness, and you have got into all these economic facts of life, and it always seems to me so odd—I state it again—that we take it for granted that the import quota is a necessary part of the picture to protect the limited number of producers of sugar and wool who are needed by the Nation, and we allow them to produce at a price at which they can live and make a profit at, a very good profit, and yet balk at using that same device to protect people who are much more necessary to us because they are producing the staff of life, and who are finding it so hard to remain in business.

Mr. WILLIAMS. Let me take a specific example, the beef import quotas, which really haven't been effective yet. We haven't had imports high enough that they have been effective. If we—I have an economic analysis which would show that if we were to close down imports of beef, it would work to the disadvantage, it would work to the serious long-run disadvantage, of the beef industry in the United States today.

The imports provide a degree of stability in livestock markets in this country which tend to stabilize prices a bit. They come in when prices are high. Now, it is true they stick around a little longer than we would like to have them when prices drop but, nevertheless, they do cut back when prices fall. We find that we can produce—that our production of fresh beef is moving up much more rapidly than our slaughter of cows, meat that goes into processing channels.

In other words, we don't have enough cows around to slaughter for the processed type of beef and are not likely to have because we don't keep cows for the purpose of slaughtering. We keep them for the purpose of providing fresh meat. And what we have are providing enough fresh beef.

Now, if we could shut off imports, entirely, of beef, we would tend to increase the price of cows, to cause farmers to withhold large numbers, to increase the supply of herds on the farms, and then to cause later a much more, much heavier liquidation of herds at which time prices would be much lower.

Senator YOUNG. I think the Senator from Florida has the same thing in mind as I do. We are not talking about shutting off imports entirely, but there is a real need for some reasonable and effective limitation.

Senator HOLLAND. And I have in mind the fact that apparently some of our people are completely adverse to the idea of using quotas to protect industries which are in bad trouble, and we are perfectly content—in fact, we take for granted that we must use these quotas in encouraging deficit production of the two crops that I mentioned. We know it is a necessary part of it. We allow the production of these deficit commodities, it is true, to a smaller degree than our people could produce them.

My people in Florida could double the amount of sugar that they are allowed to produce, but they do produce it at a good price. And we know that import restrictions are absolutely necessary in that program, and yet we balk at the use of import restrictions for the protection of

much more needy industries. I don't understand that point of view. I haven't been able to understand it for some time.

The CHAIRMAN. Well, Senator Holland, the reason, in my opinion, for it is that a product we produce, such as sugar or——

Senator HOLLAND. Wool.

The CHAIRMAN (continuing). Wool in short quantities is easy to control, much easier as among the farmers.

I know this, that where we produce in excess of our requirements it is very difficult to establish quotas. It has been that way all the time.

I am very hopeful, though, that we don't forget that we have got to export a lot of commodities and we can't build a wall around our country and say we will refuse to let beef in, or this or that in.

Mr. WILLIAMS. Right.

The CHAIRMAN. It might seriously affect other industries that are as vital to us as any commodity we try to protect.

Mr. WILLIAMS. It is much more than the consideration of one commodity.

The CHAIRMAN. Sure.

Mr. WILLIAMS. Thank you, sir.

The CHAIRMAN. And I don't want to give you any more work, but I posed the same questions to other witnesses as the Senator from North Dakota has proposed about taking one commodity, let's say, eggs—now, you have in your mind what kind of quota you would like to see.

Mr. WILLIAMS. Yes, sir.

The CHAIRMAN. Now, with that in mind, why couldn't you work out a practical method of handling eggs under a program that you think would work.

Mr. WILLIAMS. I believe I could.

The CHAIRMAN. Well, I wish you would provide that for the record. This record will be open until mid-May.

Mr. WILLIAMS. All right, sir.

The CHAIRMAN. And you may try indulgence along that line, if you don't mind, because we would like to have the practical side of this. And if you would do that, we would appreciate it very much.

Mr. WILLIAMS. All right. This was a little more philosophical than apparently was desired and I apologize for this.

The CHAIRMAN. OK.

(The supplemental statement is as follows:)

BARGAINING POWER FOR THE TABLE EGG INDUSTRY

(By Willard F. Williams[2])

The table egg industry is an excellent example of the serious economic situation affecting or in prospect for many of the nation's major agricultural commodities. This industry is entering an advanced stage of transition from the status of a sideline family farm enterprise to that of specialized, large-scale, commercial operation. In the process, virtually all producer operations currently classified as small or poorly financed and many smaller volume handlers probably will disappear or be replaced by additional monolithic "egg factories." Already large numbers of smaller volume producers have departed from the industry and others are shifting to production under contract. In some areas the egg industry is rap-

[1] Prepared at the request of Senator Ellender during hearings on the Mondale bill (S. 2973) May 10, 1968, for inclusion in the hearing record.

[2] Chairman, Department of Agricultural Economics, Texas Technological College, Lubbock, Tex.

idly acquiring structural characteristics of the broiler industry. Disastrously low prices this past year and depressed conditions almost continuously during recent years, however, have shaken all sectors of this industry.

The purpose here is to consider characteristics and economic circumstances of the table egg industry and evaluate the nature, feasibility and consequences of feasible remedial programs under provisions of the Mondale bill. Before proceeding with this assignment, however, it is necessary to clarify or amplify certain crucial points concerning the Mondale bill not fully established during the course of the hearings.

THE MONDALE BILL

In considering self-help, collective action programs, it is important to recognize that an industry must begin with what is politically acceptable. In most cases, initial programs must and probably should have rather modest objectives. Early, inexperienced attempts to develop full scale national programs with ambitious price and income goals will be practically foredoomed to failure. With learning and experience in handing organizational problems and in manipulating variables affecting farm prices and incomes, improvements and progress toward more effective programs can be anticipated. This lesson comes through clearly in the history of both Federal and State marketing order programs.

In this connection, an important point of emphasis is the fact that the Mondale bill is proposed enabling legislation. Provisions of the bill are permissive in nature. It would permit the various commodity sectors of agriculture to vote in referenda for or against inclusion and access to provisions of the Act. This is an important and commendable feature of the bill consistent with principles of democratic decision-making. Within limits, the bill would permit agricultural commodity groups to develop programs considered most applicable in view of economic, political, institutional and social considerations. Thus, it provides opportunity for greater collective responsibility in agriculture and for the experience and benefits gained in exercising this responsibility. While this also seems desirable and commendable, it means that statements about the characteristics and results of specific programs that might be developed under provisions of this bill, or another similar one, are in some degree presumptuous and speculative. It is by no means clear, for example, what type of program, if any, table egg producers might eventually develop for themselves when and if the bill becomes law.

As written, the two principal titles of the bill (I and II) probably should be considered as substitutes for one another. Title I is concerned almost exclusively with administrative arrangements and procedures for collective bargaining. In the language which seems excessively broad and general, this title provides, however, for "a plan or program of marketing allotments, with or without production limitations" when and if needed. Title II deals in about the same degree of exclusiveness with marketing orders. This title would broaden permissive terms of the Marketing Agreement Act of 1937 and would establish procedures by which commodities presently excluded from access to provisions of this Act could be included.

As explained in earlier testimony, (1) some form of supply management is essential if producers are to have effective power for use in bargaining, (2) voluntary production or marketing controls simply cannot be made effective for very long, (3) precision in forecasting and in exercising supply management controls is essential to bargaining in terms of fixed prices, and (4) with precision in forecasting and in exercising supply management controls, price bargaining for fixed prices, minimum prices or other prices is not essential. It also was pointed out that collective bargaining is only one of many alternative avenues to higher and more stable net farm incomes. Accordingly, the emphasis given in Title II to the various marketing order supply management techniques appears fully justified and appropriate.

Title II also authorizes the establishment of minimum prices through bargaining as another permissive provision of marketing orders. Under the conditions specified for effective use of this provision, however, minimum prices often could not be established. Before minimum prices become effective, they would need to be approved by handlers of 50 percent of the commodity volume and by the Secretary of Agriculture. The procedure required here seems unduly restrictive and cumbersome.

Both titles refer in sections on bargaining to minimum prices. Minimum prices are not necessarily fixed prices. This, however, is what they would become whenever agreement was reached on minimum prices above levels fully justified by

prevailing supply-demand conditions. For this reason and the many reasons outlined in earlier testimony, it is necessary to think of minimum prices as stabilizing and coordinating devices and as barriers against severe price reductions rather than as means of achieving significant price increases. They would need to be established, if at all, toward the lower end of the range of prices that realistically could be maintained through the exercise of the supply management techniques selected for use. In turn, these techniques should be employed only to the extent that this was possible without permanently damaging domestic or foreign demand. Language of the bill should be altered to extend bargaining authority to include "sliding scale" prices and quantities and price differentials described in earlier testimony.

Programs which included price bargaining in combination with supply management often would be more feasible for and applicable to commodities, such as eggs, milk or meat, which are marketed continuously from current production than from others. For such commodities it often may be possible to adjust the rate of flow to market more effectively and in accordance with the dictates of bargained prices. Wherever sizable secondary markets are available, however, the fixing of price differentials at appropriate levels generally will be found more acceptable than the procedure of physically allocating the supply among primary and secondary markets.

The Mondale bill and others authorizing or extending marketing order authority generally are attacked, often by the producers they are designed to help, on the basis that these are "government programs." More accurately, marketing orders are self-help programs with a minimum of government involvement. Voluntary programs are ineffective and mandatory programs can only be made mandatory with the aid of government. It seems unlikely that any industry can expect to be given access to effective power to control production or marketings of food or fiber with less government "interference" than is contained in the marketing order legislation.

STRUCTURE AND ECONOMIC SITUATION OF THE TABLE EGG INDUSTRY

The egg industry is an example of the "treadmill theory" in action. The industry is faced with a highly inelastic demand situation which means that small percentage changes in production and consumption are associated with much larger percentage changes in farm prices. In 1967, a 5.5 percent increase in production of eggs resulted in an estimated drop in farm prices of 16 percent (Table 1). A long term downtrend in per capita consumption of eggs (Table 1) seriously limits growth potentials of the industry.

The egg industry is afflicted with a long term problem in the form of excess farm level capacity and short term conditions of periodic depression. New technological and organizational innovations appear almost continuously in egg production which offer cost reductions to some types of producers—the larger volume operators particularly. These cost reductions along with very temporary but substantial price increases attract additional resources to the industry in the form, generally, of modern, large-scale egg factories. Total capacity increases and increases are achieved in egg production per hen. With increases in production, severe reductions appear in farm prices. Prices drop to the point that only the most efficient operations, if any, show a profit. The smaller producers are most severely affected and many are forced out of the industry. Others are approached by integrators such as feed companies or egg marketing firms and offered contracts to produce eggs under the direction and supervision of the integrator. The layers and the eggs are owned by the integrator who specifies the rations and supplies the feed. On contract terms which often are obscure and vary widely among producers and areas, the producer is paid for his labor and management and for use of his facilities. After a period of adjustment, production drops and prices recover a portion of the earlier decline and industry conditions are ripe for another round of these events.

Results, as shown in the attached tables, are fairly obvious. Egg prices dropped sharply after the Korean conflict with increases in production (Tables 1 and 2). They recovered a part of the earlier price drop in 1955–56 only to drop even lower in 1957 despite a reduced level of production. Recovering some again in 1958 they dropped in 1959 to lowest levels since before World War II. The years 1962, 1963, 1964 and 1965 have been periods of depressed prices. Conditions improved in 1966 only to be followed in 1967 by the lowest prices since 1959.

TABLE 1.—EGGS: SUPPLY, DISTRIBUTION PER CAPITA AND AVERAGE FARM PRICES UNITED STATES, 1947–67 [1]

[Dozens in millions]

Year	Total egg production	Commercial storage stock at beginning of year	Imports	Exports [2] and shipments to territories	Eggs used for hatch.	Commercial storage at end of year	Consumption: Military	Consumption: Civilian: Total	Consumption: Civilian: Per capita	Farm prices shell eggs cents per dozen
	(dozens)	(dozens)	(dozens)	(dozens)	(dozens)	(dozens)	(dozens)	(dozens)		
1947	5,077	109	1	224	176	73	77	4,554	383	45.3
1948	5,032	73	2	73	174	72	127	4,705	389	47.2
1949	5,148	72	8	84	200	53	62	4,717	383	45.2
1950	5,404	53	20	180	200	52	71	4,875	389	36.3
1951	5,322	52	8	254	228	63	155	4,941	393	47.7
1952	5,323	63	8	65	218	54	118	4,984	390	41.6
1953	5,307	54	7	58	227	38	117	4,928	379	47.7
1954	5,402	38	4	64	224	69	101	4,986	376	36.6
1955	5,407	69	2	65	228	73	91	5,021	371	39.5
1956	5,500	73	2	64	256	88	80	5,087	369	39.3
1957	5,411	88	1	50	252	68	83	5,077	362	35.9
1958	5,411	68	2	44	287	49	72	5,059	354	38.5
1959	5,542	45	1	54	280	65	64	5,125	353	31.4
1960	5,342	65	3	44	282	51	63	4,970	334	36.0
1961	5,328	51	3	42	302	48	64	4,926	328	35.5
1962	5,367	48	2	32	303	50	70	4,962	326	33.6
1963	5,318	50	1	43	304	44	67	4,911	317	34.4
1964	5,368	44	2	32	312	46	76	4 948	318	33.8
1965	5,382	46	1	39	333	41	94	4,920	314	33.7
1966	5,538	41	15	43	364	28	102	5,085	313	37.5
1967	5,848	28	4	55	357	69	110	5,289	326	[3] 31.5

[1] U.S. Department of Agriculture.
[2] Includes both commercial and USDA exports.
[3] Forecast.

TABLE 2.—SHELL EGG PRICES RECEIVED BY FARMERS BY MONTHS,[1] UNITED STATES

Year	January	February	March	April	May	June	July	August	September	October	November	December	Weighted average
1947	41.3	38.6	40.1	40.8	40.7	41.5	45.7	47.5	53.0	55.3	53.4	58.7	45.3
1948	48.7	45.0	42.6	42.6	41.5	43.4	45.8	49.2	51.4	54.7	58.3	52.8	47.2
1949	47.1	41.8	41.2	42.3	43.4	44.1	45.4	48.8	52.4	51.4	47.0	40.5	45.2
1950	31.2	29.6	31.6	30.9	29.6	30.1	34.3	38.0	40.4	43.2	45.8	57.7	36.3
1951	42.6	41.4	43.7	43.2	45.2	44.7	46.6	49.6	55.0	55.6	56.5	51.1	47.7
1952	40.5	34.7	34.0	35.2	34.2	35.7	43.3	48.2	48.7	50.3	51.9	46.6	41.6
1953	45.8	42.0	44.7	45.5	45.9	45.7	47.7	50.2	51.4	53.2	49.7	48.5	47.7
1954	46.3	45.7	38.7	35.0	33.1	33.0	34.5	37.4	33.8	32.4	33.9	32.7	36.6
1955	32.6	40.2	40.1	36.1	34.1	34.3	35.9	41.0	45.5	44.1	44.0	47.7	39.5
1956	47.0	40.8	40.0	39.0	38.2	36.9	37.3	37.9	39.8	39.0	38.0	37.5	39.3
1957	33.9	33.4	31.2	31.2	29.6	29.8	33.0	37.1	41.1	44.1	46.2	44.9	35.9
1958	39.6	37.6	41.5	38.7	37.0	35.4	37.0	38.0	42.0	39.3	39.2	37.4	38.5
1959	37.1	36.2	34.3	28.5	25.4	25.4	30.6	31.3	33.2	32.0	31.8	31.4	31.4
1960	30.4	29.8	32.8	36.3	33.1	31.5	32.0	34.7	39.0	43.8	46.1	44.6	36.0
1961	39.4	39.4	36.7	33.4	32.1	31.0	34.2	35.1	35.5	37.0	36.0	35.2	35.5
1962	35.8	36.6	33.3	31.8	29.0	28.4	29.6	32.7	36.4	36.6	37.0	36.9	33.6
1963	37.1	38.0	36.7	32.6	29.8	29.9	31.4	33.2	36.4	35.8	36.3	35.6	34.4
1964	38.6	35.7	34.3	31.7	30.1	30.7	31.9	34.8	35.0	34.7	34.1	33.0	33.8
1965	31.4	31.1	30.8	32.9	29.5	30.0	31.6	34.2	36.2	37.0	38.0	41.2	33.7
1966	37.5	41.3	41.6	38.3	33.2	32.9	35.4	39.5	42.5	41.3	41.8	41.0	37.5
1967	37.4	32.4	34.6	29.9	28.9	27.4	29.9	29.8	32.0				[2] 31.5
1968													

[1] U.S. Department of Agriculture.

[2] Forecast.

Structure of the industry at the producer level and at other levels has been affected. Numbers of producers dropped 65 percent in the period 1954–64 (Table 3). In 1964, one half of one percent of the producers, those with flocks of 3200 or more, accounted for 69 percent of the total production. Ten years earlier these producers were only 0.2 percent of the total number and were responsible for 17.7 percent of the production. Producers with 10,000 layers or more in 1964 provided 46.1 percent of the U.S. egg supply. Many small volume handlers also have disappeared from the industry.

TABLE 3.—PERCENTAGE DISTRIBUTION OF PRODUCER NUMBERS AND EGG PRODUCTION BY FLOCK SIZE, SELECTED CENSUS YEARS, UNITED STATES

Size of flock (number of layers)	1954 Number	1954 Thousand dozen	1959 Number	1959 Thousand dozen	1964 Number	1964 Thousand dozen [1]
	Percentage of total					
1 to 99	71.5	5.3	71.9	2.8	74.1	1.3
100 to 399	24.2	37.7	21.7	21.9	18.4	9.6
400 to 1,599	3.6	27.1	4.9	24.6	5.9	12.6
1,600 to 3,199	.4	12.2	.8	8.1	1.1	7.4
3,200 and more	.2	17.7	.7	42.6	.5	69.1
Total	100.0	100.0	100.0	100.0	100.0	100.0
3,200 to 9,999					1.1	23.0
10,000 or more					.5	46.1
10,000 to 19,999					.3	15.4
20,000 to 49,999					.1	14.8
50,000 to 99,999					(2)	7.3
100,000 or more					(2)	8.5
Total:						
Number	3,418,204		2,172,264		1,210,669	
Thousand dozen	2,640,856		3,190,431		[1] 4,235,882	

[1] Excludes producers with no layers on hand on the census date.
[2] Insignificant.

Source: U.S. Census of Agriculture.

A regional effect also is apparent (Table 4). Historically, the Middle Atlantic region and both the East and West North Central regions have been the principal areas of production. It is in these areas that the family farm flocks were and are heavily concentrated. Accordingly, these are the areas where producer numbers and production have dropped most severely. Production has shifted to the South in the search for lower labor costs. California production also has increased to the point that California is the nation's leading egg producing state. With these regional shifts in production, it is small wonder that producers in North Central and Northeastern portions of the nation generally have supported Federal proposals, including proposed marketing orders, for controlling and managing market supplies of eggs while those in the South generally have been opposed. Most of these proposals would have limited production or marketing on a historical basis which, as proposed, would have tended to retard prevailing interregional shifts and to discourage continued increases in egg producing capacity in the South and Far West. At this point, however, the gravity of the situation confronting egg producers everywhere may have produced more unanimity of feeling regarding the need for a marketing program.

Data on a typical New Jersey family farm egg producer are shown in Table 5. Cash expenses of egg producers vary mainly with feed costs with little down trend apparent in these costs. Other cash expenses may have dropped slightly but not greatly. New incomes of family farm egg producers, therefore, are affected mainly by feed prices and prices received for eggs. The year 1966 was an unusually good year for the egg industry—the years 1961 and 1962 were moderately profitable. With average prices at 31.5 cents and costs assumed at 32.4, as in 1966, 1967 was a year of negative returns to most family farm operators.

TABLE 4.—PERCENTAGE DISTRIBUTION OF EGG PRODUCTION BY REGIONS, SELECTED YEARS

Region	Percentage of total production 1954	1964	1967	Change, 1954-67 (percentage points)
New England	4.8	4.5	4.5	−0.3
Middle Atlantic	13.7	10.4	9.6	−4.1
East North Central	19.6	14.6	14.1	−5.5
West North Central	27.8	18.8	16.2	−11.6
South Atlantic	9.0	16.0	19.0	+10.0
East South Central	5.7	9.7	10.1	+4.4
West South Central	6.9	9.2	10.6	+3.7
Mountain	2.7	2.2	2.1	−.6
Pacific	9.8	14.6	13.8	+4.0
United States (48 States)	100.0	100.0	100.0	

TABLE 5.—EGG PRODUCTION, CASH EXPENSES AND RECEIPTS PER DOZEN EGGS, AND RESIDUAL RECEIPTS FOR PAYMENT OF ADDITIONAL COSTS INCLUDING DEPRECIATION AND RETURNS TO LABOR AND MANAGEMENT. FAMILY OPERATED POULTRY FARM, NEW JERSEY, SELECTED YEARS

Years or period	Egg production (dozen)	Cash expenses, per dozen eggs [1] (cents)	Cash receipts, per dozen eggs (cents)	Residual receipts (cents)
1957–59	66,300	38.4	38.3	−0.1
1961	72,976	32.9	37.5	4.6
1962	74,336	34.1	36.0	1.9
1963	76,701	33.7	35.1	1.4
1964	78,240	31.9	33.5	1.6
1965	82,212	30.1	34.2	4.1
1966	82,150	32.4	41.1	8.7

[1] Includes feed cost and other cash expenses computed from data of the U.S. Department of Agriculture.

The amplitude of seasonal variation in egg production has been reduced with increases in size of firm and in commercialization of the industry. Production usually peaks during March–May and drops to lowest levels of the year in August–October. In 1955, production in March was 115 percent of the average monthly production for that year compared with 110 percent in 1961 and 107 percent in 1967. September production was 86 percent of the monthly average in 1955, 91 percent in 1961 and 96 percent in 1967.

Little change apparently has occurred, however, in seasonal patterns of shell egg consumption. Egg consumption generally is high in March and April cushioning the effect on prices of the seasonal rise in production during this period. Consumption drops sharply in late April, May and June, a period when production remains relatively high. Lowest prices of the year, therefore, generally are recorded during this period. A seasonal uptrend in consumption generally is apparent during July–September. Since production normally is seasonally low through September, prices also tend to rise during the summer and early fall months. Prices often are so high in September that consumption is retarded. Late fall and winter are characterized by seasonal increases in both production and consumption. Effects on prices during this period depend largely on relative rates of increase in production and demand.

U.S. supplies of eggs consist almost entirely of domestic production. Imports normally account for less than three-tenths of one percent of the U.S. supply. Exports are slightly more important and have increased since 1964, when they accounted for 0.6 percent of the U.S. supply, to 1.2 percent of this supply in 1967 (Table 6). The use of eggs for hatching purposes generally requires about 6 percent of the total supply with military purchases, higher in recent years, responsible for nearly 2.0 percent. Nearly 80 percent of the total supply and more than 88 percent of the supply consumed domestically consists of shell eggs. Thus, only about 10 percent of the total production or 11.5 percent of the total domestic consumption is broken and used commercially as fresh liquid, frozen or dried eggs.

TABLE 6.—PERCENTAGE DISTRIBUTION OF EGG SUPPLIES, BY TYPES OF OUTLETS, 1947–67

Year	Exports [1]	Ending stocks [2]	Hatching	Military purchases	Civilian consumption							
					Liquid egg consumption				Shell	Total [4]	Total [4]
					Immediate [3]	Frozen [3]	Dried [3]	Total [4]			
1947	4.27	4.13	3.35	1.47	0.23	5.37	4.28	9.88	76.90	86.77	100
1948	1.39	3.20	3.31	2.42	.24	4.99	2.03	7.26	82.41	89.67	100
1949	1.58	4.86	3.76	1.16	.29	4.54	3.57	8.38	80.25	88.63	100
1950	3.17	6.26	3.52	1.25	.27	4.73	4.31	9.31	76.49	85.80	100
1951	4.47	1.90	4.01	2.73	.24	4.53	.68	5.46	81.44	86.90	100
1952	1.20	.99	4.01	2.17	.26	4.47	.61	5.34	86.29	91.63	100
1953	1.08	.71	4.23	2.18	.30	4.85	.67	5.82	85.98	91.80	100
1954	1.18	1.27	4.11	1.86	.43	5.04	1.03	6.50	85.08	91.58	100
1955	1.18	1.33	4.16	1.66	.46	4.73	1.09	6.28	85.37	91.65	100
1956	1.14	1.57	4.59	1.43	.45	4.76	1.13	6.33	84.91	91.25	100
1957	.90	1.24	4.58	1.51	.52	4.61	1.43	6.55	85.21	91.76	100
1958	.80	.82	5.24	1.31	.43	4.86	1.37	6.67	85.15	91.82	100
1959	.96	1.16	5.01	1.15	.70	5.92	2.91	9.53	82.18	91.71	100
1960	.81	.94	5.21	1.16	.62	5.09	2.47	8.18	83.69	91.87	100
1961	.78	.89	5.61	1.19	.71	5.23	3.02	8.96	82.87	91.53	100
1962	.59	.92	5.59	1.29	.77	5.35	2.77	8.90	82.70	91.60	100
1963	.80	.82	5.66	1.25	.82	5.13	2.35	8.30	83.16	91.47	100
1964	.59	.85	5.76	1.40	.95	5.35	2.93	9.24	82.15	91.39	100
1965	.72	.76	6.13	1.73	.62	5.15	3.02	8.80	81.86	90.66	100
1966	.77	.50	6.51	1.82	.55	4.84	3.05	8.44	8.20	90.40	100
1967	.94	1.17	6.07	1.87	(5)	(5)	(5)	10.35	79.59	89.94	100

1 Includes both commercial and USDA exports.
2 Includes both commercial and USDA stocks.
3 Percentage of total.
4 May not add up to the total due to rounding.
5 Not available.

Secondary outlets for eggs apparently are small. A 2 percent diversion of eggs from the fresh shell market would require a 17 to 20 percent rise in liquid egg production. The total storage of eggs in any form generally also is small, normally accounting for less than one percent of the total supply. The practice of storing eggs has declined in recent years.

USDA purchases of eggs also are small relative to the total. The USDA purchased eggs each year during the period 1956–1964. These purchases varied in volume from 411,000 cases in 1958 to 2.2 million cases in 1961. About 1.5 million cases were purchased in 1964 but this accounted for only 0.8 percent of the total supply. After a lapse of 2 years, USDA initiated a purchase program for dried whole eggs in July, 1967. A total of 2.4 million pounds of dried whole eggs, equivalent to 236,000 cases of large shell eggs, were purchased at a cost of $3.2 million. This volume, however, was only 0.1 of one percent of the supply.

In December, 1967, the Department initiated a fowl purchase program to encourage further heavy culling of the laying flock and to provide an additional outlet for mature chickens. Funds for this program were provided under Section 32 of P.L. 74–320 with fowl purchases to be used in the Domestic Food Distribution Program. Purchases under this program accounted for 10 percent of the normal December and January slaughter of mature light hens and was operated at a cost through mid-January of $1.5 million.

Egg pricing has been institutionalized. It is a base price quotation system and consists of two parts: (1) accepting and using the price reported for a given class of transactions as a base price and (2) negotiating the differential which relates the base price to the price of particular lots of eggs at particular points and levels of sale.

The Urner-Barry price published at New York is the most widely used base quotation for eggs. Base prices also are determined at Boston, Chicago and Los Angeles. In these, including New York, commercial reporters determine the base prices by evaluating supply, demand, and sales in the market, and bids, offers, and sales on the mercantile exchanges at New York and Chicago. Base prices set by Boston are used for New England; New York base prices are used from New York State to Florida and as far West as the Rocky Mountains: Chicago base prices are used in an irregular area that extends South into Tennessee; and West Coast prices, especially those originating in Los Angeles, are used in the Western States and extend into the Intermountain Area. A high proportion, 70 percent or more, of the shell eggs are committed on a week-to-week basis to retail stores, institutions, breakers, and other outlets with prices tied to some

base price. It is part of the small volume of uncommitted eggs that is used to determine base price quotations.

The main problems in using base price quotations are (1) the tendency of many firms to use the base without playing an active role in determining it, (2) the lack of agreement between base-price-producing markets and outlying areas on supply and demand conditions and values, (3) thinness of trading on the mercantile exchange, and (4) failure of base prices to represent the kind of eggs moving in greatest volume in trade channels.

Despite these disadvantages, it must be said that the egg trade is generally accustomed to the base price quotation system and fairly well satisfied with it. Given a benchmark like a base price, the egg trade arrives rapidly and efficiently at a multitude of actual buying and selling prices. Although the system is not entirely satisfactory, low prices for eggs cannot be attributed to the method of pricing employed by the egg industry.

SELF-HELP PROGRAM FOR THE TABLE EGG INDUSTRY

With enabling legislation as proposed in Title II of the Mondale bill, the principal obstacle to self-help improvement in economic conditions of the table egg industry would be the industry itself. The main question would be whether or not the many varied sectors and factions at the producer level and at other levels could agree on the principal features of a program. To this point, the industry has been unable to muster any strong unanimity in regard even to enabling legislation. Congressman Resnick introduced a bill during the 89th Congress (1965) which would have provided a nationwide marketing order for table eggs. The hearing testimony on this bill and other similar bills is most interesting. The Resnick bill was supported well by producers and producer associations in the Northeast and the Midwest but it was generally opposed by producer organizations elsewhere. It was clear, however, that much of the opposition arose out of general opposition to "government programs" and lack of appreciation for the self-help features of marketing orders. With the shift in emphasis to "bargaining power" and the depressed conditions of the egg industry in 1967, this industry may be closer to a unanimity of feeling regarding the need for a marketing program.

Desired characteristics of a marketing order for table eggs

The following characteristics and circumstances of the table egg industry have been established: (1) the demand for eggs is inelastic which means that small changes in production have a severe effect on prices and percapita consumption is trending downward, (2) the basic problem of the industry is an excess farm level supply of resources devoted to egg production, (3) cost reducing technological and organizational resources together with the temporarily high prices arising out of price instability attract additional resources to the industry and stimulate production, (4) with increased production prices fall far below production costs of the smaller volume producers forcing many from the industry, (5) egg production is becoming more highly concentrated in the hands of fewer and larger operators of which a larger number are vertical integrators, (6) shifts occur with these events in the regional distribution of production—production by large volume egg factories rises in the South and Far West and family farm production in the Midwest and Northeast falls, (7) secondary outlets for table eggs are small relative to the movement to consumers in shell form but these outlets, nevertheless, are important, and (8) the industry employs an institutionalized base pricing system with fixed inter-area price differentials.

Considering these matters it would seem desirable to have a table egg marketing order which—

1. Was national in scope.
2. Tended to correct present shortcomings or inadequacies of the present system of pricing.
3. Provided adequate systems of grading and quality control with inspection.
4. Tended to correct the basic problem of excess resources in egg production.
5. Did not penalize producers in the more rapidly growing areas of production or those that had achieved higher levels of efficiency.

6. Allocated benefits mainly to producers rather than to handlers or hatcheries.

7. Contributed to increases in demand in both primary and secondary markets.

This is a large order for any program and may not be fully attainable with any program. Thinking realistically, it will be necessary for the industry to begin at the point where agreement can be achieved. For example, regional marketing orders probably would be required initially. Although the regional orders would be limited in scope and capability, they would serve to provide a base of experience and as a stepping stone to a more highly coordinated national program.

A suggested initial program

A national table egg marketing order could be written under the Mondale bill (1) calling for development of regional marketing orders, and (2) establishing a national advisory committee or commission. This committee would consist of both producers and handlers. An office with a full time staff of administrative and research personnel would be established at a central location. Duties of the committee would be severely restricted. Committee members and staff would (1) serve in an advisory capacity to the regional groups in developing regional marketing orders, (2) provide regional administrative committees, after development of regional marketing orders, with technical and economic advice and service, (3) serve as a centralizing and coordinating body for the collection and dissemination of marketing information and research findings, (4) act in a liaison capacity between the regional administrative committees and the Secretary of Agriculture or others on specified matters, (5) arrange for and handle all advertising and promotion activities as authorized by the various regional marketing orders, and (6) encourage and conduct needed and relevant economic research related to eggs.

The regional orders would be written with full recognition of the national order and the limited authority granted to the national advisory committee. Separate orders probably would be necessary for (1) New England, (2) New York, New Jersey, Delaware and Pennsylvania, (3) the East North Central region, (4) principal egg producing states of the West North Central region, (5) selected states in the South, (6) Utah, (7) California and (8) the Northwest. Any area could elect not to develop a marketing order. Producers with fewer than about 400 layers would be exempted from all provisions of the program. This would exempt 92.5 percent of all egg producers but it would exclude only 10.9 percent of the production. The regional orders would provide for—

1. Collection, in cooperation with the U.S. Department of Agriculture, of detailed information, on a daily or weekly basis or as needed, on flock size, number of layers sold, replacements, age distribution of flocks, egg production, prices by grades and sizes and other matters.

2. The transfer of vital information on a daily or weekly basis or as needed to offices of the National Advisory Committee via teletype for evaluation.

3. Establishment and enforcement of grade and quality standards including minimum quality standards for individual products and for inspection in cooperation with USDA.

4. Collective bargaining and the establishment of minimum prices, prices as related to volume marketed, and price differentials among use classifications of the commodity.

5. Authority for pooling or otherwise equalizing prices to producers according to grade or quality of production.

6. Authority to regulate the rate of culling and, if necessary, the rate at which replacements would be added to the flock.

Pricing information and bargaining.—A national system of economic intelligence would be developed under the authorities of the national and regional marketing orders in cooperation with USDA. All relevant information would be garnered by regional marketing order administrators. These administrators, incidentally, would be employees of the regional administrative committees and would not be Civil Service employees of the Federal government. The information, including data on sales volume and prices, would be channeled via teletype to the central office of the advisory committee late each day (or week, as needed). At the central office, a trained research staff would evaluate the data from all regional marketing order offices and, in addition, consider all other relevant

information including information generated at the Chicago and New York mercantile exchanges. Much of it would be programmed.

Early the next morning or as soon thereafter as practicable, findings and advice on pricing would be teletyped back to the regional marketing order offices. The advice could include suggested base prices and geographic price differentials for the region. Through bargaining an attempt would be made in each region to establish minimum prices which were equivalent to or set in relation to the suggested base prices. Thus, minimum prices would vary in direct relation to the base prices.

Bargaining for acceptance of the base prices as minimum prices might not be necessary. If the base price established by the marketing order administrator was announced widely throughout the region along with appropriate intra-area price differentials, the base prices would tend to be viewed by everyone as minimum prices. In view of the acceptability to handlers of the present system of base pricing, an agreement which established base prices as minimum prices might be arrived at without great difficulty. The system would broaden the sources of information on which base prices were determined and place determination of the suggested base prices in the hands of individuals employed by a committee of both producers and handlers.

Market diversion program.—The first line of defense against increased marketings and lower farm prices for shell eggs would consist of minimum grade or quality standards for eggs eligible for the fresh market. Under each regional order, rules and regulations would be issued which simply specified the minimum grade or quality requirements. The principal aim here would be standardization and elimination of inferior quality eggs from fresh market channels. Quality control is the first principle of advertising and promotion which constitutes another feature of the program.

The second line of defense would consist of a limited egg diversion program made effective through the fixing of price differentials betwene the shell egg and liquid egg markets. The program would need to be limited because liquid egg utilization is small relative to total egg production, accounting for 10–11 percent. Another disadvantage is the heavy concentration of liquid egg production from shell eggs and drying facilities in Iowa and Minnesota. However, additional facilities could be developed elsewhere. The regional marketing order committee might have some influence on this. In addition, the market for liquid egg products could be expanded and lower prices along with promotion is the route to expansion.

An example may be helpful:

The elasticity of demand for shell table eggs has been variously reported over a wide range but it seems to be in the neighborhood of —.5. The elasticity of demand for liquid eggs appears to be much higher. A change in the price of eggs seems to have a much larger percentage effect on consumption of liquid eggs than on consumption of fresh table eggs. On the basis of preliminary calculations, an elasticity figure of —1.8 is assumed.

According to these assumptions, a reduction in the quantity of table eggs available for sale will be associated with a larger justified percentage increase in price and a larger gross revenue. By way of illustration, suppose the 1967 supply of table eggs had been reduced, alternatively, 2, 4, 6 and 8 percent. With an elasticity of —.5 prices would have risen 4, 8, 12 and 16 percent with results as follows:

Percentage rise in price	Price (dollars per dozen)	Drop in marketings (percent)	Marketings (dozen million)	Total revenue to producers (millions)
0	0.3150	0	4,680.0	$1,474.2
4	.3276	2	4,586.4	1,502.5
8	.3402	4	4,492.4	1,528.5
12	.3528	6	4,399.2	1,552.0
16	.3654	8	4,305.6	1,573.3

As marketings fall, total revenue to producers rises. Suppose the industry wanted to stabilize table egg farm prices at about $0.35 per dozen. This would be an 11.1 percent increase in price (from $0.3150) and would involve the necessity of reducing table egg marketings by 5.55 percent.

Initially: $0.3150 × 4.680 mil. doz. = $1,474.2 million
With Diversion: $0.3500 × 4,419.8 mil. doz. = $1,546.9 million
Difference: 260.2 $72.7 million

To this point, producers are more wealthy by $72.7 million than before. But something must be done with the surplus eggs. Suppose these are successfully diverted to the liquid egg market. What is the result? In 1967, 609 million dozen eggs were consumed from liquid supplies. The addition of 260.2 million dozen to this supply would increase liquid egg production by 42.9 percent and sharply reduce producer prices for these eggs. At an elasticity estimate of 1.8 the price for breaking type eggs would drop to $0.2042 per dozen. We assume an average 1967 price of $27/dozen for breaking eggs.

Initial: $0.2700 × 609 (mil/doz) = $164.4 million
With Diversion: $0.2042 × 869.2 (mil/doz) = $177.5 million
Difference: 260.2 mil. doz. $13.1 million.

Producer revenue, according to this illustration, is increased still further. The revenue from liquid egg marketing of 869.2 mil. doz. would be larger than that for 609 million dozen so long as prices in this outlet did not drop below $0.1892 per dozen. In view, however, of the additional $72.7 million generated in the shell egg market, producers could afford to sell to breakers, if necessary, at even lower prices and still have larger incomes than before.

It is entirely possible that egg breaking and liquid handling facilities would be physically inadequate for 869.2 million dozen eggs or that this volume of liquid eggs could not be sold in a year at any price. Necessary facilities, however could be increased. In addition, liquid eggs can be stored in frozen or dried form for some time. Furthermore, at price levels considered here, the use of processed egg products might be expanded in school lunch programs, domestic poverty programs, and in foreign food aid programs.

It also is possible that benefits and costs of the program would not be distributed equally among the various regions and among individual producers within a region. Producers in the West North Central region, for example, might bear the pricipal cost associated with low prices for eggs diverted to breakers while producers in the South and the far West might reap the major benefits associated with higher shell egg prices. A method would need to be worked out for equalizing costs and benefits among producers and regions.

The mechanism for diversion would consist simply of 1) establishing the base minimum price at $0.35 and 2) agreeing upon a fixed price differential between the two markets—of $0.1458 per dozen in the illustration considered here. The principal advantage of the system is that it avoids individual allotments on producers or handlers. At a price of .35 per dozen in 1967, the fresh shell egg market would accept only about 4,419.8 million dozen eggs; the remaining 869.2 million dozen could only be sold to breakers at sharply reduced prices. As the market for processed egg products expanded and as appropriate processing facilities increased, the diversion program could be operated more effectively.

Egg production control.—The third line of defense would consist of techniques designed to control egg production. Give the kinds of data that would be collected continuously and channeled to the central advisory committee office and the types of research undertaken there, periods of excess egg production could be forecast with reasonable accuracy.

On the basis of this information and analytical findings, the National Advisory Committee would recommend specific weekly or monthly culling rates to regional marketing order administrators for reallocation to individual producers. In so doing, consideration would be given to (1) average age or age distribution of the flock, and (2) the rate of increase in flock size during the preceding six months. For example, the normal average monthly culling rate might be expected to be 1/12th or 8.33 percent. To reduce the potential threat of expanded production this might be stepped up to a required uniform percentage culling rate of 12 percent. This could be increased 1.0 percent for each 1.0 percent increase in flock size during the past 6 months above the percentage increase applicable to the entire industry. A system of credits would be worked out for producers who had reduced flock size or had increased at a rate under the national average. The applicable percentage also would be increased for producers with older birds—0.5 percent, for example, for each month of advanced average age above the national average.

If regulation of the culling rate did not adequately remove the threat of expansion and over production at specified base prices, marketing order admin-

istrators would be authorized to regulate the replacement rate in accordance with recommendations received from the National Advisory Committee.

This plan has the advantage of avoiding fixed allotments or production bases to individual producers. Whenever production control becomes necessary, the marketing order would impose specified and mandatory culling rates at the point in time and under the conditions in which the industry found itself. Recent history would be considered only to the extent this was necessary to determine the required culling rates. Those who had contributed more to the potential increase in production would be required to do more to remove the threat of expansion. Smaller volume producers who maintained about the same average flock size would be required to cull at a much reduced rate unless these producers permitted their flocks to advance significantly in average age.

In some proposals for the table egg industry, controls on volume would be imposed at the hatching level. Such controls, however, would tend to have the effect of increasing prices of chicks and laying pullets significantly and of shifting benefits to the hatchery man.

In other plans, negotiable allotments or marketing certificates are proposed. With negotiability, however, the allotments or certificates would assume a value—often a considerable value. Benefits would accrue largely to those producers to whom the allotments or certificates were first issued. In addition, once initiated, a negotiable allotment or certificate plan could be terminated only with considerable difficulty.

Advertising and Market Development.—The third major dimension in a marketing program for eggs would consist of advertising, promotion and other market development activities directed toward both the table egg and the liquid egg market outlets. The scope of this program would depend largely on assessments and the amount of money collected for this purpose. A levy of $0.01 per 30 dozen case of eggs produced in 1967 would have yielded nearly $2 million. A much larger sum probably could be generated.

The regional marketing order committees would collect and forward funds to be used for advertising, promotion, other market development and research to the National Advisory Committee office. The regional order programs also would underwrite administrative expenses of the National Advisory Committee.

Other comments.—Many details would remain to be worked out. The purpose here is not to develop all aspects of a workable plan but, instead, to illustrate an idea—to show how the marketing order approach might be adapted to a commodity produced in many or all regions of the nation and, at the same time, provide a degree of coordination.

Under the plan, as outlined, mistakes would be made and many difficulties would be encountered. Some of the regions might refuse to develop marketing orders or insist upon operating these orders without regard to the suggestions of the National Advisory Committee. It seems reasonable to believe, however, that the regional market administrators would learn quickly to devote careful attention to communications from the National Advisory Committee. The services of the National Committee often would be of considerable value to the regional administrators. Getting out of line with the national program would involve considerable risk.

In time, additional powers might be transferred to the National Committee through amendments to the national and regional marketing orders. The National Committee logically could provide arbitration services in regional bargaining disputes. The suggested base prices and price differentials eventually could be made mandatory minimum prices and differentials. The aim continually would be to achieve an improved degree of coordination with stability at reasonable rates of return to producers. All involved would need to concentrate on the goal of orderly marketing rather than on the self defeating goal of higher prices. The program would be operated to avoid both high and low prices. At times it might be necessary to require reductions in prevailing culling rates or to reduce the rate of diversion to the secondary market. High prices and attractive profit rates would tend to reduce consumption and to increase production sharply—to the point that the controls authorized by the marketing orders would be inadequate.

The Chairman. Off the record.

(Whereupon, there was a short discussion off the record.)

The Chairman. All right; Dr. Ruttan, will you step forward, please.

Senator MONDALE. Mr. Chairman, I would like to take this opportunity to introduce a Minnesotan who is really one of the key farm economists in the country today. Dr. Ruttan is the head of the department of agricultural economics at our own university, and has done some thinking about farm bargaining and prepared an excellent paper on this topic. He has been willing to come down here to testify on this difficult and complex issue.

I am proud of our department there, and proud of his contribution to it.

The CHAIRMAN. All right.

STATEMENT OF DR. VERNON W. RUTTAN, HEAD, DEPARTMENT OF AGRICULTURAL ECONOMICS, UNIVERSITY OF MINNESOTA, ST. PAUL, MINN.

Mr. RUTTAN. I am very pleased to be here, sir. And judging from the tenor of the previous discussion you would probably like to have me limit my philosophical comments.

I would like to do three things: briefly, comment on my general perspective with respect to the issue of farmer bargaining power; second, mention briefly some of the conditions it seems to me are essential for any kind of bargaining arrangement, and, third, indicate my reaction to the three titles of the bill.

It seems to me that since the closing of the frontier, in the last quarter of the 19th century, the encounter with an increasingly dominant urban-industrial society has emerged as the major force in American agricultural development. The dramatic impact of this encounter during the last several decades has contributed to a crisis in social organization in both urban and rural areas. This crisis has resulted in an intensity of concern by farmers, and of farm organizations, with agriculture's changing role in the national economy. This concern has turned the question of "bargaining power for farmers" into one of the leading issues in current agricultural policy discussion.

I think it has already been mentioned that "bargaining power" for farmers is not a new issue. However, I think there are conditions which make it a particularly pertinent issue at the present time.

Even the relatively favorable Agricultural Act of 1965, perhaps the best agricultural legislation we have had in recent years, has failed to meet the price enhancement and income goals which many farmers regard as reasonable. As a result there has been a new interest in achieving economic objectives through direct bargaining power in the marketing place rather than through the political route.

In my opinion, the source of rural unrest today reflects more than a simple concern over farm prices and incomes. It stems from a pervasive uneasiness about the future of agriculture, and of rural life, in an industrial society. This concern has led to a judgment by many farmers and farm leaders that the use of political power to influence Government programs to achieve substantial economic gains is no longer effective.

The implication of this judgment to many farmers is that they must attempt to design a system which places farm leaders in a position of economic power—in a position to effect economic decisions

in the private sector just as they have used political power to place themselves in a position to affect economic decisions in the public sector during the last three decades.

This judgment is most intense in the traditional Populist States of the upper Midwest. It is held, however, to a substantial degree by farmers and farm organization leaders throughout the Nation. It is not confined to a limited income or economic class within the broad spectrum that might be labeled "Commercial Agriculture." The judgment is probably most intense among many of the more aggressive young farmers who have committed themselves to commercial agriculture and have gone in debt to acquire the land, equipment, and other assets necessary to organize a viable commerical enterprise.

Behind this judgment is a "conspiratorial" view of the role of economic power in an American economic organization that has much in common with the Populist roots of the current rural unrest. According to this view, farmers are weak and unorganized. The rest of the economy—both business and labor—is highly organized and capable of exercising monopoly power in the labor and product markets. Consumer interests are viewed as exercising increasing power in favor of "cheap food" policies in the Executive Office of the President, the Department of Agriculture, and the Congress.

Farmers are, in this view, the powerless victim of exploitation since they represent the only sector of the economy left to the free play of competitive forces.

I believe this is an unrealistic view of the economy, but it is a view that is motivating a great deal of activity at the present time.

In view of this perspective, I would like to comment then on the elements, the conditions that must be met to create an economic environment for effecting bargaining between farmers and marketing firms.

It seems to me that whether the purpose of bargaining is to increase wages in industry or to raise the prices of farm products, two conditions must be met:

First, the bargaining group must represent a large enough fraction of workers or farmers to win recognition from employers or buyers.

Second, if a bargain with a particular firm, industry or commodity market raises wages or prices, additional workers and other resources will be attracted and production will expand unless some way can be found to insulate the firm, industry or commodity sector from normal market processes.

Now, the second condition is particularly difficult to achieve without assistance from the Government. It involves rationing access to the higher price labor or commodity markets. This may be done through seniority rights, quota allocations, and other devices.

One result of such restrictions is unemployed labor in industry and idle land in agriculture. If unemployment of labor or other resources is to be avoided, someone, usually the Government, must act as the employer of last resort or stand ready to purchase and dispose of the excess production.

I think there are two factors that make this second condition particularly difficult to realize in agriculture. First is the fact that while at the total level, food consumption in the United States is relatively unresponsive to prices, consumers do respond to changes in relative

prices—in the price of butter relative to margerine and of pork relative to poultry. This creates real limitations on the ability of any commodity group to enhance its prices relative to others.

Second is the rate of technical change, which increases labor productivity in agriculture at 6 percent a year while the demand for farm products is increasing at less than 2 percent a year. The result is that about 4 percent of our farmers become redundant every year in this kind of a situation.

With this background, then let me now comment briefly on the legislation. There is greater detail in the paper which I submitted for the record.

The CHAIRMAN. Your whole statement, Doctor, will be put in the record.

Mr. RUTTAN. Yes.

My analysis leads me to place greatest immediate importance on the provisions of titles II and III of the National Agricultural Bargaining Act. Title I must, by and large, be regarded as an alternative way of administering the major commodity programs. And it strikes me as a particularly cumbersome method.

While I see some political advantage to the change proposed under title I, I see no real economic advantages.

The CHAIRMAN. Well, for your information, all of the criticism as to the Mondale bill has been directly to title I. And if you are not enthused with it and can propose alternatives, we would appreciate it, because some machinery will have to be invented in order to carry on this program.

Mr. RUTTAN. Well, with all due respect, I think we have already invented the machinery, and most of it is embodied in the Agricultural Act of 1965.

Now, it seems to me one can make an argument for greater producer representation in the price decisions. It would seem to me that a relatively simple way of doing that is to have a process for selecting the members of the commodity advisory committees in a somewhat more representative manner than is done at present.

But as I see it, there isn't any source of gain to farmers participating in the major commodity programs in title I that is not available through present legislation. Whether one attempts to increase returns to farmers through Title I or through the present legislation, it seems to me there are only two alternatives: one is greater budgetary allocation to induce farmers to participate in a program, and the other alternative is lower prices.

The CHAIRMAN. That would mean more cost—that is, the first one.

Mr. RUTTAN. That is right. And it seems to me obvious that the cost under the Agriculture Act of 1965 will escalate over a period of years and——

The CHAIRMAN. Well, what about implementing, or using, or extending present marketing laws as to milk? Why couldn't we add to that?

Now, the Act of 1965 deals primarily with commodities in which we have acreage control or they were under acreage control at one time. Now, they are voluntary. And I have been of the opinion that we could make the present Marketing Act work by simply adding more to it. that is, something along the lines of the Mondale bill——

Mr. RUTTEN. You are thinking of title II now.

The CHAIRMAN. Yes.

Mr. RUTTAN. Yes.

The CHAIRMAN. That is what I am talking about.

Mr. RUTTAN. Well, I would argue that passage of title II and title III would widen the possibility of achieving more effective coordination of production and marketing. I think there are some problems with our current legislation, but——

The CHAIRMAN. Well, are you in agreement with this, Doctor, that to apply the Mondale bill to a commodity that is produced throughout the 50 States would be rather difficult?

Mr. RUTTAN. Well, to apply title I to commodities produced throughout the United States without the Department of Agriculture—without the power of the Federal budget to back it up—would be extremely difficult.

And while title I is somewhat vague on this, I assume that you would still have to have some rather substantial appropriation to support the provisions of title I.

The CHAIRMAN. Well, we have had a little difficulty in marketing procedures affecting milk and dairy products. And it is my considered judgment that we have got away from the original intent of Congress in that legislation.

Mr. RUTTAN. In what respect?

The CHAIRMAN. In this: the purpose of that law, as I understood it, was to make good milk available for direct consumption. And it has never intended to take the price of milk for direct consumption and blend it with other milk prices so as to put it on the same basis as manufactured milk, and that is what has been done.

Now, the original purpose of the act, as I conceive it, was to put the farmer to the expense of cleaning out his stalls and his cow barns, and this and that, which was expensive at one time, so that we could have an adequate supply of good raw milk for direct consumption, and the price fixed or agreed on by the Secretary after the marketing agreement was entered into would apply solely to that good milk.

But what has happened, as time went on, they took the price fixed by the Secretary and blended it with the manufacturer's price, which caused a lot of dairymen to produce more and more because they couldn't have made it except through higher production with this blend price.

Mr. RUTTAN. Well, you are expressing a perspective that we are quite sympathetic with in Minnesota, given the importance of the manufactured milk industry in the State. I do think the implication of what you are saying is that we ought to move away from the blend price system to something like the class I base system.

The CHAIRMAN. Exactly.

Now, you take, for instance, the milk production around Chicago. The record shows that only 39 percent of the production in that area was used for direct consumption. The rest of it was used to make butter and cheese, you see.

Now, it may be a good thing to have clean milk to make butter and cheese, but you could make it without having this added expense to produce it.

Mr. RUTTAN. I have the feeling that we are going to move, however, to the point where most milk is included under some sort of market order arrangements.

The CHAIRMAN. When you say, "most milk," do you mean all of it?

Mr. RUTTAN. I think so.

The CHAIRMAN. Under the same rules and regulations?

Mr. RUTTAN. Yes, sir.

The CHAIRMAN. I hope not.

Mr. RUTTAN. I think we are likely to move rapidly toward a single standard for it.

The CHAIRMAN. Well, we have many areas in the country now that produce milk mostly for direct consumption. In fact, about 85 to 90 percent of the production is used, and the rest of it is used to make ice cream and maybe a little butter that is used——

Mr. RUTTAN. Cheese.

The CHAIRMAN. And cheese, that's used locally. But when you take, like in the Northeast, around the Chicago area, Central United States, I can see no necessity for having the farmers there producing all of their milk under the rules and regulations that I have just described, and that is, to make it so clean that it can be used for direct consumption without any further ado.

Mr. RUTTAN. It seems to me that, as you pointed out, that the current perspective in the use of marketing orders in dairying has gone well beyond that initial period. And it seems to me the reason that all milk is likely to come under, or a very large percentage of milk is liable to come under, some sort of market order arrangements or at least be subject to common standards is the issue of coordination. With the change in transportation technology it is now possible to penetrate almost any milk market east of the Rocky Mountains, so these markets are no longer independent little "Balkanized" markets.

I think what Associated Dairymen and other groups are moving toward is a reflection of the interdependence of this total system. Furthermore, it seems to me that the marketing order provisions which work fairly effectively in milk, even in spite of this particular criticism, does represent the stabilizing force that is enabling groups like Associated Dairymen to move into a nationally, or at least regionally, coordinated marketing system.

The CHAIRMAN. National.

Mr. RUTTAN. Well, perhaps national eventually, but currently, at least, the midcontinent area.

The CHAIRMAN. But I think that as to some of the commodities that are in trouble now we should make a beginning in treating them on a regional basis rather than national.

Mr. RUTTAN. I think title III particularly permits it even on the local basis.

The CHAIRMAN. Yes.

Senator MONDALE. I did have a chance to read your full statement, and I think it is one of the best that we have had on this question of trying to develop improved income and prices for the American farmer. And I was quite interested in your comment that there are in prospect mergers among cooperatives—I think you indicated the milk co-ops and others, that might hold a prospect for some of these bar-

gaining objectives quite apart from any legislation that we would adopt here.

Are you able to pursue that a little bit?

Mr. RUTTAN. Well, it seems to me that part of what is being proposed in title II is to make it somewhat easier for other commodities to move along the route that milk is now moving. And I think it is rather intriguing that while there has been, you know, a lot of publicity and a lot of news about bargaining in other commodities, here rather quietly we see the putting together of a very substantial group that may end up in a fully merged group of cooperatives.

I understand that the Southern members of Associated Dairymen have already formed a wholly merged cooperative that can achieve some of this coordination with the stability offered by the marketing agreement mechanism.

It is the kind of stability that so far, it seems to me, we have seen only in minor commodities like cling peaches.

Mr. MONDALE. I would like to pursue some of these questions further, Mr. Chairman, but I see we have a very crowded schedule this morning.

The CHAIRMAN. Well, the committee wants to develop the bill as much as possible in the hope that if we can get action this session, I want to do it, but with the evidence we have so far, I don't see how we can do it.

Senator MONDALE. I gather that the witnesses are more inclined to accept a title II approach.

The CHAIRMAN. That's right.

Senator MONDALE. Title I seems to be having some trouble.

The CHAIRMAN. I don't know of any witness who has presented himself to testify that agrees with title I. That is the stumbling block.

Senator MONDALE. Of course, the chairman knows what I attempted to do in this bargaining power bill, to incorporate within a single measure all of the responsible suggestions that I knew of to try to reach the objective that is often so loosely expressed in terms of improved bargaining power.

One of them which is often repeated is the so-called labor analogy. The other is the liberalization of the market order approach. And the other is making certain that co-ops cannot be discriminated against; that is, farmers through co-ops, cannot be discriminated against in their bargaining.

The CHAIRMAN. Well, it strikes me that with the law that we enacted last year——

Senator MONDALE. S. 109, that's right.

The CHAIRMAN (continuing). And amending the Marketing Act to cover more commodities, I think that would be a step in the right direction, and we might be able to act on that very soon.

But, to get into this price fixing on all commodities is something that scares people. I don't know why, but it does. And the provision here where the Board and its committee set up to bargain with handlers, and if they can't agree, it is put to arbitration where minimum price is fixed, that is what scares people.

And it strikes me that if we can, as I said, develop some ways and means of expanding the present marketing agreement law, we might

be more successful, just as a beginning, to open this up and see how far we can go with it.

And another thing, it is my belief from the evidence that has been so far gathered that these commodities will have to more or less be treated on a regional basis as to most of them. It may be that we can get more evidence to indicate that it can apply to all, but I doubt it very seriously.

Senator MONDALE. One of the problems I see with the regional approach, which may very well be part of the answer here, is that the Midwest—and I think the witness would agree with me on this—has experienced some disadvantages; namely, for example, in the large population centers such as Chicago and New York, and so on, where milk orders have been created and partly because of the blend price mechanism to which you have referred, it has, because of the higher price level, encouraged production.

The CHAIRMAN. No doubt about that.

Senator MONDALE. It has encouraged vastly expanded production. And in some cases the order has, in effect, subsidized the local manufacturing milk industry. And in the Midwest, Minnesota and Wisconsin particularly, where we have the highest quality milk produced at the lowest cost, I think, in the country, we find ourselves confronted with milk market orders which are very subtle economic barriers which not only keep our milk out but also encourage the production of milk at a much higher cost from, sometimes, inefficient sources.

And you get some ironic things. For example, we have a good deal of citrus fruit in Florida that is freely sold, particularly in frozen containers, in the upper Midwest—they have a tremenodous market up there—but if we want to sell any Minnesota milk down there, we have to have the U.S. troops get it down there, and then we are not sure.

The CHAIRMAN. You don't produce oranges, you see.

Senator MONDALE. That is the dynamic principle. And, also, I am further down this table. I think that has something to do with it.

The CHAIRMAN. And they can produce a lot of milk in Florida, as well as citrus.

Senator MILLER. Mr. Chairman.

The CHAIRMAN. All right, Senator Miller.

Senator MILLER. I would like to ask the witness a question and express a thought here.

There seems to be, as the chairman has noted, a considerable amount of attention on this title II approach, but it has been my sad information that in the last 3 or 4 years, if there is any sick area of the agricultural economy, it is the milk area—dairy farmers going out of business and milk production going down.

I have talked to a good many dairy farmers in my State, and they are deeply depressed.

Now, why, if this is the system under which they are operating, are we suggesting that we spread this to other areas of the farm economy?

The CHAIRMAN. Well, Senator Mondale hit the nail on the head.

If the bill had been administered as Congress intended, and that is to produce milk for direct consumption and let the manufactured milk feed itself without the blend, it is my belief that in many areas it would

have been more profitable for dairy farmers to produce for direct consumption than to produce for both.

And that is why you have had that situation develop. And I still believe that if you——

Senator MILLER. I think the chairman is right on that point, but are we suggesting now that we just take the present milk marketing order system and transfer it over to other commodities, or are we going to modify that system so that we get back to this—so that we make sure the administration is in line with the original ideas?

The CHAIRMAN. Well, if left to me, I would amend the Marketing Act to make it plain that your marketing milk is to be as we originally intended. And this in my opinion will weed out quite a lot of milk that is now produced in those milk sheds at a high price. And that is why they demand and ask for the blend price.

Senator MONDALE. I think I am correct, we used to have almost all of the manufacturing milk industry in the upper Midwest because we could produce——

The CHAIRMAN. Sure.

Senator MONDALE (continuing). Better milk at lower cost for manufacturing milk purposes than any farmers in the Union, because of the milk order system in part, and maybe its population—I am no expert on this, but I think one contributing factor was the milk market orders in the East through the blend price were actually able to subsidize and ecourage manufacturing milk industries there, in part because of that device.

Would that be accurate?

Mr. RUTTAN. I think it has clearly encouraged farmers, dairy farmers, to decide to produce more milk than they would decide to produce if they were to realize the actual value of it.

The CHAIRMAN. There is no doubt about that.

Mr. RUTTAN. I don't think the milk market order is the only thing that explains the difficulty the dairy industry is in.

Senator MILLER. Well, I would like to get your comment. I threw this out to get your reaction to it, because it seems to me that some people can say, well, look at the dairy industry. They are rather sick. We don't want to have the same system they are operating under.

Now, what is the answer to that, quite apart from what the Chairman has brought out?

The CHAIRMAN. Well, before he makes his comment, I would like to add this.

As I understand, you have a lot of cooperatives to go into the business of making butter and cheese, and what-have-you. And they have been in favor of this blend price, and yet they represented the farmers.

Mr. RUTTAN. I think it is partly a question of something that has gone beyond the period when it was most useful, that the structure hasn't yet fully adjusted to the modern technology of transportation and of processing.

Senator MONDALE. May I interrupt there.

So many of our milk market orders were established in the late thirties before refrigeration was as advanced as it is today. There were real horse-and-buggy order areas that do not reflect modern marketing possibilities.

Would that be accurate?

Mr. Ruttan. Yes. And it seems to me it is important to build into any legislation the kind of flexibility that permits one to go from the, say, local bargaining association to regional, to national, as economic and institutional conditions permit.

Senator Young. Well, marketing orders and marketing agreements have been used quite successfully and extensively in the fruit and vegetable industries, I understand.

Mr. Ruttan. But again, it's spotty, I suspect, with the greater protection for development of bargaining associations we would see them used a little bit more.

The Chairman. Proceed, Doctor.

Senator Miller. Well, if he could give me a little response——

The Chairman. Excuse me.

Senator Miller (continuing). I would appreciate it.

Mr. Ruttan. On this dairy thing?

Well, we just completed a study at the university, which I think you have, on some of the policy issues facing the dairy industry, and we brought together our production people, our marketing people, our policy people, and there is no question the manufacturing milk industry is in trouble.

I sometimes say that our manufacturing dairy areas in Wisconsin and Minnesota are the Appalachias of the future. But there are a couple things besides our marketing system that are involved. One is the fact that dairy products do have a very severe lid on price, due to the competition of alternative products.

And this competition has come very largely from our soybean producers. The butter-margarine thing is a fact of life. And there is now the prospect of the non-dairy milk.

Senator Miller. How about imports?

Mr. Ruttan. The other thing is on the technology side——

Senator Miller. What about imports?

Mr. Ruttan. Let me mention the technology because I think it is related to the imports. We simply haven't moved as rapidly on the technology side in dairy as we have in some other agriculture industries.

I can't figure out how a dairy farmer producing manufactured milk in Minnesota can earn as high an income as a corn-hog-soybean farmer in southern Minnesota. It is just not technically feasible.

On the dairy imports, I think there are two aspects: there is this temporary thing of the redefinition of commodities that permit them to come under the quota; and then there is the issue of the size of the quota itself.

I share the chairman's perspective that we need to keep our eye on the big ball—on the major commodities. If the time comes when I have to choose between eating natural dairy products that are imported and nondairy products that are produced domestically, I would probably prefer the imported.

I think we have blown the dairy import issue out of proportion.

Senator Miller. Well, I am told by some people in the dairy industry they will have to work themselves out of the flood of imports that we had up until last June when the President put on the Executive or-

der, and in 1966 through the balance of this year. An awful lot of damage has been done.

I am not suggesting that we just close off all imports, but it looks to me like this has been a factor.

Mr. RUTTAN. Yes, I think we have to have some reasonable stability.

Senator MILLER. All right. If this is a factor, then is it not so that anything we do in here, if we use title II to try to develop better prices for some of these other commodities, that that action of ours can be undercut, if not offset completely, by imports?

Mr. RUTTAN. Well, this depends upon the same point that Professor Williams mentioned, and this is the responsibility of the commodity group in determining the price levels under these bargaining procedures.

Senator MILLER. Well, when you say responsibility in determining the prices, I would assume that they would be responsible enough to try to see to it that they can stay in business.

Now, if they find that they can't stay in business with the prices they are getting because of the competition from imports, then what profits them in negotiating a so-called responsible price?

Mr. RUTTAN. Well, two comments: I do feel the dairy industry, or any other industry, deserves import legislation which permits it to judge with some degree of certainty what the import situation is going to be.

However, I think that if we come back to the question of designing our import quotas on the basis that we have to keep everybody in business, that this is a very weak basis for national policy.

Senator MILLER. Doctor, I don't know of anybody in the dairy industry who has ever advocated that.

Mr. RUTTAN. But the thing I would emphasize is the significance of trade in the big commodities in American agriculture. And if we have to gradually increase the amount of dairy imports in order to maintain our exports of the commodities in which we have major interests, then I think we have to do it.

Senator MILLER. And if we don't have to do it, if we can impose reasonable quotas which will enable these people to obtain a reasonable price to stay in business, then don't you think we should?

Mr. RUTTAN. This gets involved——

Senator MILLER. Well, I mean, I can beg the question as well as you can on this thing. And most of our farmers in the dairy business, some in the meat business, are quite unhappy about the situation, and they think they have been put upon. And, I must say, I tend to agree with them, but I don't know of any of them saying, close off all imports. They just want to have a reasonable quota come in which will be in line with enabling the efficient producers to stay in business and the inefficient producers go by the board, and the industries themselves say that.

The CHAIRMAN. Well, Senator Miller, I believe it was the intention of Congress to do that, put reasonable quotas on, but there were so many loopholes in the law that if you take milk or cream and mix it with chocolate, or a little sugar, you can bring it in.

Senator MILLER. The chairman is absolutely right.

The CHAIRMAN. That's the point.

Senator MILLER. And that was the first point the doctor made, that is, the definition and the loopholes.

The CHAIRMAN. Exactly. We left so many——

Senator MONDALE. Will the Senator yield?

As you know, we held hearings on the Proxmire import quota bill here. At the same time, many of us appealed to the administration to invoke in a broader, more comprehensive sense the section 22 powers, which they did. And I think it is fair to say that dairy imports are less than half this year, perhaps even more than that, than they were last year. And that the section 22 definition, that is, the order under the section 22 powers which the President invoked, have had the impact of substantially reducing the flow of dairy imports.

Now, assuming that dairy imports would stay at approximately that level—let me put it differently.

Assuming we just knocked out all the dairy imports now that are coming in, would that substantially improve dairy farm income?

Mr. RUTTAN. I have seen some calculations run—I hesitate to give the number—run 15 to 20 cents a hundred, in that range.

The CHAIRMAN. How much?

Senator MONDALE. In other words, if we would knock out all dairy imports, it would improve farm income that much, wouldn't it?

Mr. RUTTAN. I would have to check that. I have seen some calculations where people have estimated how much it would be.

Senator MONDALE. Would you submit something for the record on that. I think we ought to have it.

The CHAIRMAN. Yes.

(The information follows:)

ST. PAUL, MINN., *May 3, 1968.*

Senator ALLEN J. ELLENDER,
U.S. Senate, Committee of Agriculture and Forestry,
Washington, D.C.

DEAR SENATOR ELLENDER: When I testified before the Agricultural Committee on the National Agricultural Relations Bill on April 10, you asked me if I could supply the committee with estimates of the price impact of eliminating dairy imports.

During the period of steep imports in 1966, the price impact was probably in the range of 20 to 25 cents per hundred. At the present time, complete elimination would probably have an impact in the range of less than 10 cents per hundredweight.

A more complete statement prepared by Martin Christiansen and Jerome Hammond of this Department is attached.

Sincerely yours,

VERNON W. RUTTAN,
Head, Department of Agricultural Economics,
University of Minnesota.

PRICE IMPACT OF DAIRY IMPORTS

(*By Jerome Hammond and Martin Christiansen, Department of Agricultural Economics, University of Minnesota*)

Imports for 1967 are expected to total only a little above the 2.8 billion pound milk equivalent for 1966. The actual amount will depend on how completely quotas are filled. Part of these imports came in prior to July 1, 1967 when new import quotas were imposed. It is expected that the new quotas will limit annual imports to about 1 billion pounds milk equivalent.

If the CCC had not been in the market to support the price, imports of this magnitude would have reduced farm level prices about 25 cents per hundredweight.[1] However, CCC purchases for the marketing year 1967–68 (April 1, 1967 to March 31, 1968) equaled about 7.0 billion pounds milk equivalent. Conse-

[1] Based on Brandow's price flexibility coefficient of −2.639.

quently, complete restriction of all imports would not have raised farm level prices above the support level price.

For the coming marketing year, assuming no government support purchases, and an average domestic price for manufacturing grade milk of $4.28, complete elimination of all imports would increase farm prices by less than 10 cents per hundredweight.

Senator YOUNG. Don't you have to consider in accepting imports of various farm commodities, what price they are selling them to us for?

Now, I understand in the case of dairy commodities that often the price these nations are selling to us for is only about a third of the price they charge domestically. And this is dumping.

Senator MONDALE. This is dumping?

Senator YOUNG. Dumping of the worst order. I think that should always be taken into consideration.

Mr. RUTTAN. Sure. There is an overwhelming surplus in Western Europe, and they are engaged in a reverse food aid program.

The CHAIRMAN. All right. You may proceed, then.

Mr. RUTTEN. Well, that was essentially—I think you brought out essentially what I have to say. If there are other questions, I would be pleased to——

The CHAIRMAN. Well, I think Senator Mondale wanted to ask more questions. We want to go until 12:30. He said he had some.

Senator MONDALE. No; I think that pretty well——

The CHAIRMAN. Particularly, on the bill, the operation of your bill, That's what I think we ought to—and I am going to ask the Doctor to do what I suggested of Dr. Williams here—we will leave these hearings open until mid-May, maybe longer than that, if necessary—and give us—take one or two commodities, as to how it can be applied under this act. You say you are against title I. Well now, if you are against that, how can we improve that, if possible? Or if you want to improve the marketing agreement law, let's stick to that and tell us how you would do it, and then after you make up your mind, we would like to have practical examples of how it would operate, because I am very much interested in trying, if I can, as chairman of this committee, to obtain enough evidence, enough backing, to get a law on the statute books this year, if we can, but I am not going to do it, or suggest it to the committee, unless we know what we are doing.

We don't want to simply pass a law because Mondale wants it, or because Miller wants it, or you want it. We want to be realistic and enact a law that it practical and that will be workable.

Mr. RUTTAN. Right.

Senator MONDALE. In title I, which I worked on for nearly a year and submitted, not because I think it is perfect but because I couldn't think of any other way of doing it, we first of all set up a farm marketing committee which the farmers elect.

We set up a National Agriculture Relations Board which the President appoints, which operates somewhat on the nature of the National Labor Relations Board in the sense that they handle sort of the ministerial functions. They don't have any policy powers, but they would help determine bargaining units; they would administer the elections, and that sort of thing. And, presumably, they would be sympathetic to

the farmers' plight. I think that has been generally true of similar kinds of boards and agencies.

And their appointment would be subject to Senate confirmation. I think those of us who are interested in the family farm and feel that something has to be done—I agree with you that we will have Appalachia programs in the Midwest unless we can do something to get beyond the survival levels we are in now, and get some prosperity in American agriculture.

Then this farm committee would meet with what you might call the purchasing committee, and the question is, what happens if they can't agree on a price?

Now, in labor, they go out and strike. And that is the weapon that they use. And it is form of economic warfare in which guns aren't supposed to be used. And, finally, the realities of their relative economic position presumably forces them into a settlement.

That is what has happened. And except during times of inflation, despite all the bleak and black predictions about the National Labor Relations Act, I think in balance it has worked out rather well. And, therefore, it seemed to me that something along that line ought to be explored and considered seriously for the American farmer.

My farmers in Minnesota, I think, make about a dollar an hour in some areas, dairy farmers about a buck an hour. And in the city, just a few miles away, an unskilled laborer makes $2.85, $3 an hour, and many times with less investment. I am not denying the need of the urban worker for that kind of pay. I think he needs it.

But there is a profound unfairness in the present economic structure that puts a farmer working hard and doing everything he can in that kind of sad economic situation.

So the question is: with this device, if you use title I, how do you get those prices up?

One is, let the farmer strike. Another device we explored is the possibility of establishing a strike fund of some kind. In other words, you ought to be able to take a certain small portion and develop a pool that would permit the farmer to survive by withholding his products off the market.

We couldn't quite figure out how you would assess the fund, and the possibility that the farmers could set up their own processing, something like that to raise the threat that would result in improved prices to the American farmer.

Finally, more than anything else, to get the discussion started, we proposed what Senator Morse would call mediation to finality.

The CHAIRMAN. And what labor doesn't like, arbitration.

Senator MONDALE. You used that word.

The CHAIRMAN. Well, I know, but that's what it means. You couldn't have labor accept this, you know that.

Senator MONDALE. The net effect would be—I am not testifying—the net effect would be, however, there would be improved farm prices, I think, unless there is some hole in this that I don't see, because failing to agree the farm committee would select a representative; the purchasing committee would select a representative, and together they would select a third, and they would agree on a price which then would be the minimum price for that commodity.

Now then, why couldn't that improve farm income?

Mr. RUTTAN. Well, as I see it, suppose we posed the question in terms of what would induce wheat farmers to shift from the present program to this type of program?

Senator MONDALE. Well, now, my program—my proposal assumes the present programs. I think if you dismantle the farm program, which I think has been a good one in terms of, supply management, loan programs, direct payments, and the rest, I think if you did that, no form of bargaining would make sense.

You have got to have an environment in which there is some desire for the supply; otherwise, I don't see how you can do it. But assuming the present farm program, and then add to it title I, why wouldn't that result in something?

Mr. RUTTAN. Well, I think that title I is consistent with the concern that farmers have of wanting to be more directly represented in these negotiations or in the pricemaking decision.

Now, given more direct representation, suppose we had a decision that would modify the wheat price to provide farmers a higher price. I think then, under this procedure that is laid out, the question comes in: What induces compliance with the program?

And it seems to me you kind of have two choices: You have the choice of a set of provisions which essentially are mandatory, and a set of provisions that are voluntary. If the price is higher—and this means that we are going to have to hold, say, somewhat more land out of production—then the question is the appropriations.

It seems to me that this procedure may result in higher prices, or it may not, but this will partly depend upon the decision, I suppose, of this committee as to how much—what the budget is you are really going to give this committee to play around with.

It seems to me if you say, you know, you can have as much money as you had last year, then this is one of the conditions that enters into what——

Senator MONDALE. Well, if you have sophisticated supply management, then presumably the supply would have to be geared into the price that has been agreed on.

Mr. RUTTAN. That is right.

Senator MONDALE. Otherwise, you end up with surpluses, I assume.

Mr. RUTTAN. Yes, sir.

Senator MONDALE. And there is where the budget item comes in. But at least there will be pressure upon the Department to gear their supply function more toward improved farm income than might be the case otherwise.

Mr. RUTTAN. Yes. I think that——

Senator MONDALE. The farmer—you know, doesn't burn things down. He doesn't strike. He just rather quietly asks for improved farm prices. It doesn't work. It seems to me if we are going to get away from this survival status, if the farmer is going to enjoy the prosperity that others do, something new has to be added.

It seems to me this is the way of improving the strength that he has in asking for better bargaining.

Senator YOUNG. If you would yield at that point, there is a tendency in some circles to arouse at least public opinion in opposition to all farm price-support programs. Even some farm organization leaders themselves take part in this.

Senator MONDALE. Yes.

Senator YOUNG. If these price-support programs were abolished, farmers would have no alternative but to bargain, and bargain tough.

Senator MONDALE. If you would bargain without these farm programs, I think it would be disastrous.

Senator YOUNG. Yes.

Senator MONDALE. You have got to have supply—NFO, I know, is going to testify here. They have provided, perhaps more than any other, bargaining for prices within the present program, but they come out strongly for the 4-year farm program. I think they recognize that if you try to negotiate when there is a glut of supply, it is just folly.

Senator YOUNG. We need the loans.

Senator MONDALE. Right.

Senator YOUNG. Price support payments are also an essential. You also need land retirement programs to hold down the surplus. I think in this respect all farm organizations are in accord; that is, on the need for a land retirement program.

Mr. RUTTAN. This, it seems to me, is the mechanism for arriving at a set of decisions rather than anything that changes, essentially, the elements either affected by the decision or——

Senator MONDALE. Do you think, Doctor, with that in mind, that the adoption of title I would tend to make the decisions on supply control more farmer oriented than they would be otherwise?

In other words, if you get a higher price under this bargaining process, would the Department be pressured to set up supply management in a way that would contribute to improved farm prices as against the absence of this title I?

Mr. RUTTAN. I think this procedure would permit farmer pressure to be exerted more directly—it would be institutionalized and would be more direct.

What I am not clear about is whether this would result in higher prices in the absence of a simultaneous decision to increase the cost of the program.

Senator MONDALE. Yes.

The CHAIRMAN. Well, there is no doubt that if you fixed the price, as is intended here, and that price should be higher than the formula than we now have of so much of parity, that this program is going to cost a good deal more money. And my fear is that in extending this program for 2 years, 3 years, or 4 years, we may have difficulty because of the high cost of it.

Now, I want frankly to admit that when I argued for this program before the Senate and we had it enacted, I stated that I felt that the cost of our program would be decreased, and if we can get the production of these stable commodities in keeping with our requirements, that farmers will be able to go to the marketplace for their prices, but it hasn't worked that way.

The cost of it has been a great deal more than anticipated. And in my humble judgment, the high cost of this program may be one of the stumbling blocks to have it re-enacted as we have it now.

And I am trying to find ways and means, if I can—and we succeeded pretty well—in getting views from witnesses as to how we can decrease the cost of this program to the Government.

My objective there was simply to find ways and means of decreasing the costs, so that we could have it extended.

Well now, we have reached the hour of 12:30. Are there any other questions to be asked of the doctor?

Senator MILLER. There is one more thing I would like to ask my colleague from Minnesota.

I think his point that title I is envisioned as a supplement, not a replacement for the present program, is a point well taken.

But, assuming that that is the case, I am troubled when I note that this farmer committee would bargain for higher prices, for prices. How would they take into account Government payments in arriving at that?

For example, a price of $1.50 per bushel for wheat might be OK for those who are in the program and are receiving Government payments. The price of $1.50 for somebody who is not in the program might be regarded as ridiculous. And you have got similar problems in corn. I don't know how this would work out.

And I find it very difficult to believe that they would say, "Well, we think $1.50 per bushel for wheat is just fine across the board to cover those in the program and to cover those out of the program." Those in the program might think that $1.50 with the Government payments is going to bring them an adequate return; those who are not in it might think it is a horrible price.

Has there been any thought given to that point?

Senator MONDALE. Well, of course, negotiations have to take place in an environment which recognizes the reality of this situation. The substitute problem to which the witness has just referred would be one of the obvious factors that they would have to consider, and many of the other realities of competitive positions of that commodity in the market.

There might be consumer resistance. Many feel that there is a lot less resistance for higher consumer prices than others do. But there would be a lot of realities that they would have to consider.

But all of the programs assume the existence of a free market price as well as the price which the complying farmer receives. And I think they can work together. And the higher the free market price, the better off the compliers and the noncompliers are.

The CHAIRMAN. But hasn't the impression gone out that if this Board can successfully fix prices that will remunerate the farmers to the extent that they expect, that we will get the Government out?

Senator MONDALE. It will certainly——

The CHAIRMAN. I mean, that's their impression. You certainly don't want two programs.

Senator MONDALE. Well, I made it very clear at all points that I regard this title I as conditional and not an alternative.

The CHAIRMAN. Well, that means a higher cost, probably, and that will simply increase our difficulties in having the program adopted.

Senator MILLER. Mr. Chairman, just one last point.

I think the doctor has pointed out that if the Mondale approach results in better prices, and you don't have any other farm programs, then you are going to end up with overproduction.

The CHAIRMAN. You—what?

Senator MILLER. You are going to end up with overproduction.

The CHAIRMAN. Oh, sure.
Senator MILLER. And that is why I think——
Senator MONDALE. Wait a minute. He didn't say that.
Senator MILLER. Well, I thought he was talking about——
Senator MONDALE. Let him testify.
Senator MILLER. I thought he said that you were either going to have that, or you were going to have a budgetary increase.
The CHAIRMAN. Under title II, though—under title I, there is definitely the idea—I mean, a proposal to have marketing quotas or acreage allotments, you see.
Mr. RUTTAN. It seems to me that it is perfectly possible under this to move in the direction of the mandatory programs.
Senator MILLER. Under title II.
Mr. RUTTAN. Under title I.
The CHAIRMAN. Title I.
Mr. RUTTAN. The producer referendum can include supply control provisions that are not compensated.
The CHAIRMAN. Sure. The same as you have now.
Mr. RUTTAN. The question is, whether they would be able to vote them, which has always been the question.
The CHAIRMAN. The only difference between the program and the one we now have is that you think, or Senator Mondale thinks, that the fact that the people themselves are asking for it rather than let the Department do it, it will work better. I don't think it will.
Mr. RUTTAN. Well, one thing it would do, if some day Congress decided not to provide any money, it would furnish the mechanism to still control production.
The CHAIRMAN. Well, the committee will stand in recess until 2:30.
(The prepared statement of Mr. Ruttan is as follows:)

Since the closing of the frontier, in the last quarter of the 19th century, the encounter with an increasingly dominant urban-industrial society has emerged as the major force in American agricultural development. The dramatic impact of this encounter during the last two decades has contributed to a crisis in social organization in both urban and rural areas. This crisis has resulted in an intensity of concern by farmers, and of farm organizations, with agriculture's changing role in the national economy that has turned the question of "bargaining power for farmers" into one of the leading issues in current agricultural policy discussion.

The milk holding action by the National Farmers Organization (NFO) in March 1967 dramatized, to both the general public and to the National political leadership, the seriousness of the efforts which some farmers were willing to make in order to achieve greater "bargaining power in the market place".

In response to this new evidence of "rural unrest" Secretary of Agriculture Freeman took to the country for a series of "shirt sleeve" conferences with largely hostile farm audiences across the Midwest. Task force studies and meetings with farm producers and marketing organizations to explore the interest and economic consequences of strengthening the power of farmers to bargain about terms of sale and market prices were conducted by the Department of Agriculture during the fall of 1967. In his January 1968 State of the Union Message and in his Agricultural Message on February 27, President Johnson recommended that Congress give serious attention to legislation "to help farmers bargain more effectively for fair prices."

In February 1968 Senator Mondale introduced legislation that would amend the Agricultural Marketing Act of 1937 (a) to extend the collective bargaining procedures available under marketing order arrangements to a larger number of commodities (Title II), (b) establish a National Agricultural Relations Board to supervise bargaining between farmer marketing and purchasing committees (Title I), and (c) provide greater protection to farmers against coercion or

discrimination by handlers or processors because of membership in a bargaining association (Title III). The objectives of Title III have essentially been achieved through the recent passage of the Agricultural Fair Practices Act.

The issue of bargaining power for farmers is not new in the history of agricultural policy discussion. Farmers have long used organization as a means of improving their political and economic bargaining power. The Grange, oldest of U.S. farm organizations (1867), grew rapidly in response to the long period of rural distress in the 1870's. The Farmers Alliance Movement in the 1880's represented a second major attempt by farmers to organize themselves. This effort led to the formation of the Populist Party in 1891. The Farmers Union, organized in 1902, drew heavily on the old Farmers Alliance-Populist movement for its leadership and support. In contrast to the earlier political efforts, however, the Farmers Union placed major emphasis on achieving economic power through cooperative marketing.

The most dramatic effort by farmers to achieve direct marketing power occurred during the 1920's. Farmers cooperative associations achieved protection from anti-trust action through the Clayton Anti-Trust Act (1914) and the Copper-Volstead Act (1922). Under the leadership of Aaron Sapiro of California national commodity cooperatives for wheat, cotton, tobacco, peanuts, and many other crops were formed. The objective or organization was to obtain control over a sufficient proportion of the entire crop to become a dominant factor in the market. Control of producer deliveries were to be achieved by means of long-term contracts with members.

The success of the "monopoly cooperative" model Sapiro movement fell far short of its hopes. It failed primarily because its organizers had underestimated the economic power necessary to withhold supplies of major agricultural commodities from the market in order to achieve price enhancement.

With failure of the market power movement of the 1920's the major thrust of agricultural policy from the 1930's to the mid 1960's has been the use of political power to achieve economic gains. This political power, made effective through the organization of the "Farm Block" in Congress, has been focused primarily on the achievement of favorable prices for farm commodities through the use of production control and surplus disposal programs. These programs have employed land use controls to regulate agricultural production and the power of the Federal budget to hold price depressing "surplus commodities" off the market or to dispose of them through "non-competitive" markets—through domestic "food stamp" and international food aid programs, for example. In recent years, however, the Farm Block has tended to disintegrate. As even favorable farm legislation, such as the Agricultural Act of 1965, has failed to provide the price enhancement and income goals which many farmers regard as reasonable a new interest in the achievement of economic objectives through direct "bargaining power in the market place" has emerged.

In my opinion the source of rural unrest today reflects more than a simple concern over farm prices and incomes. It stems from a pervasive uneasiness about the future of agriculture, and of rural life, in an urban-industrial society. The concern has lead to a judgment by many farmers and farm leaders that the use of political power to influence government programs to achieve substantial economic gains is no longer effective. Market power is regarded as a potential alternative to political power. The implication of this judgment, to many farmers, is that they must attempt to design a system which places farm leaders in a position of economic power—in a position to affect economic decisions in the private sector—just as they have used political power to place themselves in a position to affect economic decisions in the public sector during the last three decades.

Although this judgment is most intense in the traditional Populist states of the Upper Midwest, it is held to a substantial degree by farmers and by farm organization leaders throughout the nation. Neither is it confined to a limited income or economic class within the broad spectrum that might be labeled "commercial agriculture". Indeed the judgment is probably most intense among many of the more aggressive young farmers who have committed themselves to commercial agriculture and have gone in debt to acquire the land, equipment and other assets necessary to organize a viable commercial enterprise.

Behind this judgment is a "conspiratorial" view of the role of economic power in an American economic organization that has much in common with the Populist roots of the current rural unrest. According to this view, farmers are weak and unorganized. The rest of the economy—both business and labor—is highly organized and capable of exercising monopoly power in the labor and

product markets. Consumer interests are viewed as exercising increasing power in favor of "cheap food" policies in the Executive Office of the President, the Department of Agriculture and the Congress. Farmers are, in this view, the powerless victims of exploitation since they represent the only sector of the economy left to the free play of competitive forces.

There are two possible conclusions from such an analysis. The first is that the labor and industrial "monopolies" should be broken up. This was the route chosen by the agrarian Populists when they supported the passage of the Sherman Anti-Trust Act (1890) and other anti-monopoly legislation. The anti-monopoly approach is no longer viewed as holding any prospect for substantial economic gains by farmers. The laws to promote free markets which were supported by the early Populists were passed, yet the problem of declining farm numbers and low farm incomes remain. Given the view of economic society held by farm leaders, the only alternative is to organize farmers to achieve the economic power to "bargain" directly in the market place for more favorable conditions of sale and higher farm prices.

The National Farm Organization (NFO) formed in 1955, represents the most articulate exponent of collective bargaining for agriculture. Its initial approach was clearly developed with the "labor union model" in mind. Formal affiliation with the labor movement was rejected, after considerable controversy within the organization during its initial years, primarily on the grounds that association with organized labor would be regarded with mistrust by many farmers.

By 1959 the NFO was sufficiently well organized to attempt a limited or "test" livestock holding action in several areas in Iowa, Missouri, Kansas, and Nebraska. Further limited holding actions were held over somewhat larger areas in 1960 and in 1961. These test actions were followed by an all out effort to hold livestock off the market in the fall of 1962. The action generated considerable tension among farmers over the NFO approach and occasional outright violence against livestock truckers and in several livestock markets. Although the holding action had little economic impact it represented an important step in the NFO campaign to expand its membership.

The second major action by the NFO was the 1967 milk holding action. This effort was clearly more carefully organized that the earlier actions. Preliminary results of a study now being completed at the University of Minnesota indicates that substantial quantities of milk were held off the market during the two weeks when the action was most effective. The effort was felt primarily in the production of manufactured dairy products such as butter and cheese rather than in the consumption of fluid milk.

It is still too early to evaluate the effects of the current "all commodity" holding action. The action is being implemented in a series of steps. A grain holding action was announced in January. Meat was added in February. A new milk holding action is scheduled later this spring. According to the *NFO Reporter*, "The strategy * * * is to build a climax of effect on all agricultural commodities at about the same time * * * to shut down the agricultural plant * * * until contracts and the desired prices are achieved by NFO". Along with the holding action the NFO is urging farmers to take full advantage of the USDA farm programs to hold commodities off the market and reduce next year's production. It seems apparent that this new "all commodity" action represents part of an election year strategy to maintain a militant membership in order to demonstrate effective political power. If effective it should also "soften up" processor opposition and contribute to membership expansion.

The appeal of the "bargaining power" approach has not gone unnoticed by other farm organizations. The American Farm Bureau Federation has established an affiliate, the American Agricultural Marketing Association (AAMA), to bargain with processors. Although some NFO speakers have characterized the Farm Bureau effort as a "company union" approach—urging the processors to sign with the Farm Bureau so they would not have to deal with the NFO—the Farm Bureau bargaining groups have experienced some success. In Ohio and Indiana the association has been effective in raising the general level of raw tomato prices.

The Farmers Union, while adopting a certain amount of the "bargaining power" terminology, continues to emphasize the need for supply control by the Federal Government. According to Reuben Johnson, Farmers Union Director of Legislative Services, "I cannot conceive of farm bargaining being effective without supply control on a nationwide basis on commodities produced widely in the nation. With sufficient 'teeth' in the supply control provisions, I see no reason

why market bargaining cannot be effectively applied to the major commodities and bring about farm income improvement."

The Farmers Union position poses the fundamental economic question that will determine whether the current drive to achieve greater bargaining power by farmers will survive the charismatic appeal of NFO President Oren Staley's dynamic personality or whether it will end up in the same political and economic bankruptcy as the "Sapiro movement" of the 1920's. The NFO has placed major emphasis on price enhancement as the single objective of their organizing effort It seems reasonable to ask what conditions must be met to create an economic environment for successful price enhancement through collective bargaining between farmers and marketing firms.

Whether the purpose of bargaining is to increase wages in industry or to raise the prices of farm products two conditions must be met:

First, the bargaining group must represent a large enough fraction of workers or farmers to win recognition from employers or buyers.

Second, if a bargain with a particular firm, industry, or commodity market raises wages or prices additional wrokers and other resources will be attracted and production will expand unless some way can be found to insulate the firm, industry or commodity sector from normal market processes.

The second condition is particularly difficult to achieve without assistance from the government. It involves rationing access to the higher priced labor or commodity markets. This may be done through seniority rights, quota allocations and other devices. One result of such restrictions is unemployed labor in industry and idle land in agriculture. If unemployment of labor or other resources is to be avoided someone, usually the government, must act as the employer of last resort or stand ready to purchase and dispose of the excess production.

If these conditions are to be met it will require a greater degree of organization, cohesion and control over production and marketing than farmers and ranchers have traditionally been willing to impose on themselves. The reason that farmers have not been willing to proceed as far in this direction as induistrial workers is not due to a weakness of moral fiber among farmers. It stems to some degree from the fact that laws supporting collective bargaining in agricultural markets have been less adequate than the laws that support collective bargaining in labor markets.

A more fundamental set of limitation stems from the dramatic changes in the market for agricultural products and in the technology of agricultural production which have occurred in this country since World War II.

First, food consumption in the United States is, with the minor exception of a few exotic commodities, no longer very responsive to changes in prices or incomes. This means that lower prices do not significantly expand total marketings of agricultural commodities. Similarly, higher prices do not significantly reduce total marketings. This isn't true of individual commodities, however, Consumers do respond to changes in the price of butter relative to margarine or of poultry relative to the price of beef. This tendency sets limits to the power of any one commodity group to raise its price.

Second, the rate of technical progress in agriculture is more rapid than the growth of demand for farm products. Labor productivity has been expanding at a rate of more than 6.0 percent per year and the demand for food at less than 2.0 percent per year. This means that roughly 4.0 percent of the labor force in agriculture becomes redundant each year With excess capacity to produce in agriculture farmers are extremely aggressive in the expansion of production of any commodity which promises favorable returns.

The low elasticity of demand for farm products in total holds out a promise of substantial gains from price enhancement through collective bargaining. The rapid production response to changes in the prices of individual farm commodities permitted by modern technology erodes these potential gains before they can be realized by more than a limited number of farmers.

The biological nature of agricultural production processes also imposes a heavy burden on the bargaining process. Labor time lost during a strike does not contribute to increased industrial production. The plant shuts down. But cattle held off the market during a holding action continue to consume feed and grow heavier. And heavier cattle bring less per pound in the market place after they have gone past their prime market weight.

It seems apparent in view of these factors that collective bargaining on the labor model holds limited possibilities for substantial enhancement of agricultural prices or improving farm income for the producers of the major com-

modities produced on a national scale. This does not mean that the labor model does not offer the prospect of substantial gains for a number of minor commodities produced in limited geographic areas—cling peaches in California, tart cherries in Wisconsin, Michigan and New York, and others. Collective bargaining may also represent a useful device for removing inequities in the marketing system and for inducing shifts to more efficient marketing techniques which require close cooperation of producers and processors.

The labor model should not be regarded as the only vehicle which farmers can use to acquire greater bargaining power in the market place. While the NFO and the other national farm organizations have been generating headlines a number of enterprising cooperative leaders have been quietly encouraging a merger movement among agricultural supply and marketing cooperatives that may meet some of the organizational limitations of the labor model. The most ambitious of these attempts are occurring in the dairy industry. If these plans succeed a new super cooperative representing dairymen throughout the entire midcontinent area from Texas to Minnesota may actually achieve, through control of milk production, fluid milk processing, and the production of manufactured dairy products, the bargaining power that the cooperative movement of the 1920's envisaged but never achieved. If this is achieved it will not be through a market power alone. The existence of a federal milk market order system, with a long history of effective action through local bargaining associations and the public enforcement of a pricing system that permits diversion of surplus production into secondary markets represents a major asset that is not presently available to producers of other major commodities. Passage of Title II of the National Agricultural Bargaining Act would extend similar power to producers of many other commodities.

For the major agricultural commodities other than milk—corn, wheat, soybeans, hogs and beef—enhancement of bargaining power appears likely only through the delegation of powers to limit resource use and store or divert production now exercised by the Department of Agriculture in administering the major commodity programs. This is essentially what would be achieved by the National Agricultural Relations Board under Title I of the proposed National Agricultural Bargaining Act.

Administration of the commodity programs by the proposed National Agricultural Relations Board would under any circumstances be faced with the very real consequences of rapid technical change pressing against an inelastic demand for agricultural products. Substantial increases in prices for farmers will still be achieved only (a) with more stringent controls over production than farmers have thus far been willing to accept or (b) with even larger appropriations from the Federal budget than under the Agricultural Act of 1965 to induce farmer compliance with production targets.

It seems quite clear that the current "bargaining power" movement in agriculture will result in more highly organized agricultural commodity markets. These more highly organized markets will probably be more efficient in their technical marketing functions than at present. It is also possible that modest price enhancement may be achieved as a result of institutionalized bargaining between processors and farmers.

My analysis lends me to place greatest immediate importance on the provisions of Titles II and III of the National Agricultural Bargaining Act. Title I must, by and large, be regarded as an alternative way of administering the major commodity programs. While I see some political advantage to the changes proposed under Title I, I see no real economic advantages.

Passage of Titles II and III would widen the possibility of achieving more effective coordination of production and marketing activities in markets characterized by effective bargaining arrangements between producers and handlers. This offers the possibility of achieving gains in both equity and efficiency in the markets for farm products.

At the same time I have some concern with respect to the potential inequities of permitting farmer bargaining associations to impose compulsory restraints on the marketing of agricultural commodities on all producers in a marketing area or of a particular commodity. Care must be taken to make sure that the interests of smaller producers are appropriately represented. On balance, however, the potential gains from a social experiment to develop more effective institutional patterns of cooperation between producers and handlers offers the prospect of substantial gains in new insights regarding the technical and social

efficiency of modifications in the economic institutions which coordinate agricultural production and marketing activities.

The achievement of greater bargaining power in the market will continue to leave unsolved many of the significant problems that contribute to the uneasiness with which farmers view the social and economic future of rural areas. The relatively modest price enhancement possible through greater bargaining power will not prevent non-farm financial interests from taking advantage of a biased tax structure to acquire greater control over farm production. It will not solve the pervasive problems of the quality of rural education, rural health services, and rural government. The advances of modern agricultural technology, modern communications, and modern patterns of social organization will continue to represent disruptive forces in rural communities.

In my judgment both farm organization leadership and labor organization leadership share a common myopia that is contributing to deepening of sense of frustration in which they find themselves. The concentration of American business unionism on wages and wage related benefits and of American commercial farm organization leadership on prices is resulting in the failure of organized farmers and workers to contribute effectively to the solution of the problems created as a result of the massive social, economic, and technical changes which are resulting in the complete reorganization of both urban and rural life in America.

(Whereupon, at 12:35 p.m., the committee recessed, to reconvene at 2:30 p.m., of the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will please come to order.

Mr. Padberg, will you step forward, please.

I understand you have a written statement.

Mr. PADBERG. Yes, sir.

The CHAIRMAN. You may proceed.

STATEMENT OF DR. DANIEL I. PADBERG, NEW YORK STATE COLLEGE OF AGRICULTURE, CORNELL UNIVERSITY, ITHACA, N.Y.

Mr. PADBERG. I would like to summarize it briefly.

The CHAIRMAN. Without objection, the whole statement will be put in the record at this point.

(The prepared statement of Mr. Padberg is as follows:)

To advocate a system of farmer bargaining is to advocate replacing the market price system. Market price has been the basis of farmer incentives and coordination as well as the basis of income distribution in agriculture. Since replacing the market price system is a very basic and fundamental change, careful consideration should be given to alternative methods of coordinating economic activity and regulating income distribution.

VEHICLES FOR ECONOMIC COORDINATION

There are three basic ways to coordinate economic activity.[1] One important way is through the exchange method. In this approach to coordination, members of the economic community essentially are thinking positively. They say to each other, "you do something nice for me and in turn I'll do something nice for you." This type of system works best where it is clear to all parties that each benefits from the exchange. Prices are generated from these exchanges which are used as a system of signals that coordinate the economic activities of production, distribution and consumption.

Another way of coordinating economic activity may be called the integrative method. In this system, a firm or organization is created which takes responsibility for performing several economic functions. Within this integrated organization, the coordination of product flows from one function to another is effected

[1] See K. E. Boulding, "Toward a Pure Theory of Threats Systems" *AER*, May 1963.

by administrative decision. The main reason for the increasing importance of the integrative method of coordination comes from its greater efficiency. Often costs can be reduced by combining several functions in an administratively coordinated organization rather than through several separate organizations which buy and sell from each other.

A fruit or vegetable canning or freezing operation may illustrate the point. Within such an operation, several separate functions are performed in an assembly line type of setting. Product is received and inspected, washed, peeled or prepared, packed, and cooked or frozen. Product moves through this line rapidly and systematically. Instead of all of these functions being performed by one organization, each function could be performed by a separate firm. This would require, however, a buying and selling operation between each stage or function. Cost would be higher in the unintegrated system for two reasons: product could not be handled as rapidly or systematically and buying and selling required special skills and additional time and effort. While this is an extreme example, the same general principles are causing increased integration between agricultural production and marketing. Integrative coordination is clearly increasing and largely for efficiency reasons.

A third method of coordinating economic activity may be referred to as the "threat system." The "threat system" is somewhat analogous to the exchange system, but it involves negative thinking. In this method of coordination one party says to another, "If you don't do something nice for me, I'll do something nasty to you." Threat is bad word. Nobody likes to be threatened. Further, the threat has no meaning unless the threatener has power to fulfill the threat. The American tradition is a tradition of freedom. For that reason, we do not like threats or power. Both tend to erode freedom.

Although the threat method of coordination is not a comfortable part of our political and economic ideology, changes in the Twentieth Century American economy made it essential. As many economic functions which had earlier been performed in households were integrated into factories, individuals became workers rather than small businessmen. Their economic returns were not determined in an open exchange situation, it was arbitrarily determined by the factory or millowner. The factory increased the productivity of the worker, but denied him an open market for his services. The almost immediate result was severe abuses. These abuses were not corrected until the threat was developed and made effective by labor unions.

Coordination in Agriculture

Integration of many types is increasing in agriculture. Backward integration by retailers is increasing significantly in several areas. Many products including livestock and fruits and vegetables are moving directly from producer to retailer—bypassing the conventional open market system. Feed companies are very big in the poultry industry. Meat companies doing more feeding in both the poultry and livestock industries. Why is this happening, and what does it mean?

These developments represent a significant movement away from the exchange method of coordinating economic activity. They're occurring for efficiency reasons. There is certainly nothing wrong with efficiency. In fact, it's as much a cornerstone of the American economic ideology as any concept. While we may all agree that the integrative system is an efficient way to coordinate agricultural production and marketing activity, does it establish a fair value for the farmers' services and the productivity of resources owned by farmers?

While these tendencies toward integration may increase efficiency and reduce costs, therefore benefiting society, benefits to farmers are usually minimal. Efficiency has increased vastly in broiler production probably as a direct effect of integration. As a result, our consumers eat much more poultry meat at much lower prices. Feed companies have sold a lot of feed with minimum selling cost and effort. But the economic returns to the land, labor, and equipment which farmers contributed to this enterprise shows little improvement. Farmers' economic returns more nearly resemble the farmers' alternatives in less organized industries than the productivity of the industry to which he contributes. So the productivity benefits which from integration are typically retained by the integrator or passed on to society.[2]

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[2] A more complete discussion of this point is given in D. I. Padberg, "Efficiency and Welfare Considerations in an Integrated Agriculture", *Journal of Farm Economics*, December 1966.

Several types of integrating devices are emerging in beef. In western states where cattle are fed in large feed lots, more than two-thirds of these animals move directly from feed lots to slaughterer bypassing any central market. In 1964, 18 percent of the output from large feed lots had been custom fed for packers. A large part of the feedlot output was owned by packers for several days before shipment. These integrative developments enable a much more efficient and systematic flow of livestock to slaughtering operations. On the other hand ,each of these developments marks a step away from the exchange method of coordination.

In each of these examples, and more could be cited, agricultural production and marketing operations are being more closely integrated. In each case, the efficiency of the physical functions of marketing is improved. Also in each case, the operation of the exchange system in determining prices nad values, is either displaced or significantly eroded. The system that is evolving is very clearly an efficient one, but more and more the question arises: Is it a fair one? Do we have any assurance that arbitrary values of products and services assigned by integrating firms reflect fair economic returns for the contribution made by farmers?

Competitive pressures in the food industry

Farmers often find themselves negotiating price directly with packers or other integrators. This negotiated price is very different from a market price. A market price is determined by the impersonal forces of supply and demand. Negotiated prices arise in a person to person confrontation therefore reflect relative strengths of negotiators. For this reason, the element of threat is always present in price negotiations. In order to understand the formation of negotiated prices, we must take into consideration the competitive pressures generated throughout the whole system.

It has often been observed that the traditional seat of power in the food distribution system was the processor. He bought unstandardized products from unorganized farmers. He created standardized, branded and differentiated products. Then he sold them to consumers through unorganized retailers. He was the only organized part of the system. The coordinating functions he performed were so essential to marketing that he was in a position to reap most of the benefits—he was uncontested.

It has been frequently pointed out that more recent changes have moved the seat of power to the food retailer. The retailer has become consolidated and organized. He occupies a strategic position—near the consumer. The most significant capability resulting from the power of large retailers has been their ability to integrate and organize the supply operations serving stores. Lower costs thus achieved have been translated into lower prices generally and particularly on "retailer branded" items. In this way large retailers have gained consumer acceptance and have grown rapidly.

Recent work of the Food Commission, in my opinion, has done much to varify these observations. This work also suggests the need for some caution in assessing the signifiance of this power. I found almost no examples where this retailer power had an adverse effect on consumers. Examples where retailer power benefited consumers were numerous. Ever since the earliest emergence of food chains, the largest and most powerful retailers have offered lower prices to consumers. The early integration of wholesaling with retailing had this effect as have retailer processing and private label programs.

The primary impact of retailer power is focused on the supply industries. These organizations force price down—not up. The large chains are not superior merchandisers and they have no significant barriers against competition from smaller retailers. Their power and acceptance rests on undercutting prices of retail competitors. This force partially explains why food prices and farm prices have advanced less rapidly than other prices during the post-war years. This competitive power balance retarded the passing on of cost increases to consumers. This pressure of increasing costs at retail and at the processor level presses very hard on farm price.

The impersonal operation of open markets have traditionally protected farmers from the market power balance of the distribution system. As we see integrative devices eliminating markets, farmers are negotiating directly and personally with buyers. In this situation the force and power generated in other parts of the distributon system has direct bearing. Farmers have no protection from it. Farmers do not have a choice between market prices or the "threat

system." Integration denies the market price alternative. Negotiated prices are threat prices.

THE LABOR-MODEL ALTERNATIVE

As basic changes in the agricultural marketing complex gradually unravel the exchange system through which market price coordinated the activity of farmers and established their income, we must look for new methods of coordination and income distribution. Probably the most common method for replacing market price is by substituting collective bargaining concerning price and non-price terms of trade. The advantage of collective action has been to increase bargaining power of economic units which were small by virtue of the nature of the functions they perform (labor). By increasing the power of workers relative to units which were large, by virtue of the functions they perform (manufacturing, etc.), income has been redistributed in the favor of the workers.

The labor model has been attractive because most people think that bargaining strength should be more equal than the size of economic unit—which largely relates to the function performed. The large size of a manufacturing plant does not make its management better people or the management function more essential than the laborer and the function he performs. Technology is what makes the plant large. This is a part of the heritage of all of us. It should not be used by some to exploit others. Collective action on the part of workers leads to greater equality of opportunity among our people than the uninhibited combination of technology and economic incentives.

Collective representation of workers interest has been a more attractive solution to the problems created by the industrial revolution than direct government control of prices, wages and benefits. Most people consider collective bargaining by labor to be closer to a competitive system than to a socialistic system. In this regard it has been a compromise. It has mitigated the abuses caused by concentrations of economic power resulting from technology and industrialization leaving more competitive flexibility than probably any other system for protecting labor.

Collective bargaining in labor

Against this background of national experience many people are asking the question, "Can bargaining in agriculture do what bargaining in labor has done?" In order to approach an answer to this question, we must first carefully identify how bargaining has worked for labor. The first and foremost result of bargaining in labor has been to increase wages, improve benefits and modify working conditions. Collective action has superceded the market price mechanism. There is no question in my mind that the results which flow from collective bargaining have been a significant advantage to the laborer.

Collective bargaining by labor has stimulated automation and reduced employment in affected industries. By defining labor as scarce and expensive, employers have been motivated to use less of it and to find ways, where possible, to substitute machines for men. An important point to note here is that when labor increases its price—or wage rates, it is the employer who prohibits the flow of competing labor into this field. The employer simply does not hire the additional workers who are inclined to respond to the higher wage rates. In fact, the typical employer reaction is to find ways to use less labor rather than more as wages increase.

Labor bargaining has stimulated investment and economic growth. As firms invest in new equipment and new methods to mitigate higher wages, jobs are created to provide the new and better equipment. The new and better equipment increases productivity. Higher productivity, accompanied by higher wages, in turn stimulates demand. In this regard labor does not necessarily get a smaller slice of the same employment pie when it increases its wages. In fact, to the extent that investment results from higher wage contracts, the whole employment pie may be larger. In an economy dominated by technical development and the continuing availability of new processes and methods and equipment, labor bargaining may stimulate rapid adoption and therefore the economy's standard of living.

Bargaining in labor has also affected the efficiency of operations in the short run. While there may be some instances where negotiated settlements concerning working conditions have increased operating efficiency within firms and industries, the more common occurrence is that efficiency has been reduced. Featherbedding and clinging to obsolete commission rates, no longer appropriate in rela-

tion to current productivity rates, are examples where collective bargaining has made the economic system less flexible and denied progress and efficiency which was possible.

In summarizing these points, it is fair to point out the laborer's motivation and interest has been clearly in higher wages, more benefits and more convenient and comfortable conditions. They take little interest in efficiency, largely because efficiency has no direct payoff for them. The payoff for laborers is limited to wages, benefits and conditions. On the other hand, increased efficiency is the major motivation of the employer. His costs bear a direct relationship to his income. Actions taken by the employer to invest in new methods and reduce labor and other costs has in the long run, reduced or mitigated the effects of higher wages and less efficient work rules and in the end stimulated economic growth and development. In this situation, the labor union is dependent upon the employer for two things: 1) the establishment of entry barriers to protect the supercompetitive wage rates and 2) investment in equipment and new methods which bring the productivity of union members up to the new higher wage rate.

Application to agricultural marketing

Can we expect similar developments to result from agricultural bargaining? Can we "tear a page from the labor book" and apply it directly to agriculture? If we look at the bargaining environment in agriculture, several contrasts to the labor situation are apparent. The first contrast is essentially one of bargaining mechanics. Any effort to bargain for higher farm prices must be accompanied by some effective barrier to entry of competing and undercutting supplies—whether these supplies come from within the bargaining region, from other producing regions, or other producing nations. While excesses in the supply of labor are excluded by employers and cared for by the government, excesses in supply of farm products, place a powerful downward pressure on farm prices. Full supply contracts provide some opportunity to plan for a disciplined supply within the bargaining region. This method is very analogous to the entry barrier used in the labor situation. But it must be accompanied by protection from supplies from other regions and nations.

Another contrast results from the meaning of substitution among factors of production and the meaning of substitution of final products. You can make an automobile with less labor and more equipment. The addition of more and better equipment makes the labor more productive and therefore more valuable. Creating the extra equipment also creates more jobs for labor. While food products can be substituted in and out of the market, the effects are very different. If you make a chicken pie with less chicken, the addition of potatoes and carrots does not compensate for the reduction in chicken. No consequence of this substitution expands the market for chicken; rather it can only reduce it. Making chicken scarce and expensive does not stimulate the growth of the economy. It merely means that we are going to be eating less chicken.

Another important contrast between the bargaining situation in agriculture and labor is the position of "efficiency and cost savings" as a negotiating motive and incentive. While labor finds its payoff in wages, benefits, and working conditions only, farmers—who have production costs—increase their income as they are able to negotiate procedures or methods which reduce these costs. For this reason, methods and procedures which increase the efficiency of the entire system may be important among the bargainable issues in agriculture where labor bargaining has not included this dimension to any significant degree.

Market price has two functions

As we look over just these three contrasts between the agricultural situation and the labor situation it becomes rather clear to me that farmer bargaining may go—in fact *must* go—quite a different direction than has evolved in labor bargaining. This is not really surprising. Market price has two major functions. One is the coordination of economic activity and the other is income distribution. It is quite natural to observe that when labor bargaining supercedes the price mechanism, its emphasis is primarily on income distribution. This is true for two reasons. First, the supply of labor is coordinated more by religious, sociological, cultural and family attitudes and traditions than economic stimuli and second, as we have seen earlier, there exists an effective supply control mechanism outside the bargaining unit which results from the actions of the employer. These two factors leave labor quite free from the normal role of price in co-

ordinating economic activity (free from the "supply response" problem) and allow them to move directly into securing and increasing benefits.

In the case of agriculture, we do not find such a one-sided coin. If we are to replace the market mechanism with a system of negotiated prices, we cannot move directly for increased benefits and disregard the coordinating role which price has performed. The price system has served to guide production and consumption although it may not be the best coordinator. In fact there are many demonstrations that it does a poor job in its role as a coordinator. When we take a continuously abundant supply of feed grains and convert it into too few hogs one year and too many hogs the next, we are doing a very inadequate job of coordinating this sector of the economy. Farmers can't meet the increasing costs of labor, land and equipment from the erratic returns which result from this lack of coordination, and consumers complain bitterly as well.

Bargaining as an instrument of coordination

These thoughts and observations lead me to the following hypothesis: Farmer bargaining may yield its greatest benefits by improving the coordinating functions of price while labor bargaining has emphasized primarily the income distribution aspects of price. If this hypothesis proves true, and I expect it will, we may need a massive job of redefining some terms. Bargaining has come to mean—in almost everyone's mind—negotiations for income shares. If farmers work together under new permissive legislation to improve coordination in the production and distribution of food products and stabilize and increase the economic returns to farming, this will be a process very different from anything we have seen in labor bargaining. Perhaps we should call it "collective action" rather than "bargaining". I would define collective action as a system of negotiations which replaces both the coordinative functions and the income distribution functions of the price system.

Let's lay some of the major characteristics and problems in agricultural marketing up against this hypothesis to see how they all fit in. A list of these characteristics and problems probably should include at least the following:

A. Factors affecting income distribution:

1. While most of the small farmers earn lower rates of return on their land, labor and capital than firms in other parts of the economy, most of the larger farms which produce two-thirds of our agricultural output earn rates of return as high or higher than typical of other parts of the economy.

2. Farmers need *stability* of income to meet the interest and payments on the rapidly increasing debt burden which is associated with the modern capital-intensive agriculture.

3. Agricultural labor wage rates are increasing rapidly and are destined to continue significant increases in the future. Farmers need a way to systematically pass on these and other cost increases to the consumer.

B. Factors affecting coordination:

1. Better coordination of food production, processing and distribution can significantly reduce costs and significantly increase the usefulness of food products to final consumers.

2. Consumers buy products on the basis of convenience, status color, taste, texture and many other nonprice factors. Price is less effective, therefore; in stimulating consumer to use up excessive surpluses or in rationing consumers in cases of scarcity.

3. Violent price fluctuations, as seen in pork products over the past few years, undermines consumer confidence in the food industries. The inability of farmers to control their industry appears to the consumer to be a case of price fixing and market manipulation.

4. Central public wholesale markets for farm products are rapidly disappearing from the scene. It is more efficient to move products from the large commercial producer to the processing plant or retailer. The function these markets performed in openly setting prices is largely lost and must be rereplaced with something.

5. Functions wholesale markets perform in sorting out product specifications among buyers have largely been transferred back to the farm. In many cases farmers now produce to specifications for their individual buyers. Low quality products which cannot be kept off the market often undermine prices received by farmers who make every effort to meet the needs and demands of their buyers.

93-192—68——32

6. The chaotic and undisciplined nature of many markets for farm products generates a sense of discouragement and futility in many of the most alert, sensitive and capable farm producers. Industries from which they purchase inputs have power, discipline and good performance as do the industries to which they sell. Farmers see the power and organization of these outside influences encroaching upon their traditional prerogatives and making them captives. Farmers need a system of coordination through which they can participate in the shaping of their own destiny.

Income Distribution Considerations

The situation regarding distribution of income indicates that the case for *substantial* price increases is virtually groundless. While there are many disadvantaged small farmers, two-thirds (68.3%) of farm output in 1966 came from farms with $20,000 gross income or greater.[1] These larger farms earn higher rates of return on their resources invested than is typical for the economy generally. The small farmers with only a trickle of output would not materially benefit from higher prices. This is particularly true for the smaller two-thirds of all farmers who produce only 14.6% of all output. Prices high enough to help these small farmers would be excessive for the larger commercial farming operations which produce the bulk of our food supply.

The case for more stable farm prices is impelling. This is particularly true for the large, capital-intensive farming operation which is our primary provider. As farm labor is paid higher wages which stimulates the use of more large and expensive equipment, the debt burden of commerical agriculture will increase. While commercial farmers do not deserve substantial price increases, they do deserve *dependable* prices on which to plan investments in more efficient and productive operations.

Farmers also deserve a price system which *they* can adjust to accommodate changes in their costs. Our national policies of cheap farm labor—which included slavery, open immigration and braceros—have been terminated. Society is demanding better conditions and better wages for farm workers. If farm labor is a necessary part of our economy, people providing it should not be second class citizens compared to people providing other necessary functions. In responding to this demand, farmers incur increases in their costs. Farmers must be allowed to pass these (and other) costs on to society in the form of higher prices.

In the past farmers who depended on the market price system could increase their prices only to the extent that some of their numbers quit or were forced out. That transition may not be too difficult for the subsistence farmer who has little debt. Since the bulk of todays food comes from the large, commercial, debt burdened operation, price adjustment by economic suicide is generally unsatisfactory. Commercial agriculture deserves dependable prices and the opportunity to adjust them to accommodate cost increases.

Coordination Considerations

Consideration of coordinating the agricultural economy leads to some fundamental observations. The concept of "supply and demand" as the primary explainer of economic activity is probably becoming less relevant as our economy becomes technically complex and as consumers become affluent. Production requires planning which goes beyond the guidance given by price—the price which identifies the product usefulness to consumers. A great deal of planning and investment must be done before there is a product or a price. Among the items which must be planned is how to offer the product to an affluent consumer.

Nor is the consumer guided by price alone. In time past, the housewife gladly shifted from scarce and dear commodities to abundant and cheaper food in order to provide necessities to her family. Now, her family has long since past the theshold of necessities and one of her concerns is to complete shopping quickly so it won't interfere with the leisure activities which are an important part of her life. Convenience features alone may be more important than price in affecting her purchases. Variations in taste, texture, flavor and color must now be produced in the plant rather than the kitchen. This never ending variety of products, which adds up to several thousands of items in the typical supermarket, is a partner to affluence.

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[1] U.S. Department of Agriculture, *Parity Returns Position of Farmers,* Senate Document No. 44, U.S. Government Printing Office, August 10, 1967, p. 22.

Price is not the dominant influence guiding consumption. Purchases based on living patterns, convenience, variety or other non-price factors continue when farmers underproduce and are very hard to stimulate when farmers overproduce. Since price was not much of a factor in their original purchase decision, consumers behavior does not change much when price changes. We cannot expect affluent consumers to diligently correct all of the farmers' mistakes by constantly changing their consumption habits. Probably the most prized dimension of affluence is being extricated from the discipline of responding to price.

As the production process grows more complex and consumers become more affluent, the need for planning and coordinating devices which go beyond price is increased. As this need increases, instability and uncertainty of production and prices will represent an increasing loss to society. Better coordination—pertaining to quantity, time and quality discipline—through production, assembly, processing, storage, distribution and merchandising can better serve the consumer, the food marketing industry and the farmer.

Farmer bargaining objectives

Realistic bargaining objectives of farmers would include massive programs to improve supply discipline and modest price increases. This combination of activities would substantially improve farm income by increasing prices and reducing costs. While this balance of emphasis between the coordination and income distribution functions matches the needs and problems of agriculture very well, it is not the emphasis most often considered. Farmers most often see bargaining only as a way to bypass the "market" and substantially raise prices. In the first place, this won't work because of the "supply response" problem and in the second place it isn't warranted in view of the nature of returns to commercial farms. It is only by putting the first emphasis on supply discipline that modest price increases can be attained. From society's point of view, a disciplined supply will be worth more than an uncontrollable one.

PUBLIC POLICY TOWARD FARMER BARGAINING

It seems clear that the future of agriculture will be characterized by increasingly effective supply discipline. The remaining question is what body will be given such authority. My choice is an elected group of farmers with legal powers to discipline the actions of their industry. This would require comprehensive permissive legislation guaranteeing fairness in election of representatives and regularizing procedures for financing and settling disputes. S. 2973 is a prototype of such comprehensive permissive legislation.

My reasons for favoring farmers being disciplined by farmers are few and uncomplicated.

1. It will be more flexible and competitive than a government oriented system.
2. It gives farmers some control over their destiny.
3. While a government oriented system may be necessary, that extreme degree of regulation should be sought *only* after actual experience shows the more flexible system inadequate.

How to emphasize coordination

My analysis of the problems of agriculture and the possibilities of farmer bargaining leads to the desirability for a heavy emphasis on coordination. It is now necessary to consider what type of policy could encourage bargaining emphasis in that direction.

Probably the most important prerequisite for coordination is information. Information concerning quantities to be marketed, location and delivery time is often inadequate. Improvements usually require better cooperation of *farmers.* Efforts to improve information by government, industry and other groups have often been rendered ineffective by farmer indifference.

Allowing farmers to conduct price bargaining without basic market information would be chaos. Obtaining and maintaining current market information should be made a necessary condition for bargaining of any kind.

Diversion programs, such as often used with market orders, should be available to bargaining groups. These programs allow the seller to discriminate between markets of different characteristics. The most important result is that quantities and timing of deliveries can be adjusted to the needs of the most important market with other markets or non-use taking up the slack.

Another possibility which should receive careful consideration is granting the elected representative enough authority to conduct compulsory bargaining in non-price terms of trade only. Any bargaining concerning price would have to be voluntary in nature. The power of the government would enforce all negotiated settlements concerning diversion decisions and non-price terms, but no coercion would be possible concerning price. This alternative would emphasize coordination and supply discipline and thereby enable voluntary price bargaining to be more effective than ever before. On the other hand it would make clear to all farm industries that farmer bargaining is very different from labor bargaining.

Mr. PADBERG. My name is Dan Padberg. I am a professor at the New York College of Agriculture at Cornell.

I would like to discuss briefly the economics involved in the bill presented by Senator Mondale.

It seems to me that this bill represents a major change in the set of rules by which agriculture operates. When you make a major change in the rules, I think that you should have substantial reasons. I think these reasons should be discussed and understood by farmers and consumers.

I would like to say at the outset that I am in favor of this bill. I am in favor of it, not because I think all the details are worked out, because I am sure they are not—but, I am in favor of it because it is a new direction which I think is needed and will ameliorate many problems at the farm and serve consumers better.

The CHAIRMAN. If you heard the testimony this morning it is——

Mr. PADBERG. Yes, sir; I did.

The CHAIRMAN (continuing). It is contemplated that even though this bill is enacted, they want the present law to be continued, to be extended.

Mr. PADBERG. Yes, sir.

The CHAIRMAN. I was in hopes that we would not have to do that. If this is as good as some of the proponents state, that it will cure the evils—yet when you read the bill and try to figure out what it does, it is not far different from the present program.

Mr. PADBERG. Well, I am not in agreement with that. But there is another thing I would like to mention first——

The CHAIRMAN. Why is it not in accord with the present program? I don't mean by way of payments, you understand. But I mean in operation.

The only difference, as I can see, is that the farmers themselves promote their cause. The group that produces corn, and produces wheat, would go to this board that is started here and they would say "We would like you to fix the price." Of course, that is the ultimate. And what you do here is that you permit the board to sound the growers to find out whether or not they are willing to do that. And if they are, then this committee gets busy, and works with handlers or sellers in order to reach a price. The way it is done otherwise is—I mean under the law—instead of having a price, we have a loan program that is a certain percentage of parity, with the understanding that if the farmer cannot sell his commodity, then the Government will take it over on a loan basis at a certain percent of parity.

Mr. PADBERG. How many commodities do you have a loan right for?

The CHAIRMAN. You mean voluntary?

Mr. PADBERG. Any kind.

The CHAIRMAN. Five. Two of the five are voluntary.

Mr. PADBERG. One of the reasons I think this is vastly different from the programs as they now exist on the books, and as they have been used, is that it applies to more and different commodities. I worked with some people 3 or 4 years ago who were interested in bargaining in canning tomatoes. All of the machinery that existed was not available to them.

The CHAIRMAN. That is right.

Mr. PADBERG. And that is a significant difference. For those people who wanted to sell tomatoes to a cannery, they would find it very different, because it gave them a role in their destiny, and the present law did not.

The CHAIRMAN. Well, you see, the law that we have been working on for quite some time now envisions acreage controls. The law provided for compulsion acreage control on all products except corn.

Mr. PADBERG. Yes.

The CHAIRMAN. Now, after the price is fixed, as I understand, under the bill that you say you favor, when the minimum price is established, they can go a step further and—marketing quotas and acreage allotment.

Mr. PADBERG. Which is still very different from the law as it now provides.

The CHAIRMAN. No. What is the difference?

Mr. PADBERG. Well, there is no coverage of tomatoes in the first place.

The CHAIRMAN. I know. It is not supposed to cover tomatoes.

Mr. PADBERG. That is a significant difference.

The CHAIRMAN. All right. That is why I am saying to you—I am not saying to you, but I told quite a few other witnesses that on commodities such as we can curtail the production by acreage controls, all right—let us do that—and stick to that. But when it comes to vegetables and fruit, something like that, marketing quotas, all right—you can treat them——

Mr. PADBERG. It is a very different situation.

The CHAIRMAN. Oh, yes.

Mr. PADBERG. And this is why I think it makes a lot of sense, as was commented earlier, to have broad Federal programs for the few commodities which they now cover. And I do not see this type of legislation replacing it.

On the other hand, that is not all of agriculture. That is not half of agriculture. I do not see any reason why one-half, because products happen to be storable, should be favored with assistance and programs, and the other half, which I think is increasing in size, should be left to struggle for themselves.

Now, there will be problems. And since we, as a society, have not gripped this thing yet, we are not going to be able to give the answers and the details. And I cannot do that. And no one that you place in this chair this year can do that, because we have not had the experience. But we owe it to ourselves and to our country to continue to experiment, as we have in the past, and this is why I think this is an exciting, although frustrating, experience that we are going through.

The CHAIRMAN. Accent on "frustrating."

Off the record.

(Discussion off the record.)

The CHAIRMAN. Back on the record.

Mr. PADBERG. I would see this as probably no more bold than the kind of changes that were made 30 years ago. I think that that was very good legislation, but it had its problems. And this will go through the same process.

I would like to discuss a few minutes some of the reasons why I think we should consider a change from "supply-demand and market price" as it has operated in the past. If there is not a good reason for this, I think this proposal is on shaky ground. What it essentially purports to do is to replace the market price as a coordinator of the industry. I think that before we replace it, we ought to be pretty clear on what is going to take its place, and why it is necessary to make such a big change.

I think there are a couple of things which lead me to conclude that supply-demand and market price no longer fit the economics of the industry as it has in times past.

In the first place, one of the characteristics of an industry coordinated by people outguessing or trying to outguess price, is instability —the hog cycle, the overshooting and undershooting that has been characteristic of agriculture for many decades.

We had the sort of a farm unit that grew up to fit that, which was a farm pretty deeply rooted in ownership and assets. He did not owe very much, because he could not owe very much and still survive the good and bad times.

Nowadays we have farm labor getting more expensive, and farmers have to own more equipment. As they become more a capital-intensive unit, they owe more money. They need this equipment to make agriculture as productive as possible. We have to feed ourselves and have some responsibilities to other countries. So we want the productivity which requires investment, and that requires more stable prices. This is one thing that supply and demand is not very good at—is giving dependability of income that allows a person to go out and buy a $30,000 beanpicker.

Another area where supply and demand, as a basic concept, does not fit as well as it used to is in consumer behavior. We have not heard very much talk about the consumer. I think this is very important.

Our consumers are now very affluent. One of the first things that means is that they can afford to buy convenience, they can afford to be interested in color, taste, packaging, texture, many other things besides price. One of the features of affluence they prize most is being extricated from the discipline of price.

So supply and demand in this sense explains a subsistance economy better than an affluent economy. We have learned the economics of subsistence through centuries, but we have only had a few years of affluence to try to understand.

In the older system, when it was difficult to feed your family, it was no problem to shift from the scarce commodity to the more abundant commodity as prices dictated. That was your major concern, feeding yourself and your family. So the price system worked well in solving what resulted from coincidence, weather, and the farmer's decisions.

Nowadays our consumers are affluent, they want just so much, they are very bitter if they do not get exactly that many pounds, and they do not want a single pound more. And this is a natural feature of affluence.

So we no longer can expect the consumer to unravel the over-production and the underproduction which the farmer gets into by an uncoordinated production system. I think this is a very important point.

We have to coordinate the quantities going to consumers rather than having them adjust.

I think that we no longer can expect them to be an adjusting feature to take care of the farmer's mistakes.

So I think these are a couple of reasons why we need to consider an alternative to price as the main coordinator of the whole system. It does not give the stability the farmer has to have, and it does not give the coordination the consumer wants. It overshoots and undershoots constantly.

Now, another thing that we ought to face up to is that if we are going to serve this consumer market, and give just exactly the number of pounds and not one short and not one extra, that naturally means we are going to have to throw some away, because we are going to have to overshoot this target to be sure that we can meet it every time. I think we might as well reconcile ourselves to this if we are going to orient ourselves to serving affluent consumers.

Many times people sort of wishfully hoped that we could keep consumers acting like it was a subsistence economy, and keep responding, because it makes the agricultural sector's job easier. But that does not work.

So if we are going to serve this market we are going to have to have programs that assure of getting so much, and either throwing away, moving into international markets, or some type of abandonment for taking care of what is left. That is necessary to give the consumer today what she wants.

The CHAIRMAN. Now, you mention one of the objectives of this law was to deal with other crops, like tomatoes you mentioned.

Mr. PADBERG. Yes, sir.

The CHAIRMAN. How could you deal with tomatoes except on a regional basis. How could you get the farmers of California, the farmers of the South, all over the country, to agree on a plan, when production in one area may be greater than the other, and the difference of climate is such that you do not have the same production. I am just wondering how would you attack a program of that kind, how would you approach it?

Mr. PADBERG. Well, I do not have the final answer to this. I do not think anyone else does. But what I would suggest is that as small a unit as can be effective—that would be the first place to begin experience.

Mr. PADBERG. Yes, sir. And you may find out that California can elect high volume and modest price, and Ohio can try and go the other way, and they will be in a little bit of a conflict, and they can compete as regions. That may break down. We may find that it has to be national to be effective. If we find that out, then I would be for experimenting with the difficulties and approaches to the national program.

I would experiment with the regional first, because I think that—well, in principle it gives you more flexibility. I believe in that principle.

The CHAIRMAN. Well, it is my belief that what gives rise to this—take the milk producers, what happened here lately, and the egg producers—they are getting a very small return on their investment. It may be that something can be done as to those commodities—if we do it on a regional basis, but leave it to the producers of that area to make the decision.

Mr. PADBERG. One other thing that I would like to comment on briefly, and that is the labor model. Other speakers have commented on that.

I would like to summarize very briefly by saying that our experience in labor has been a case where we replace the price system with a negotiated system. In the new system, the primary incentive was getting more income to labor.

Now, price performs a function of determining income shares as the labor bargainers were interested in, but also coordinates the whole system.

Labor has some unique situations in which they can move for increased benefits without worrying about a supply response problem. We do not produce more people just because wages are high, and the employer hires only how many he wants regardless of how many would like to be employed. So the union is free to go for benefits which is one function of price, and ignore the coordinating role that price normally furnishes.

That case does not pertain to agriculture.

If you replace the price system in agriculture, we will have to assume both roles—the income distribution dimensions of price and the coordinating dimensions that price has performed.

It is my hypothesis that bargaining and negotiation in agriculture will find its greatest use and greatest emphasis in negotiating nonprice terms and matters of coordination and discipline.

If you look at the facts about farmer income, two-thirds of the food supply comes from farms that have incomes at least comparable with rates of return in the rest of the economy.

The case is not for a heavy emphasis on price increases, but the many problems that agriculture has result in my view from the poor job of coordination that the price mechanism affords.

So as pertains to the labor model, I think the agriculture case is a different one, and if we get the most that there is to get out of collective action, it will have a heavy emphasis on letting farmers discipline farm industries and get the income benefits that come from having a disciplined industry which serves well an affluent society.

Senator MILLER. You mentioned a disciplined industry. But that violates the point that the chairman is making about doing this on a regional basis. You may have a tomato industry of Florida, you may have a tomato industry of California—how are you going to have the discipline as between the two markets?

Mr. PADBERG. My response to this is that as a matter of principle, I would like to have as flexible a system as possible so if it is possible for California to bargain and discipline their tomato industry separately from Ohio's or New Jersey's, then I would be for that system.

If it does not work, if California wants to have high volume and relatively low prices, and Ohio wants to go the other way, and they mutually destroy each other, then I think the answer is to go to a national system which is less flexible, but if it is necessary, I think that is the way to go.

Senator MILLER. Your point on page 11, that this method must be accompanied by protection from supplies from other regions and nations implies this, doesn't it?

Mr. PADBERG. Yes, sir. And I believe that.

Senator MILLER. Well, now, when you mention nations, then you are talking about imports, too, are you not?

Mr. PADBERG. Yes.

Senator MILLER. And so I suppose you suggest we better have a mechanism, be it a quota system or something else, which will place a reasonable limit on imports—otherwise they will undercut what we are doing here.

Mr. PADBERG. I think that is exactly right. And I would like to elaborate that a little bit.

We were just saying that the affluent consumer does not respond tremendously to price, that affluence means some freedom from being forced to eat what the farmer produces, and being able to eat what you want, when you want it. So this puts a premium on the system providing just that—exactly how much they want, no more, no less.

Now, what is the most vital part of this supply? Its total size is very important. And somebody is going to have to make adjustments to make that total size just right. And that is going to be our system.

So I think you are going to have to have a higher price for the system that makes this total supply come out right than somebody who at random shoots a little in from somewhere else.

I think that it is worth more to our consumers to fill these needs as they see them, and if we are going to do this, we are going to have to protect this system. And I am not embarrassed about this at all.

Senator MILLER. I must say I thoroughly agree with you. One of the things that has troubled me is that anything we might do in here, if it is not accompanied by a quota system on imports, or something analogous to that, is going to be for nought, because it will just be undercut.

One other thought: You talk about farmers negotiating procedures or methods which reduce these costs.

To me, one of the severest sides of this cost price squeeze has been the cost side. When you look at the costs-of-production index, I think it is up to almost 260 above 1958 levels in the case of interest——

Mr. PADBERG. Yes, sir.

Senator MILLER. It seems to me that whatever we do in here can be completely undercut if we do not put a stop to inflation and high interest rates.

Mr. PADBERG. I would like to elaborate a little bit on this point of reducing costs.

For a long time shipments of cannery crops have been on a very uncoordinated basis, and at the peak of season, workers and their trucks may sit there 24 hours before they are unloaded.

Well, this truck is worth money, but it is most valuable at the peak of the season, because that is when it has to get the job done.

Labor is the same thing. It is possible to schedule these things. And just now in New York for the first time we are bargaining about scheduling this operation to the mutual benefit of the canner and the farmer. And so we can, by negotiating matters that relate to coordination, reduce uncertainty throughout the system and make the system more compatable with mechanized operation.

In Canada, now, they have a program that if your truck arrives, delivering cannery crops on schedule, if it is not unloaded in 2 hours, the plant begins to pay rent on the driver and equipment. Why not? That is a cost. Who pays that cost? Society pays it. If we can, by collective action, build a better coordinated system, it will serve the whole society better.

Senator MILLER. What kind of a law would you suggest that we pass here in the Congress which would enable this to happen? You indicate this is happening now without any law up there in New York—the matter of producers and processers getting together on a schedule. I think it has a lot of merit. But I am just wondering what we are supposed to do here to pass a law to cause this.

Mr. PADBERG. I have worked for several years with groups trying to bargain voluntarily. You meet some very dedicated and capable and sensitive people. But one of the difficulties is that there is no set of rules. There is no way to systematically finance this operation. You have too few people that are capable and able, and they have to spend most of their time trying to get membership and dues, and not enough time to devoting to building programs, doing analysis—it takes a lot of analysis to run a sensitive bargaining operation. There is no way now to finance this.

You also have the problem of voluntary reorganizations where once you get 60, 70 percent, it is a decided advantage for the next guy to stay outside. He has all the benefits of having the thing, but he does not have to pay for any of it.

And so I feel that this bill goes directly at this problem, by setting up a way to coordinate the whole industry once a certain level of, whether it is majority, or two-thirds, or whatever it is, agrees to a discipline program. That is needed. And we won't get the full potential value of the coordination until we have that.

Senator MILLER. I appreciate your answer to that question. I would make this point.

Where you get so many complaints from farmers in my State is the increase in the cost of production—the increase in the interest they have to pay. They are paying 7½ to 8 percent interest on 90-day cattle loans now. They are paying increases for their farm machinery, for other things that they use. And these are in many respects attributable to the inflation situation we have in this country. My suggestion would be no matter what we do in here, no matter what kind of an elaborate method we may lay out here, if we do not put a stop to the inflation and the high interest rates, which comprise a big chunk of this cost price squeeze, we are going to be undercut all over again.

Mr. PADBERG. Well, I certainly agree that inflation takes its toll in this industry as every other one.

I think the solution to this problem is vastly beyond the kinds of things that we can discuss here, or the kinds of things that——

Senator MILLER. It is true—it is beyond the scope of this committee. The point is that no matter what we do here, if we let the bargaining committees go out and negotiate a nice price, that price can become obsolete in 6 months if the costs of production keep on going right up, and inflation keeps on going up.

Wouldn't you agree to that?

Mr. PADBERG. Yes, that is certainly right. A price that is attractive in terms of covering costs at one point becomes obsolete faster the more inflation that we have.

Senator MILLER. Thank you.

The CHAIRMAN. Anything else?

Senator MONDALE. Mr. Chairman, first of all I would like to thank Dr. Padberg for his very fine testimony, and for what I take to be an endorsement of the objective of an improved bargaining power for the American farmer, and for his willingness to try to think through some of the policy considerations and problems that this new approach necessarily entails.

I think you have made an important contribution to this hearing which is turning out to be a very unique one, because we are looking into some of these basic problems I think we should be looking into.

In your testimony you indicate at one point you think the approach that we propose in this legislation is commendable. Are you choosing between title I and title II, or are you recommending one approach or the other or both approaches?

Mr. PADBERG. Well, title I and title II are a little difficult for me. Title I sets up a new system. Title II is a modification of the market order. Is that correct?

Senator MONDALE. That is correct.

Mr. PADBERG. My preference on this is title I. I find that a signifiicant contrast to alternatives that have been available to farmers before.

If you tie on these programs to a marketing order, this brings the attitude in many people's minds that this is a Government program. The thing that I like about title I is that if farmers decide—farmers organizations decide that this is the direction agriculture should go, that they can build this new alternative as a farmer's program instead of a Government program.

Now, as far as the operating mechanics, I do not think there is much difference. But the difference in who is the major initiator is a significant one.

Senator MONDALE. When I prepared title I, this was one of my basic objectives. I wanted to see if we could not develop an approach to farm bargaining that left most of the tools in the hands of the farmers rather in the hands of the Department of Agriculture or some other body by creating a National Agriculture Bargaining Act Board. I did not intend to give them any powers of substance over the bargaining or price, but simply the ministerial problems. I imagine that if we would review the hearings of the National Labor Relations Act, 1935, we would find the same kinds of questions raised the possibility of establishing that kind of bargaining power in labor as we fear today against this proposal to give the same kind of power to the farmer.

Mr. PADBERG. One thing is instructive to me on that issue. Canada has had considerable experience with several types of plans, one of which

is negotiated price arrangement, and negotiations include many things beyond price—delivery, and in some cases quotas.

The universal experience here is that these plans are fought by processors as they are coming in, universally. And 10 years later the processors say "You know, it works out pretty well," because this assures all of them to be buying at the same price. "We test ourselves competitively on who can do a better job processing and creating products the consumer wants and selling them, rather than trying to squeeze it out of the farmer."

I think this is instructive to some of the kinds of criticism that accrue to this bill.

Senator MONDALE. Now, some comment has been made, and I think properly so, about the escalation of the cost of interest and the cost of living and the rest. Undoubtedly the farmer is caught in a cruel vise of rising prices and reduced parity ratios. But unlike almost everyone else in the American economy, there is nothing he can do about it. He cannot decide he is going to raise his prices on his product that he is producing on his farm, say, by 5 percent in order to take care of his increased costs. He is dependent more than he should be, in my opinion, solely on the market, and in the chain of distribution he has little or nothing to say about what price he is going to get.

President Kennedy once said that the farmer is the only person who buys everything he buys at retail, sells everything he sells at wholesale, and pays the freight both ways.

I think this accounts for most of his frustration. He is a sitting duck. He is on the wrong end of the barrel in terms of cost. In terms of price he finds himself in this impotent position. While farm programs from Washington have probably prevented disaster—I think we have a good farm act—they have not assured prosperity, something is missing. And I think what is missing is the failure to have some power in the farmer to be heard in the establishment of the price of his product. And that is all these proposals that I have presented are designed to do. I am pleased to see that you support this general objective.

The CHAIRMAN. Well, before you came in, Senator, I was trying to differentiate this method from our present law—where the Secretary of Agriculture proceeds to decide on the referendum.

But in this case, let us not overlook this. I want to reemphasize what I said all along—that after this committee fixes a price, and it becomes necessary to go further in order to maintain that price, they can put on marketing quotas, they can put on acreage controls, by referendum, and it all comes back to the Department of Agriculture with the Secretary being the man who administers it—because that is what it says—and even impose penalties.

So it is not wholly the farmer, as you put it.

Senator MONDALE. I have not figured out a way of removing some other agency from the situation any more than we have in the labor analogy. We still need a national board of some kind to take care of the ministerial problems. Yet this proposal I think gives more power to the farmer than any of the others I have seen.

I wonder how far organized labor would have gotten in the last 35 years if every labor demand they made had to be cleared by the Secretary of Labor.

The CHAIRMAN. Organized labor, though, has a different problem than what the farmers have here. Their employers can curtail production at whatever level they want. But the farmer cannot. And what causes—if a minimum price is fixed, and good weather should follow, and huge production comes into being, that price structure that has been fixed is going to probably go to pieces. And then if that should happen, then they have got to resort to almost the same procedure as is now put into effect by the Secretary of Agriculture. So there is no difference.

Senator MONDALE. There is no way that I know of—maybe our witness would like to comment on this—to have meaningful bargaining power unless you have supply management. You just cannot do it.

The CHAIRMAN. Bargaining power—you have to have things set—this is what is going to happen. But when it comes to the farmer, you cannot do that. You cannot say that the production will be so many bushels of wheat, so many cartons of eggs, or so many bushels of tomatoes. You cannot guide that. If you have this overproduction, it is then the farmer gets in trouble.

Mr. PADBERG. I wonder if we cannot do a lot better job on that than we have in the past.

The CHAIRMAN. We have not had any programs as are proposed here.

Mr. PADBERG. Right. That is one of the reasons I favor this.

The CHAIRMAN. That is why I suggest that this ought to be relegated to programs other than the ones that we are now dealing with. You could exclude corn, you could exclude wheat and cotton. I do not think it would work as well.

Mr. PADBERG. I see this as covering——

The CHAIRMAN. What products?

Mr. PADBERG (continuing). The products that are not covered under the broad commodity programs.

The CHAIRMAN. All right. That is what you said a while ago, before Senator Mondale came in.

Mr. PADBERG. Yes, sir.

The CHAIRMAN. You would want this bill to apply, as you said a while ago, to crops like tomatoes, production of eggs—what else?

Mr. PADBERG. Well, the way I see this as far as priority goes—the dairy industry would find it useful, cannery crops and specialty crops generally, poultry would be a little more difficult, livestock yet more difficult, but it clearly has possibilities.

The CHAIRMAN. Those are not covered by our present laws.

Mr. PADBERG. Yes, sir. That is right. And that is one of the reasons—I think you need a very different kind of approach to these more difficult problems.

The CHAIRMAN. That is exactly what I have been arguing about.

Senator MONDALE. Let me ask one question.

The CHAIRMAN. As I understand the author of this bill, he wants to cover everything, and you cannot work it that way in my opinion. If you want to name the commodities as those not under the law now, that is all right, just try it that way. If you want to apply it to eggs, if you want to apply it to poultry, or if you want to amend the Marketing Act further so as to do more for milk, that is all right. But don't put them under this other program that we now have as affects wheat,

corn, and feed grains, cotton and rice, because I do not think it will work.

Mr. PADBERG. Well, my only comment——

The CHAIRMAN. Any better than the present law.

Mr. PADBERG. My only comment is I do not think it will work, either.

The CHAIRMAN. I am glad to hear you say that.

Mr. PADBERG. My imagination cannot go as far as having people bargain for wheat. Now, some people have a better imagination and can see, and I have discussed this with other economists—some people can see some merit there.

As far as I am concerned, I think this has most relevance on specialty crops, and it gets more difficult the broader the commodity that is involved. I think livestock and meat have a lot of possibilities, but it is going to be slower, it is going to be more difficult.

Senator MONDALE. What happens when we tell the processors "You have got to get those prices up," whether it is under the marketing order or the title I approach, and they say "Fine, we will just go ahead and produce our own, buy our own farms, integrate it."

Do you see any way of blocking that corporate approach?

Mr. PADBERG. No; I do not. But I am not so concerned about that. One reason is that when they go into integrated farms as an alternative, they are going to pay unionized wage rates. So the threshold at which that becomes economically relevant is going to put the farmers in a better position for the use of their labor than it is now. And so that is one reason we have not had major integration into farming—except in a couple of commodities.

Senator MONDALE. In other words, if they buy the farms and operate them themselves, they are going to have to pay higher rates, and their product is going to cost more.

Mr. PADBERG. And this is a deterrent that keeps them out of there until the returns get up——

Senator MONDALE. Isn't there quite a trend now to corporate farming?

Mr. PADBERG. Some people are more impressed by it than I am. I do not think there is a great trend in that direction.

We have discussed various things in different places. One is in broilers—if you bargain for broilers, then Ralston Purina could produce the broilers themselves. But when they do that, they are going to pay wages that are much higher than the broiler producer gets down there now, and they are not going to do it until the returns are substantially better than they are now. And so I think this is a potential problem, but I am a little gun shy on policy that would tie this up. I would like to have big companies able to integrate and capture whatever economies are present. I would like to have farmers able to move across their industry and discipline themselves, and let the best man win.

The way we have done it now is that we have not let the farmers discipline themselves, but it has been quite all right for firms from the outside to come in and bypass the price system, coordinate the thing administratively, instead of through price. So we are giving firms outside of agriculture advantages that we do not give to farmers. I would like to let them both coordinate and discipline themselves, and see which system works best.

The CHAIRMAN. Well, isn't it a fact that canners today have a method somewhat similar to the integration of poultry? You have a

feed mill that will furnish the eggs, that will furnish everything except the incubator and the house, and they will even treat the chickens.

Mr. PADBERG. Yes.

The CHAIRMAN. All right. Now, what the canners do now, they bargain in advance, before the farmer plants. They want so many acres of peas, and they bargain to pay them so much.

Mr. PADBERG. I think that is terific.

The CHAIRMAN. Sure it is. But——

Mr. PADBERG. I would like to enable that to go further by avoiding undercutting among farmers themselves.

The CHAIRMAN. Yes. But that is done at the moment without any law at all.

Mr. PADBERG. I have worked with industries and farm organizations that have tried to do that, and it is no bed of roses.

The CHAIRMAN. It strikes me if you have a canner in a certain area, that the farmers could certainly organize there on their own, and agree to bargain with that cannery.

Mr. PADBERG. We have had a long history——

The CHAIRMAN. That has been years ago.

Mr. PADBERG. The logic of your argument was just as valid years ago—the same conditions. And over many decades this same logic has applied.

In other words, it is in the canner's interest to thwart this process. So I am out organizing, let's say, and I have 50 percent of the people in. So then I go to the next guy and he has to choose between me and the canner. I have never been in operation a season, because I am new, I am starting. The canner has been there 40 years. What kind of a choice is that? Is that the kind of a choice you want group action to hinge on? I want enough rules of the game so that farmers can have the prerogatives of disciplining themselves, because I believe if they do not, it is going to have to be done by somebody else. And I would like to at least let them have a shot at it before we have general Government programs that serve the same purpose.

The CHAIRMAN. I will tell you—you will have many heartaches before you get the farmers to organize the same as labor, because they are more independent.

Senator MONDALE. This bill leaves it up to them, Mr. Chairman. If they do not want it, they do not have to take it.

The CHAIRMAN. Off the record.

(Discussion off the record.)

The CHAIRMAN. Let us go back on the record now.

Mr. PADBERG. We should enable farmers to discipline themselves, and prevent the market from being broken.

The CHAIRMAN. Do you want to punish them if they break it?

Mr. PADBERG. Certainly. The industry is going to have to be disciplined. It is just a matter of who does it.

The CHAIRMAN. OK.

Are there any further questions?

If not——

Senator MILLER. May I ask one further question?

Before we let this excellent witness go—I would like to point out that the ground rules may be changed a little bit, because we passed a bill to prevent discrimination toward cooperatives—S. 109—and

I understand now that the House has also passed the bill. This could make some significant changes along the lines you are talking about.

Mr. PADBERG. And I would favor those kind of changes.

Senator MILLER. That is right. So the ground rules may be changed somewhat now from here on out in this legislation.

But I am wondering whether you thought that we could obtain objectives you are advocating, or the farmers could obtain them, by an expansion of the cooperative system. And I am wondering if this situation continues, if farmers are not literally being driven into the cooperative movement to a greater extent than they have been.

Mr. PADBERG. Well, it is hard to know what do you mean by the cooperative system.

Senator MILLER. I am thinking for example of Land-o'-Lakes up in Senator Mondale's area, cooperatives in some of the citrus areas, and cooperatives in some of the truck farming areas, cooperatives in the turkey-growing industry.

The CHAIRMAN. They can own their own canning factories.

Senator MILLER. That is correct.

Mr. PADBERG. Yes.

Well, my view of cooperative-owned processing facilities is that many of them were organized to get better bargaining power, and they sort of looked at the processor as the root of all evil, and they got into the business, and they found it was not necessarily that way.

I hate to see a set of rules that requires money to be pulled out of the farm to go into processing facilities as the only way to get bargaining power. Because I do not think that is going in the right direction.

Our processing industry works pretty well, it knows how to manufacture and sell products. I do not think that we improve the performance of the whole system by draining money that is needed on the farm into the processing system, simply as a vehicle of getting power. I think we can do it in a much more direct way. That is the indirect way that resulted from problems before we were really ready to face up to them as I think this bill does now.

Senator MILLER. I think your point is well taken. I heard a good many cases where the cooperative getting into the processing business has not succeeded. But certainly cooperative producers can form a basis for bargaining power.

Mr. PADBERG. If that is what you mean by an extension of cooperatives, I think this bill is in the direction of extending prerogatives in the direction that they need to be extended. It has exemptions from antitrust and so forth, which become involved and are necessary if cooperative action is to be extended to that effect.

Senator MONDALE. I suppose you could argue that back in 1932, when labor was making so little, they ought to have purchased Ford Motor Co. and begun producing their own cars. I cannot believe that that is necessary. It ought to be possible for a person who is in farming entirely and in nothing else to make a decent living. And if it is not, then there are bad days for rural America.

Senator MILLER. I think that is probably what forced the formation of the Land-o'-Lakes cooperative—they were not getting proper prices from the big processors, and now they have become eminently successful. I know a good many turkey cooperatives have.

But if you say that the cooperative groop of producers in bargaining with the processor is a good approach, I suggest to you that they may be able to do that without a new law on the books, and probably some of them are doing it now.

In any event, we have given a new law, as soon as the President signs it, which is going to help in that direction.

Mr. PADBERG. I think that is right.

The CHAIRMAN. Thank you very much, sir.

Mr. Burns, you may proceed.

STATEMENT OF MILTON E. BURNS, MANAGER, BRECKENRIDGE-WHEELER COOPERATIVE, BRECKENRIDGE, MICH.

Mr. BURNS. I am Milton Burns, representing the Breckenridge-Wheeler Cooperative, Inc., and its 1,500 members. I want to take one crop and explain how this bill would accomplish this, and also I will try to answer in my opinion how it would answer the problem of wheat, corn, or any other product.

The CHAIRMAN. You mean the Mondale bill?

Mr. BURNS. Yes.

Michigan navy bean crop has enjoyed rather fast growth during the last 30 years.

In the 10-year period 1940–49, annual production averaged 4,193,000 100-pound bags.

In 1960–65, annual production averaged 7,352,000 100-pound bags.

The dollar value has also risen rather spectacularly. The money value of the navy bean crop during the period 1940–49 was $26.5 million, 1950–59 was $30 million, 1960–65 was $47 million.

In the 2 years 1963–64, the crop money value has exceeded $50 million annually.

The farm value of Michigan dry beans in 1964 ranked third when compared with all other Michigan field crops, fruit, and vegetables.

Our export growth has also grown in the picture from practical nonexistence prior to 1955, to an amount ranging from 600,000 to 2 million bags annually since 1955 with the exception of 1957 when weather conditions reduced the crop to barely enough for domestic needs. (See exhibit A.)

Our navy bean importance compared to other beans in the United States can be shown by the percent of increase of Michigan navy bean production in relationship to total U.S. bean production.

In 1940–49, Michigan accounted for 18.5 to 28.5 percent of total U.S. bean production. In 1950–59, Michigan accounted for 19.3 to 33.8 percent of U.S. total. In 1960–65, Michigan accounted for 34.9 to 42.7 percent of U.S. total. (See exhibit B.)

The Government support program has played a vital part in the function of the bean farmers, and certainly can take pride in the role it has played in the wonderful growth the industry has enjoyed, but as in any constructive program there are pitfalls and misuses. To point out these pitfalls, I wish to submit these figures to show how the Government price support on navy beans has acted as a ceiling on prices received in any years when an adequate supply for both domestic and export needs has been produced. (See exhibit C.)

The chart is taken from actual records of the Breckenridge-Wheeler Cooperative, Inc., showing that a range from 16 cents per hundredweight to as low as 2 cents per hundredweight was all that was needed over support price to redeem the navy beans for domestic needs from takeover to new crop.

Let me explain this. Sixteen cents would be approximately $2 an acre, hardly enough to pay for the gas. And the 2 cents—let me refer to the chart—the day before takeover we purchased 23,000 bags of beans from the farmer for a price of 2 cents above the Government support price that he received on a loan. The Board price was 2 cents more than that, and the farmer sold 23,000 bags, and this would amount per acre revenue about 22 cents per acre. There is 1,100 pounds average yield in Michigan.

It shows you how that has acted at a price ceiling.

Let me tell you just a little bit more about this.

The big canneries would set back and keep the price down, and let this act as a ceiling. And just before takeover date by the Government, they would raise the price enough, a nickel, or 2 cents, or 16 cents, as the example here, and get this complete supply between now, then, and new crop out of this method here. They would set back and wait right up to just before takeover and then they would raise it a little bit above what the farmer got on his loan, and they would get their supply for the rest of the year. And this is in many cases just a few bags over the needs.

I will go on here and show you how uncertain the production is.

With the extreme example showing 23,709 bags being redeemed at $6.50 per hundredweight on the last day before takeover and equaling a volume figure of approximately $150,000, with the farmer realizing 24 cents per hundredweight over what he received on Government loan.

The second problem is to try to govern the supply to meet the demand, but Mother Nature plays too great a role in bean production and makes it impossible to always assure an adequate supply, approximately 4 million bags for domestic and 2 million for export.

This can be verified by showing production for the last 10 years, which varies from 6.8 per hundredweight per acre to 15 per hundredweight per acre. By using the extremes of these figures and planting the acres needed to supply 6 million bags, the 6.8 per hundredweight production per acre would require 882,000 acres while the 15 per hundredweight production per acre would require 400,000 planted acres. (See exhibit D.)

This is a variance of from 400, with the large 1,500-pounds-per-acre supply to meet the needs, versus 882,000. Now, there is a variance of over a 100 percent in acres. What is the farmer supposed to plant?

I could go on and tell you what he should plant, but I do not think he should be penalized for it.

In spite of this favorable growth picture, farm income from navy beans is below cost of production. A report of Michigan State University shows an average cost of production for navy beans to be $84.49 per acre. By taking the average yield for 1955–66 of 11.2 per hundredweight per acre, a bean farmer would have to receive $7.54 per hundredweight to cover cost of production. Our average price has been $6.31 during this period with only 1 year that the farmers received above $7.54. (See exhibit E.)

Thus Michigan navy beans are on the same treadmill as other commodities. With the month ending March 15, 1968, farm prices increased one-third of 1 percent but prices paid by farmers for goods and services went up one-half of 1 percent. The price of goods and services to the farmer set a new record high in March 1968 but prices received by the farmer for his products remained 17 percent below the record high set in February 1951.

The fellows are going broke. I have 51 sales offers up in my office.

The bean farmers in Michigan have tried for the last 20 years to organize to better their lot and have driven thousands of miles and attended hundreds of meetings and I personally have come to Washington, D.C., approximately 20 times to keep requesting the continuation of the bean support program, to request 115 percent Government resale program, to raise parity prices, et cetera.

The CHAIRMAN. Isn't all that due to overproduction?

Mr. BURNS. No, sir. We have never had overproduction of navy beans.

The CHAIRMAN. Why did you want the Government to carry them for you if you could sell it?

Mr. BURNS. We have never had any beans carried over 2 years. They have always been used up. The Government has taken these beans over. But I do not believe there has been a year in the last 10 years——

The CHAIRMAN. What did the Government do with it—give them away?

Mr. BURNS. Yes, sir.

The CHAIRMAN. That is overproduction.

Mr. BURNS. Yes—but every year the Government has bought additional beans. Why would they buy additional beans if they did not need them? Because beans are supported at $6.90.

The CHAIRMAN. You said you are going to tell us how this law would help you—that is, the Mondale bill.

Mr. BURNS. I would like to say in answer to your question—the $6.90——

The CHAIRMAN. You said you would demonstrate it.

Mr. BURNS. All right.

This bill could do this to help this farmer organization.

We have come a long way and 3 years ago set up the mechanics that, with the aid of the passage of this bill, would allow the solving of the industry's problems which were set up as follows 3 years ago.

We know if you sign up 75 percent of the production there is going to be 25 percent cash in on your accomplishments.

This organization is geared up to get new varieties better resistant to disease, research to develop new and improved harvesting machinery, research in bean storage, research to increase present markets and develop new markets, and to form a marketing association, using the USDA programs.

It was decided that this type of an association should be controlled by bean growers by the election of a competent, intelligent, and broad-minded board of directors.

The bill calls for a choice of two for each office to be filled, and so they would have this selection to make, and they would certainly have knowledge of good people to represent them.

The association would be adequately financed——

The CHAIRMAN. How?

Mr. BURNS. Excuse me. The association must be adequately financed. How? The farmers have been willing and are willing now to set aside certain parts of their moneys to be able to meet as a group and get new varieties, and research, and so forth. They are willing to put this in. They just voted in 3 cents a hundred to be set aside for research, through our legislation in the State.

The CHAIRMAN. Well, suppose you want to organize as the bill provides, and fix a price, and you overproduce the amount that you can sell. What would you do?

Mr. BURNS. We would ask USDA to put, not acreage control, but production control. We would ask them to put it on to us.

The CHAIRMAN. You would have that authority.

Mr. BURNS. Yes; in the bill. And we would do this because—Mother Nature plays too important a part in this.

Just like I said, you plant 800,000 acres, and you might have 10 million bags or you might have 4 million bags.

And, Senator, Secretary Freeman—certainly he was doing his best, and had all the professional people available to—that he could get a hold of, in trying to make a decision 2 years ago with our wheat. He first raised it 15 percent, because he wanted an adequate supply. And then he thought that was not enough. His advisers said it was not enough. So he raised it another 15 percent on that, which actually meant 32 percent. And what happens? Mother Nature comes along, and worldwide we had a wonderful crop of wheat, and we have not recovered from the wheat. My prices are the lowest they have been in years and years for wheat. Wheat is $1.19 on my board today. This is below production cost.

It must be kept in mind that a poorly developed and ill-planned pricing formula and marketing plan might give producers a shortrun improvement but worsen their situation over time. Prices must be high enough to give reasonable profits to the majority of growers, but not so high that new areas are encouraged to get into the bean production, or present growers increase production faster than new markets can develop.

The growers must bear in mind that the elevator man and the processor must also have a reasonable profit to stay in business and the final product must be on the shelf of the supermarket in the form and at a price the consumer will pay instead of switching to a substitute product. A well-organized and intelligently managed grower-bargaining association can do much more for the bean industry than simply get higher prices for the grower. It can provide an orderly marketing system to the elevators so the elevator does not need to invest large amounts of capital to purchase beans at any one time.

It would be a tremendous help in orderly marketing.

In our State, your biggest chains of privately owned elevators, with as many as 20, 30 elevators, went off the board for 3 years over the last 5, and had to quit buying beans because they ran out of money. I have bought as high as over $100,000 several days in beans, specially coming down to just before takeover.

The processor would be assured of a uniform supply at the same price paid for a similar grade by his competitor.

We had a yellow-eye bean, and we do not have it anymore, except in a token amount. There was not a uniform production every year available. The coalminers in Maine down through New York was our market. And due to lack of adequate supply that thing jumped from $2 to $22 in the last 10 years, and back and forth. In the canneries, it wasn't the $22 actually that turned their heads on buying it. The reason they went to $22 was because there was an inadequate supply, and they had hundreds of thousands set up in processing equipment for this particular thing, and they finally switched to a different product.

Even in our navy bean—in my little country elevator we have $200,000 worth of electric eyes. It puts them in single file and takes them one at a time.

Senator MILLER. You say you are a country elevator. Are you a producer or elevator?

Mr. BURNS. I am both. But in my capacity as manager I am presenting this.

Senator MILLER. From what you have been reading here, I get the impression that your cooperative is already organized along these lines, isn't it?

Mr. BURNS. No, sir. I am referring to the farmers, the members. They have gone along, and they have 35 percent of the production signed up now.

Senator MILLER. How have they done this? Do they call themselves a cooperative?

Mr. BURNS. Yes. They formed a new cooperative, actually. They incorporated under another cooperative—Bean Marketing Association of Michigan.

Senator MILLER. They have already done this without any new law on the books.

Mr. BURNS. They have worked 3 years and have not got it done. They have 35 percent signed up. These farmers have driven up and down the roads and knocked on the doors and talked to their neighbors.

Senator MILLER. What makes you think if the Mondale title I is enacted that they are going to join together and vote that in?

Mr. BURNS. We feel these fellows are not versed in going out and selling a program like a hired organizer would be. They are getting the job done. They are going to get a job done of over 50 percent.

Senator MILLER. They would be the same ones going out trying to sell the Mondale bill, because they are the ones that have to join in the referendum.

Mr. BURNS. If this organization did—the organization now feels they have to have 75 percent, with the idea that even then the other 25 percent might ruin their organization—at least take advantage of it.

Senator MILLER. Are you talking about 25 percent of the producers, or those producing 25 percent of the production?

Mr. BURNS. I am talking production in all cases, sir.

The CHAIRMAN. You mean the 25 percent that won't join can ruin the 75 percent who join?

Mr. BURNS. Yes.

Senator MONDALE. Have you tried to bargain with any processors yet?

Mr. BURNS. No, they feel there is no use—with this weather condition and so forth, there is no use of trying to accomplish a bargaining

organization unless they get control of production. And they feel they need a minimum of 75 percent, or a bill like this where they could vote as growers—the ones actually doing the producing—over 50 percent voted for this type of thing—this referendum. We need No. 1 and No. 2.

Senator MILLER. What is the difficulty with the 25 percent? Those who have 25 percent of the production—are they very big independent operators, corporate farmers or what?

Mr. BURNS. No, they are older people. Our farmers are old. There are no young people. They are 58, average. Many of these farmers are 70, 75. We cannot get people to farm the land in our area. And we have the most productive land in Michigan—a second corn yield, just real good land, 50-bushel wheat. But this old farmer, he is just fading out. He is over 65 now. His sons have gone to the city. You cannot switch him. At the same time——

Senator MILLER. He still likes to lose money?

Mr. BURNS. No. He is fading out of the picture.

The CHAIRMAN. But yet he is still productive.

Mr. BURNS. He is still productive. And you cannot sell this man—he is too set in his ways. A young person you can. But we are dealing with old people in the farming industry. I have tried to even change him to use concentrate or some of the modern ways of farming, and he won't do it.

Senator MONDALE. We have a rule around here you cannot close off debate until you have two-thirds of the Senate. We do that about every 50 years. So I can see your problem.

Senator YOUNG. You make a very good point. It is hard to change the older farmers. But the younger farmers follow the recommendations of the Extension Service, the experiment stations, and other sources of information much more closely.

Mr. BURNS. Yes. They read. They are educated. They can pick up a welder, they can do anything, the young farmer. But there are not very many of them.

Senator MILLER. One of the questions that has been coming up here is the application of the Mondale bill to a region. Would it be feasible to have a Michigan region on this bean production?

Mr. BURNS. I think we need it in cherries, in asparagus; we need it in a lot of things.

Senator MILLER. I am talking about beans now. Would it be feasible to have a Michigan region, or would you have to ge beyond Michigan in getting or establishing a farmer marketing-producing committee, under the Mondale bill?

Mr. BURNS. Michigan would be fine. There is beans grown in Idaho, Oregon, and so forth. For two reasons I say this. No. 1 is—we have been in here trying to solve these problems with USDA on getting higher parity price—and this is the point I was going to raise—the Government has been buying these beans for 40 percent of parity—that is why they are buying them for school lunch and so forth.

The CHAIRMAN. That is just to help you, though.

Mr. BURNS. That is true, and we appreciate it.

The CHAIRMAN. If they paid you more than that, you might grow more, and pour them all on the Government.

Mr. BURNS. Excuse me—I will answer your questions first.

No. 2—transportation is a factor that sets this apart—this bean area apart from the others. In many cases transportation in agriculture is more than the product. Potash, $17.09 freight—the product is worth $12. Beans—you take a pound of beans—your Senate navy bean soup—it runs $5 profit on a pound of beans.

Senator MONDALE. Who is pocketing all that money?

Senator MILLER. Maybe we had better eat more bean soup.

Mr. BURNS. The people in Idaho want this as bad as we do. They will set up their own. And they have a different kind of bean.

Senator MILLER. So you do not have to have a national deal. A regional deal would suffice.

Mr. BURNS. In beans, no.

Now, you had a question, sir?

The CHAIRMAN. I am through. I see your problem. I agree with Senator Miller that most of those beans that are grown in Michigan—that could be a regional setup.

Mr. BURNS. Yes, sir; in five counties mostly.

The CHAIRMAN. Any further questions?

Have you anything more you want to say?

Mr. BURNS. I just have four lines.

When the Government farm programs can turn the tolls they now have in operation over to a bargaining organization of any supported commodity, then and only then will the USDA programs be used for the full benefit for the grower of that commodity. And I feel that the Senate bill 2973 is the tool we have waited for so long and need so desperately.

The CHAIRMAN. Thank you, sir.

Any questions?

Thank you very much, Mr. Burns.

Mr. BURNS. Thank you, Mr. Chairman.

(The exhibits referred to are as follows:)

EXHIBIT A

PRODUCTION, SHIPMENTS, VALUE OF PRODUCTION, AND EXPORTS OF MICHIGAN BEANS, 1940 THROUGH 1965

Crop year	Production hundredweight	Inspected shipments hundredweight	Value of production	Export shipments hundredweight
1940	4,029,000	4,255,000	$14,102,000	
1941	4,793,000	3,996,000	21,808,000	
1942	4,808,000	3,959,000	23,078,000	
1943	5,072,000	4,033,000	29,925,000	
1944	4,304,000	3,455,000	25,824,000	
1945	2,650,000	2,196,000	16,430,000	
1946	3,668,000	3,152,000	35,213,000	
1947	2,847,000	2,468,000	35,303,000	
1948	4,258,000	3,899,000	30,658,000	
1949	5,502,000	5,246,000	32,462,000	
10-year average, 1940–49	4,193,000	3,666,000	26,480,000	
1950	3,312,000	3,013,000	22,190,000	
1951	4,022,000	3,830,000	27,752,000	
1952	3,474,000	3,217,000	26,750,000	
1953	3,750,000	3,426,000	29,625,000	
1954	3,295,000	2,992,000	30,644,000	
1955	4,536,000	4,180,000	31,298,000	674,000
1956	5,389,000	5,071,000	35,028,000	1,209,000
1957	3,508,000	3,216,000	27,012,000	8,000
1958	5,226,000	4,920,000	33,969,000	1,029,000
1959	6,413,000	6,056,000	35,913,000	1,433,000
10-year average, 1950–59	4,293,000	3,992,000	30,018,000	
1960	6,248,000	5,954,000	36,863,000	640,000
1961	7,358,000	7,082,000	47,091,000	902,000
1962	7,392,000	7,160,000	46,570,000	1,704,000
1963	8,595,000	8,216,000	54,272,000	1,938,000
1964	7,585,000	7,385,000	51,405,000	1,550,000
1965	6,175,000	5,992,000	46,165,000	1,075,000
6-year average, 1960–65	7,352,000	6,964,000	47,061,000	
1966	8,114,000			[1] 1,475,000

[1] Through January.

Source: Michigan Crop Reporting Service, Bureau of Census, export data.

EXHIBIT B

MICHIGAN AND UNITED STATES DRY BEAN PRODUCTION, 1940–65

[Percentage Michigan production of U.S. production]

	Michigan production	United States production	Percent Michigan of U.S. total
Crop year:			
1940	4,332,000	15,732,000	27.5
1941	5,267,000	18,503,000	28.5
1942	4,808,000	19,608,000	24.5
1943	5,072,000	20,922,000	24.2
1944	4,304,000	16,059,000	26.8
1945	2,650,000	13,088,000	20.2
1946	3,668,000	15,859,000	28.1
1947	2,847,000	15,783,000	18.0
1948	4,258,000	19,420,000	21.9
1949	5,502,000	19,890,000	27.7
1950	3,312,000	15,155,000	21.8
1951	4,022,000	15,879,000	25.3
1952	3,474,000	15,010,000	23.1
1953	3,750,000	16,818,000	22.3
1954	3,295,000	17,063,000	19.3
1955	4,536,000	16,649,000	27.2
1956	5,389,000	17,218,000	31.3
1957	3,508,000	15,626,000	22.4
1958	5,226,000	19,175,000	27.3
1959	6,413,000	18,939,000	33.8
1960	6,248,000	17,912,000	34.9
1961	7,358,000	20,287,000	36.3
1962	7,392,000	18,599,000	39.7
1963	8,595,000	20,612,000	41.7
1964	7,601,000	17,789,000	42.7
1965	6,175,000	16,457,000	37.5

Source: Michigan Crop Reporting Service.

EXHIBIT C

Date	Farmer price	Hundredweight bought	Farmer made over support, cents
Feb. 6, 1963	6.28	626	10
Feb. 7 and 8, 1963	6.35	19,296	10
Feb. 9, 1963	6.10	46	
Mar. 2, 1963	6.35	454	
Mar. 5, 1963	6.40	9,992	7
Mar. 7, 1963	6.30	136	
Mar. 20, 1963	6.30	971	
Mar. 21, 1963	6.30	24,622	16
Mar. 22, 1963	6.40	385	
Apr. 27, 1963	6.30	2	
Apr. 30, 1963	6.30	23,709	2
May 1, 1963	(1)	(1)	(1)

[1] Government take over.

EXHIBIT D

NAVY BEANS—ACREAGE, PRODUCTION, SUPPLY

Year (Sept. 1 to Aug. 31)	Michigan acreage	Yield per acre hundredweight	Michigan production, 1,000 hundredweight	Production other States, 1,000 hundredweight	Total production 1,000 hundredweight	Stocks on hand Sept. 1, 1,000 hundredweight	Total supply, 1,000 hundredweight
1955	500,000	8.7	4,343	85	4,428	19	4,447
1956	471,634	10.4	4,905	115	5,020	116	5,136
1957	481,176	6.8	3,272	86	3,358	24	3,382
1958	520,936	9.5	4,949	93	5,042	4	5,046
1959	513,333	11.7	6,006	60	6,069	18	6,087
1960	511,196	11.7	5,811	34	5,845	291	7,136
1961	493,676	13.6	6,714	41	6,755	157	6,912
1962	519,070	12.9	6,696	29	6,725	240	6,965
1963	505,006	15.0	7,575	34	7,609	169	7,778
1964	536,111	12.6	6,755	30	6,785	635	7,420
1965	550,000	8.8	4,867	20	4,887	499	5,386
1966		12.6					

EXHIBIT E

NAVY BEANS—MONTHLY AVERAGE PRICES [1]

Crop year	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Average [2]
1957	7.00	7.08	7.39	7.63	7.60	7.94	8.00	8.28	8.28	9.88	10.50	8.88	8.20
1958	6.40	6.35	6.15	6.17	6.30	6.39	6.47	7.25	7.48	6.75	6.15	6.02	6.49
1959	5.29	5.32	5.45	5.45	5.46	5.55	5.59	5.60	5.45	5.34	5.28	5.20	5.41
1960	5.31	5.25	5.29	5.35	5.35	5.55	5.64	5.95	5.95	6.05	6.05	6.05	5.65
1961	5.82	5.80	5.82	5.98	5.94	6.08	6.24	6.28	6.46	6.42	6.30	5.76	6.07
1962	5.79	5.90	6.00	6.00	6.00	6.26	6.30	6.30	6.46	6.50	6.50	6.38	6.20
1963	5.96	6.00	6.08	6.10	6.12	6.25	6.35	6.36	6.28	6.15	6.15	6.15	6.16
1964	6.38	6.75	6.75	6.80	6.91	6.65	6.48	6.17	5.84	5.69	5.74	6.12	6.36
1965	7.27	8.74	8.36	8.42	8.65	8.90	8.36	8.09	7.65				

[1] Average of prices quoted Wednesday of each week by Michigan Elevator Exchange.
[2] This is the average of quoted prices.

The CHAIRMAN. Mr. Hoffman, I think there are two or three of you together. Just step forward and identify yourselves for the record.

STATEMENT OF ROBERT J. HOFFMAN, PRESIDENT, NATIONAL ASSOCIATION OF FARMER-ELECTED COMMITTEEMEN, ALDEN, IOWA

Mr. HOFFMAN. Mr. Chairman, members of the committee, I want to thank you for giving the National Association of Farmer-Elected Committeemen an opportunity to be heard at the time you are con-

sidering this very important legislation. My name is Robert J. Hoffman and I am president of the association. I am a farmer producing feed grain in Hardin County, Iowa. The two gentlemen with me are farmers. Mr. Clifford Daleness is a wheat farmer from Roseglen, N. Dak. Mr. Harold Callahan is a rice, cotton, and grain farmer from Walnut Ridge, Ark. Both are area directors of our association.

Mr. Chairman, this has been real enlightening for me today. I heard you speak some time ago about the grassroots. I want you to know right here is the grassroots of farming. All of us do our own farming, and it is really a pleasure and honor that we can be here.

The CHAIRMAN. We are very glad to have you.

Senator YOUNG. I wonder if I can take this opportunity to commend the chairman for sitting here day after day, often alone, listening to these hearings, and giving every witness all the time he wants. Sometimes you might think he is against the programs, but he often takes the part of the devil's advocate, just to bring out more information.

Senator MONDALE. I would like to associate myself with that remark. I think the chairman of this committee has more patience than any person should have, more interest in agriculture than any person in America.

Senator MILLER. I want to be associated with that, with a further observation that he sits as the chairman of the Appropriations Subcommittee on Public Works. I have seen him sit there many, many times, by himself, listening with the greatest of patience to the various delegations who come in in support of public works projects. So it is not just here, but it is in all the operations that my chairman engages in that he has this service to render. And I appreciate it.

The CHAIRMAN. I am very happy to hear you talk that way.

Mr. HOFFMAN. Mr. Chairman, I, too, will echo those words, because as a farmer I have always heard of Senator Ellender. I feel the same way.

The CHAIRMAN. Thank you, sir.

GENERAL

Mr. HOFFMAN. Since our association is an infant organization and has not previously appeared before you, a few words about it would seem to be in order.

We are formally organized at this time in 22 States. We have about 30,000 members. Organizations in other States are presently being formed. Our membership is composed entirely of farmers since eligibility for membership requires being either a current or past elected county of community committeeman. Our association and the Congress are the only elected groups that speak for farmers. Our members are typically members of one or more major farm organizations and are members of different political parties. Our objective is to promote, strengthen, and improve the farmer-elected committee system for local administration of farm programs. We will strive to maintain effective farm programs which will (1) increase and improve farm income until it reaches parity with nonfarm income; (2) promote and preserve the family-type farm; (3) eradicate rural poverty; (4) build and conserve the soil, water, and forestry resources of the Nation; (5) promote

new uses of agricultural products; and (6) expand foreign markets for agricultural products.

This committee undoubtedly favors these objectives. It is understandable that there may be differences in viewpoint as to methods of attainment.

We believe, after long study and after full discussionwith thousands of farmers from all over the Nation, that it would be a disservice to farmers and to rural communities as a whole if the programs authorized by the Food and Agriculture Act of 1965 were not extended during this session of the Congress. Time does not allow this statement to develop the proposition which we believe self-evident anyway, that the economic health of the farm community controls today as it always has, the economic health of the Nation's entire business universe.

The Food and Agriculture Act of 1965 authorized realistic programs through 1969 that enable farmers voluntarily to gear production to demand which does improve farm income. Net farm income in the 1960's averaged about $2 billion a year more than in the preceeding 7 years.

Senator MILLER. May I ask a question at that point? Is that $2 billion in terms of current dollars, or is that $2 billion in terms of equivalent purchasing power dollars?

Mr. HOFFMAN. Well——

Senator MILLER. What I am getting at is I recently made a study of the price of cattle per hundredweight, say, last November, and was higher than it was, say, 7 years before. By the time you shake the inflation out of it, and get down to equivalent purchasing power in 1960, it was very much lower. That is why I am wondering if this $2 billion is just a figure or has it been refined to see whether or not it is in equivalent purchasing power to the previous 7 years?

Mr. HOFFMAN. I would say, Mr. Miller, that you could entail a lot of things into this. I think you know prices are better, and without farm programs in the last years that we have had them, I shudder to think what we would have done without them.

Mr. MILLER. Nobody disputes that. I just want to know when we talk about $2 billion a year more than in the preceding 7 years, if that means $2 billion more than equivalent purchasing power of what the dollar was worth. For example, last year the dollar was worth about 41 cents. Seven years before I think the average purchasing power of the dollar in 1960 was about 48 cents. Now, you translate that 7 cents differential into total farm net income, and you might find that actually the net income from a purchasing power standpoint was less. I do not know. I just wondered if you had done that. So many time some people talk about higher farm prices, but by the time you squeeze that inflation out, they are lower.

I remember up at the national plowing match, at Jefferson, about a year and a half ago, I asked the crowd of farmers how many would rather have 23.75 in 1966 dollars than 22.25 in 1960 dollars, and not a hand went up.

Mr. HOFFMAN. Maybe if I go on——

The CHAIRMAN. What the witness evidently is speaking about is gross——

Senator MILLER. No, sir; he says net, Mr. Chairman.

The CHAIRMAN. Let us take the gross here from 1960. In 1960 it was almost $36 billion. In 1961 it was $39½ billion. In 1962 it was $41 bil-

lion. In 1963 it was $42,061 million. In 1964 it was $42,362 million. In 1965 it was $64,749 million. And in 1966 it was $49,711 million. When you translate that to net income, you have reflected here in 1966 a net—realized net income—of $16,420 million for 1966 in comparison to $130,803 million in 1965.

Senator YOUNG. Where the squeeze really comes is here. A farmer may have a $5,000 net income, but if he has to buy a $14,000 tractor, it does not go very far, because he cannot charge that as a deduction against income tax.

Senator MILLER. He can, in computing his net income—he can take depreciation. But if the chairman would take that figure, for example, and reduce it by the amount necessary to get into equivalent 1960 purchasing power—just as a matter of information, I ran a check on the 1967 net farm income, and by reducing it by the amount of inflation in the 1967 dollar, we are right back to 1960.

The CHAIRMAN. Why stop at 1960. Go back to 1937; you are going to get more.

Senator MILLER. This is why I was wondering—if we compare the net income in the sixties—it seems to me if we are going to get to what the farmer really needs, and that is his purchasing power dollar, we have to refine it down to equivalent dollars. Otherwise——

The CHAIRMAN. Well, there is no doubt that the dollar today buys less than a dollar 4 years ago.

Senator MILLER. That is right.

The CHAIRMAN. There is no question about that.

You may proceed, sir.

Mr. HOFFMAN. This is not as bright a picture as it looks because as you gentlemen realize all production costs have gone higher and continue to rise. The farmer is in a cost-price squeeze that puts farming operations in extreme jeopardy when anything is done or left undone, that will stifle or set back the farmers' marketing position.

We believe the results of studies made by leading economists that indicate that discontinuing programs for the major commodities would reduce net farm income about one-third—to about $5 billion below the 1966 figure, or $16 billion. Prices to farmers for wheat would be from $1 to $1.10, about 70 cents for corn, and about $1.90 to $2 for soybeans.

We are aware that suggestions have been advanced to make certain revisions in the law. Experience shows that consideration of proposed revisions is time consuming and we doubt that this committee or the Senate would have the time they would like, at the current session, to make those deliberative decisions. Our position is that it would be in the interest of farmers to extend the law as written with the understanding that studies would proceed in those areas where amendment was being considered and that they could be the subject for review by you at some time in the future.

Our association is on record in favor of efforts to develop a program that will enhance the bargaining power of farmers. We have by resolution approved in principle the objectives of legislation that will establish strategic reserves of certain major commodities.

Gentlemen, in summary, we are asking that farmers be given a continuing farm program. The Congress has passed permanent legislation governing labor and many segments of business. The farmer,

however, has been forced to operate almost on a year-to-year basis. Many times in the past, the current program is made available so late that he just cannot handle his business in an orderly or efficient manner.

Extending the Food and Agriculture Act of 1965 would give farmers a base of operating knowledge which would allow them to proceed with the many plans they must make such as renting land, setting up crop plans, making personal adjustments that affect necessary financing, all ahead of seeding time and which would not otherwise be possible.

I believe I have used my time and the gentlemen with me have information that we hope will be helpful to this committee and to farmers.

Thank you.

The CHAIRMAN. I want to say to you that this committee considered the question of extending this act this year. But since it does not expire until December of next year, we felt that by holding hearings now, that when we come back in January, there would be ample time for us to renew the act, maybe make it better for the year 1970.

We come back here in January, and we will have all of the hearings before us. And in the meantime, we are going to be preparing new legislation in keeping with the hearings that we are now holding.

Mr. HOFFMAN. Well, we certainly appreciate that you are.

The CHAIRMAN. I do not think you need fear. You can go on and make your programs. I think we can get a bill along the same line we now have, except there may be some new methods of financing this. A lot of people think it is too expensive to the Government. But in the long run, I think any extension of it will give you the same revenues you are now receiving.

Senator YOUNG. Mr. Chairman the witness makes a good point.

Many farmers, particularly younger farmers, are wondering whether this act will be extended now or when it expires next year. If they knew for sure it was going to pass, it would make a difference whether they would continue farming or whether they would try to get more land to have a more economic unit. Many farmers write and ask me, and really I cannot tell them for sure. I do not think anyone can, what the Congress will do with respect to this.

The Chairman has given us some very encouraging words.

The CHAIRMAN. Senator, if you recall two or three witnesses that testified here since we have been holding hearings that we should give this act a little more time, to see whether or not it can be bettered. There is a division as to what ought to be done. The committee went on record in holding the hearings now in the hope of getting the bill passed early next year, because this same law will be on the statute books until 1969, December of 1969. We will have ample time to enact legislation for 1970.

Senator MILLER. About 3 years ago Iowa State uncomputerized a number of alternative farm programs. I guess that Mr. Hoffman probably knows about that, and perhaps you gentlemen do, too.

It covered about 14 different farm programs of various kinds, including the one we had now. They had to use a computer on it. It came up with a lot of conclusions. Now they are engaged in updating that. And I am rather doubtful that they will have that information updated before the middle of the summer and possibly the fall.

I would think that that would be of great assistance to this committee—because it found, for example, if we had no farm programs at all, it would cut farm income by about $5 billion. But it also found there were various alternative programs, and it computerized out how much the cost to the Government would be, and what the net income to farmers would be. And I think by the time they have managed to go into it again and updated it, which I am told they are going to do, that we will have a lot of guidance. But I do not think you will have it much before late summer or fall.

The CHAIRMAN. You mean this fall?

Senator MILLER. Yes.

The CHAIRMAN. We will have use of it then in January when we come back.

Senator MILLER. That is right.

The CHAIRMAN. All right, sir. You may proceed.

STATEMENT OF CLIFFORD DALENESS, NORTH CENTRAL AREA DIRECTOR, NATIONAL ASSOCIATION OF FARMER-ELECTED COMMITTEEMEN, ROSEGLEN, N. DAK.

Mr. DALENESS. Mr. Chairman, Senator Young, North Dakota is known as Mr. Wheat, and I am sure here in Washington it is the same thing.

My name is Clifford Daleness. I am a North Dakota grain farmer, chairman of my local cooperative elevator board in Ryder, N. Dak., and chairman of McLean County ASC Committee. Our county office is located in Garrison, N. Dak. I am also chairman of the North Dakota Association of Elected Committeemen, and I am a six-State area director of the Committeemen's Association.

I am pleased to be here today, representing the Committeemen's Association and the thousands of farmers who participate in farm programs in my State and the district I am privileged to speak for. I thank this committee very sincerely for the opportunity to appear and be heard by you. The farmers I represent like the present farm programs; they would like to see them kept and strengthened. There is ample evidence that they do like the programs because in my State 95 percent of all wheat farmers are signed up in this voluntary program. In my home county, the figure is 97.7 percent. Those who do not sign up, generally speaking, are the very small tracts, so small that they do not consider it worthwhile. Over 98.6 percent of the eligible acres in my county has signed to participate and will comply. Year after year these figures run about the same.

In a lifetime of farming experience, with and without programs, it is evident to see that the average farmer cannot survive without farm programs. The Nation's largest industry would suffer a one-third drop in net income without supply adjustment and price-support programs to keep surplus production from overloading markets. Many studies bear this figure out.

WHEAT

Wheat farmers, it seems to me, are the group that will be hurt the most if this law is not extended this year. By this time next year, wheatgrowers will be seriously affected in their planning if they do

not by then have assurance as to the program and the kind of program that will be available to them for the 1970 wheat crop.

By that time, the 1969 wheat crop will already be in the ground—the last crop under the present law—and winter-wheat growers will be almost into the harvest season. So it is very important to wheat farmers to have their program extended this year—so that as they go into the 1969 crop, they can look at the future with some confidence and make plans ahead.

I urge, therefore, on behalf of all wheat farmers, that the 1965 act be extended this year. I urge that we do not delay it for minor amendments—but that we move the legislation forward in time to permit farmers to do a decent amount of planning.

Wheat farmers know that we have the ability to overproduce the market. Most of us remember the years of overproduction and low prices—and we do not want to see a rebuilding of the wheat surpluses. Many of us favored the mandatory approach that Congress approved in 1962; however, since that program did not prove generally acceptable to farmers, we urge a cotinuation of the voluntary certificate program that has proved so popular with farmers.

LIVESTOCK

North Dakota farmers also have a strong interest in the feed grain programs—and the stability which that program has brought to livestock production and marketing. We feel that the recovery that we have seen in cattle prices since the low period of 4 and 5 years ago would not have been possible without stable prices for feed grain, as a result of the feed grain program. The present good prices for cattle $3 and $4 above a year ago—would certainly not be possible in a "cheap-feed" livestock economy.

Again I thank you for this opportunity to appear before you. I feel sure you will give our problem the same serious and favorable consideration that you have in the past. We do not feel that our requests are selfish or greedy, but rather in the best interests of all the people of this great Nation. We are sure we cannot do the job we would like to do without the continued help of farm programs.

The CHAIRMAN. We are certainly glad to have had you here. The man who is more responsible than any man on this committee for having put the wheat provision in is your Senator here. And the best thing you can do is go back home and reelect him and send him back here.

Mr. DALENESS. Senator, I don't think we have a thing to worry about.

WHEAT

Senator YOUNG. Mr. Chairman, Clifford comes from one of the better wheat counties in our State. Let me ask you this question. If you had a vote to lower or abolish the present $1.25 price support, what would the vote be in McLean County?

Mr. DALENESS. Senator—to keep it like it is?

Senator YOUNG. What would the vote be on the present price support level?

Mr. DALENESS. I would say 95 percent would be in favor of keeping it like this.

Senator YOUNG. If you had a vote on abolishing the wheat certificate payment, what vote would you get?

Mr. DALENESS. This is what I was referring to. To keep this here—to keep the whole thing, Senator, I have to say we would have at least 95 percent.

The CHAIRMAN. They work hand in hand?

Mr. DALENESS. Yes, they do.

Senator YOUNG. To a considerable extent, this program is not so different from the McNary-Haugen program proposed way back in the twenties.

The CHAIRMAN. Thank you very much. We have to go to vote now. We will be back in a few minutes.

(At this point a short recess was taken.)

The CHAIRMAN. The committee will be in order.

You may proceed, sir.

STATEMENT OF HAROLD CALLAHAN, SOUTH CENTRAL AREA DIRECTOR, ASSOCIATION OF FARMER-ELECTED COMMITTEEMEN, WALNUT RIDGE, ARK.

Mr. CALLAHAN. Mr. Chairman, I am Harold Callahan, south central area director of the Association of Farmer-Elected Committeemen. The south central area is composed of Texas, Oklahoma, Louisiana, Mississippi, and Arkansas. Also, I am a farmer and chairman of the Lawrence County ASC Committee, Walnut Ridge, Ark.

GENERAL

The American farmer has a fundamental right to share in the prosperity of the Nation he feeds. This is basic justice but it is also basic economics. His financial condition affects all of our Nation's industries. Although the number of farmers gradually decreases each year—and I might say that the percent of representation of farmers today in the total population was just released a few days ago—I believe it is 5.4. That isn't a very large group to feed this Nation, plus many others.

Yet the farmer provides work for 43 percent of the total employed population of the United States. If we combine those two figures, we find we are not actually as small as the 5.4 figure reveals, because we have about 48-percent representation as far as the population of the working people.

The Food and Agriculture Act of 1965 was enacted to maintain farm income, to stabilize prices and assure adequate supplies of agricultural commodities, to reduce surpluses, lower Government costs, promote foreign trade, and to afford greater economic opportunity in rural areas. We believe this legislation has more nearly accomplished its purpose than any farm legislation enacted since the 1930's.

We feel it is the continuation built into the 1938 act as you have mentioned here this afternoon.

COTTON

The present cotton situation is a good example of the effectiveness of this program. We are aware of the fact that adverse weather conditions in 1966 and 1967 contributed to the reduction of the cotton surplus; however, this is the most practical and effective program the Congress has enacted. With the 1966 and 1967 adverse weather conditions reducing our cotton surpluses, along with the 1965 Agricultural Act, combining the two we are now sitting with a very small carryover of cotton.

Commodity Credit has less than a million bales in storage at the present time. I think our carryover to date is around 7 million bales——

The CHAIRMAN. Around 6.

Mr. CALLAHAN. Thank you, sir.

The statement Senator Miller made in regard to one of the previous witnesses, regarding the control of costs to the farmer—of course, we are aware, as farmers, that that is probably the most farfetched thing that we could ever hope to try to control—realizing that labor involved in manufacturing a tractor, the various commodities that we purchase, that there is no way within our power we can control that continued increase in costs.

If it were possible, then we would be able to do something about this vast surplus that we continue to produce from the standpoint that we could reduce the efficiency—we would not be forced to have to try to farm to the maximum of efficiency at all times.

This program has eliminated, for the most part, the staggering storage costs that have plagued taxpayers for many years. Also, farmers are more competitive on the world market. In addition, this program has been directly responsible for the survival of a vast number of family-size farmers who would now be bankrupt had they not received direct price support payments. Also, without these payments, the purchasing power of all farmers would have been sharply reduced.

I would like to make this statement firsthand, for my home county and counties surrounding me, the northeast Arkansas area, 30 counties of Misssissippi that I know about, plus others, and some I have talked to in your home State—where the cotton production was very, very short this year, and short in the year 1966, as previously stated. Had it not been for the price-support payments, many farmers today in Arkansas, Mississippi, and other areas would not have made a crop this coming year of 1968.

Many lending agencies had to transfer their clients or applicants to FHA for emergency loans—because they had to carry over from the last year's indebtedness.

The present program has been equally effective for wheat, feed grains, and rice. The most obvious benefit is realized by the consumer.

I would like to reemphasize, I believe it is our fault as farmers, and the other people who are in a position to make the urban people and consumers more aware of the cheapness that they are afforded the opportunity of buying food today. Only about 18 percent I believe——

The CHAIRMAN. Seventeen.

Mr. CALLAHAN. Seventeen percent of their take-home pay is used for the purchasing of food, lower than any other country that I know of offhand.

RICE

The increase in rice acreage for 1968 will help meet the ever-increasing world demand for food. Should a surplus be created that would involve a storage expense, the ricegrowers will be the first to request a reduction in acreage allotments.

I think you probably recall the time when we, as rice farmers, have grouped ourselves together, studied the situation, and asked the Congress to consider very much whether an increase in acreage would be a detriment to our rice situation from the standpoint of surpluses. We do not in any way want to encourage an increase in rice that would cause a tremendous carryover and increase cost to the Government.

GENERAL

It is the sincere hope of the organization I represent that this committee will recommend during the current year an extension of the Food and Agricuture Act of 1965. Also, this is the hope of other farmers I have talked with during the past few months.

In the year 1967, and beginning this year, I have traveled over Arkansas and spent over 100 days talking to various farm groups and farm organizations, asking them their opinion of what we might need, or how the act of 1965 fit into their operation.

Over the past years when new programs were enacted they have not reached the farmer in time for him to learn how he would be affected and plan his operations accordingly. A typical example is to think back to the time the present legislation became effective. All of us in ASCS worked day and night trying to give farmers the information they needed in order to intelligently participate in the program. In spite of the efforts of ASCS and the cooperative efforts of other agencies of the Department, many farmers lost benefits because they did not have time to think out the provisions of the program before the planting season.

The Food and Agricultural Act of 1965 is very flexible.

You might notice in these statements we are not asking for amendments or any various changes. We feel there is enough flexibility, Mr. Chairman, that those can be made through the various types of administrative action.

We believe the Secretary should continue to hold grassroots hearings in order to obtain the consensus of the various types of farming interests throughout the nation. Also, this information should be beneficial to the Congress in considering amendments to the present program.

In brief, we would say that the Food and Agriculture Act of 1965 is accomplishing the purposes stated by the Congress when it was enacted. It is maintaining farm income—had it not been for that, certainly we would be in terrible shape today financially—stabilizing prices, assuring adequate supplies of agricultural commodities, reducing surpluses, lowering costs to the Government, promoting foreign trade, and affords greater economic opportunity in rural areas.

Again, I come back to the statement you made in the beginning

of our testimony, with the fact we know appropriations are being lowered at any place that they might be and could be. We realize that this program is costly, but at the same time we realize that the Nation is dependent upon the farmer to produce the food and the fiber to clothe and feed this Nation, plus some of the other hungry people.

The CHAIRMAN. Well, what I had in mind primarily was this.

As you know, farmers get paid quite a bit on retiring land. It may be that we can work out some program whereby, on this retired land, the farmer can plant something that will produce for him as much as the payments. So if we can do that, we will save that much money.

Mr. CALLAHAN. That would be wonderful.

The CHAIRMAN. That's what I meant when I said we were trying to work out a program whereby the program would not be as costly to the Government—but the farmer would not be affected much, because through the scheme that I am thinking of, he could plant on those diverted acres, unsupported crops that we could sell, and thereby make money off of those acres, instead of getting it from the Government.

Mr. CALLAHAN. Thank you, sir. I appreciate that statement. The farmers really want to do this.

The CHAIRMAN. I say, that is——

Mr. CALLAHAN. I think that the farmers are in a position and are more mindful today, ready to give and take, than ever before.

You know, I heard your statement to some of the previous witnesses, some of the experiences with potatogrowing in Louisiana. Farmers have always been a group of people that have not held themselves together. But today, in traveling the many areas I have been through, asking questions, I have found that they are now ready to sit down and look at an overall picture, rather than a selfish picture, because it seems so many times all of us are inclined to think of ourselves and not of our fellowman.

We cannot overemphasize the need for renewing the present farm program in 1968. Farmers must have this security if we want the nation's most important industry to survive.

Gentlemen, I assure you that I speak without reservation, that at the local level farmers are worried about the result when this act expires. In today's agriculture, the burden of high-priced equipment, fertilizers, and chemicals require long-range planning and financing. It takes time to prepare a program and explain it to farmers.

If we do not have a program for 1970 crops before the summer of 1969, we have lost the confidence of many farmers. They deeply appreciated your action in authorizing a 4-year program in 1965. I know they will appreciate action in 1968 to extend this necessary legislation.

In conclusion, I want you to know it has been an honor and privilege for me to appear before this committee. I appreciate the time I have been granted and sincerely hope you will accept these remarks for serious consideration.

The CHAIRMAN. We are glad to have had you here and we appreciate your appearance.

Thank you, Mr. Callahan. Thank you, Mr. Hoffman.

Mr. HOFFMAN. Thank you.

Mr. CALLAHAN. Thank you.

The CHAIRMAN. Mr. Gross.

STATEMENT OF SYDNEY L. GROSS, PRESIDENT, IOWA FARMERS UNION, CLIVE, IOWA

Mr. GROSS. Mr. Chairman, other distinguished members of the committee, I want to express my appreciation for these hearings and the opportunity to appear before you.

I am Sydney Gross, president of the Iowa Farmers Union, and in that capacity was with the National Farmers Union leadership when they testified here last week.

Today, however, I am here as a very concerned Iowa farmer expressing the views of many of my Iowa neighbors, both within and without our organization.

It is my understanding the purpose of the committee is to examine agricultural policy and hear recommendations for improvement.

When I drew this up, knowing I was going to be one of the last to testify, I had guessed that you would pretty well have covered the details, many of them, and so I am confining my testimony more or less to general farm policy.

To set offered improvements in their right perspective, I would like to point out some present farm policy that is giving us trouble. One is that farmers must not price themselves out of the world market. This has often been used in conjunction with the discredited "feed the world" policy.

Farmers just cannot sell the fruits of their production on a world price level and buy the inputs of modern agriculture on a domestic-administered price level.

If a farm's exports are in the public interest as an instrument of foreign policy and to maintain foreign exchange, then the market price of these exports should be subsidized to the point of parity return for the farmer or he had better never grow this portion in the first place.

The second is that of many farm economists who would solve the low farm income problem by dividing it in fewer pieces by moving X number of farmers out of agriculture.

In all fairness, if followed to its ultimate conclusion, this will solve the economic troubles of the farmers, but is the price being paid in Chicago, Cleveland, Baltimore, and even here in Washington, worth that cost?

The problems of the cities cannot be separated from those of agriculture because these problems are the direct result of and constantly being fed by this false agricultural policy. Economic problems lead to social problems. If we are to approach any kind of a meaningful solution to the problems of the cities and to agriculture, we must attack the problem in a total sense, establish a priority on the prosperous family-farm concept as the cornerstone, then build a revitalized rural America around it.

Of first importance is extension of the 1965 Feed and Agriculture Act with improvements as have been offered by National Farmers Union.

If the tremendous productive capacity of modern agriculture is to be harnessed effectively and supply adjusted to demand, a reserve supply, well insulated from the market, is also must legislation.

But of utmost importance, if farmers are to have any real bargaining power, if the family-farm structure is to be maintained, then additional legislation such as that embodied in S. 2973 is needed.

To bring the need for such legislation into proper focus, let me set out what is happening in Iowa.

After a disastrous year pricewise, because of the cutback in the diversion provision, and participation, in the 1967 feed grain program, an alltime high of 69 percent of Iowa's farmers have signed up in the 1968 feed grain program.

I think it is safe to say that another 5 percent or better would sign up except they were originally caught with too low a corn base. I think I would be most realistic in saying 75 percent of Iowa's farmers are convinced we need a supply adjustment program. This demonstrates quite conclusively that farmers want the tools to adjust supplies and enhance their bargaining position. The dark spot in the picture, however, are the operators who do not participate.

A case in point is the Shinrone Corp. out of Detroit, Mich., who recently acquired holdings of 5,200 acres near Odebolt, Iowa. This ranch has a corn base of 3,278 acres. A 20-percent minimum diversion of 665 acres would have meant a 1968 corn acreage of 2,623 acres. Instead, they are not participating in the acreage reduction and plan to plant all the corn possible, 5,200 acres, cancelling the supply adjustment efforts of many family-farm operators.

Another is the Mid-West Farm Corp. that 2 years ago acquired over 1,700 acres in Cedar County. This land has a corn base of 825 acres, yet in 1967 it is reported to have planted over 1,500 acres to corn and have not inquired about the 1968 program and are believed to be going to plant the same again this year.

Still another is the nearly 7,000 acres acquired this past winter in adjoining Decatur and Wayne Counties by a Mr. Craigmiles of near Kansas City, Mo. Mr. Craigmiles is reported to have previously put together a package of land for the C.B.K. Corp. of Kansas City.

This 7,000-acre tract, except for a small portion of cash-leased, rough land, is none of it in the 1968 feed grain program?

It seems to me this very clearly demonstrates the need for a tool like S. 2973 if farmers are to have a real meaningful voice in the adjustment of supply to demand in order to bargain effectively for a price.

S. 2973 provides the mechanism to prevent not only the feeding upon, but the circumvention of, the will of the majority by a willful minority.

In closing, I would like to quote the last paragraph of the latest report issued by the Center for Agricultural and Economic Development at Iowa State University. This report on "Abundance an Uncertainty—Farm Policy Problems" states:

> In any case, certain things are clear: Production ability is great enough, and mammoth increases in foreign demand to fully absorb capacity are so distant, that prices will be lower in the immediate future unless some type of program prevails.
>
> Current legislation expires in 1969 and the farm public needs to consider programs which are workable and which can most effectively mesh the interests of food producers, consumers and taxpayers over the next few years.

I think this pretty well sums up exactly what S. 2973 will do.

Iowa farmers are fast coming to the conclusion that S. 2973 is not only the key to, but the last hope for, the preservation of the family farm. Without this, there can be no hope of a revitalization of rural America. Any talk of longtime loans to start young farmers in farming, of dispersing industry throughout the countryside, of increased recreational facilities, of providing the climate wherein the people can own some small part of America and establish a respect for the property rights or others is all meaningless unless we first establish a priority on the family farm.

Again, I thank you for the opportunity to appear before you and hopefully lend a voice in building a better America.

The Chairman. We are certainly glad to have you here.

I don't know of a witness who appeared before us who was for the bill that you refer to with title I in it. That title, as I understand it, provides that producers would apply to a board, as to whether or not they want to come under the act—want to work within the regulations.

Then the committee selected, in order to bargain with someone who will buy the commodity. If the price is fixed, or if the price is not agreed to, then it is put to arbitration.

The feeling against price fixing on this committee, I think, is pretty strong—against it.

Now, it may be that we can utilize parts of that act so as to take care of commodities like eggs, poultry; and it may be that we can amend the Marketing Act that now deals with milk and other products so as to cover other commodities. But unless we have more evidence on that subject, I fear that the committee may not be in a position to report the Mondale bill as written.

Mr. Gross. I feel badly about this, because I think that title I is the answer to, for instance, the corn farmers, because today, under our voluntary programs, you have to buy participation. And this is fine—as long as the Congress is willing to buy this participation. But I question how long this will hold good. And even the buying of this participation—as pointed out, we have those who circumvent the will of even this group.

So this is why I would like to see this title I, which provides the farmers—after a vote, then everyone has to get in, because I cannot envision title I working without a mandatory supply adjustment program. And this is what is needed.

The Chairman. The corngrowers have always been against acreage control.

Mr. Gross. We have never, to my knowledge, had the chance to vote——

The Chairman. No, because the lobbyists were able to come here and kill that feature of the bill. I tried all I could to put corn under acreage control, but to no avail.

To go back to this title I that you are speaking of, suppose they do agre to make corn, say $1.25 a bushel, or whatever they agree to—there is no question but that there will have to be acreage controls. Don't you think so?

Mr. Gross. This is one thing that I think—that is one of the advantages of title I, that it provides——

The Chairman. All right.

I am giving this opinion for what it is worth. But I doubt if a majority of the growers would petition this board to make the determination as to whether or not a program is to be established.

Mr. GROSS. Senator, I think there has been quite a change in feeling among the corn farmers, even in this last year. Last year was a very costly lesson, and a very dear lesson, that they are not going to forget for some time, which is evidenced by the percent of participation, I think, this year.

They found out that the technological know-how—I just read yesterday where there has been as much as 277 bushels of corn run on an experimental plot. This technological know-how and production has caught up with them, and they realize it.

I won't say they would—but this is why I would like to see them given this opportunity.

They are making this program; they have asked for it. They have made it, and they will be satisfied. Today, this is not the story. It is pitiful.

My job is also organizing, and I go right out among the farmers. It is pitiful as to what is going on in the State of Iowa. In fact, in my own county, there has been and still are 30 farmers plus all the young people moving out every year, out of farming.

Some thought that they were moving into the county seat town. There have been quite a few houses built in this town of 3,500. When the last census was taken, there were less people than the 10 years previously. They are old people, one or two living in a house. The young people of childbearing age and of laboring age, have gone to the cities.

The CHAIRMAN. What becomes of the land? Do they sell it?

Mr. GROSS. It is being combined; yes. It is usually combined with another farm. But as these farmers grow older—something like 57 years of age, in Iowa—people are beginning to wonder now what is going to happen—these big packages have been put together. Who carries on from here.

The corporation farms are coming in—as I pointed out here, the 7,000-acre package put together last winter—there is real unrest.

I think the Congressmen and the Senators have recognized this. We have got to do something to stop it or rural America as we have known it is gone.

The CHAIRMAN. Senator Miller.

GENERAL

Senator MILLER. Mr. Chairman, I want to extend a warm welcome to my friend, Mr. Gross from Iowa. I think he has his finger on the pulsebeat so far as the Iowa farmers are concerned.

We have not lost as much farm population in Iowa as they have in many other states. Nationally, I think, the figures show that about 30 percent of the farm population has left the farm in the last 7 years.

He is quite correct in pointing out the social consequences of this. Many of these people have moved into the cities. Many of them have just aggravated the unemployment problem. Most of the farmers who go into the cities are hard-working people. They have a tendancy

to get the jobs. The hard core of unemployed remains hard-core unemployed in the cities.

I must say this: With that type of result over the last 7 years, we have had the farm supply-management programs on the books so there must be something wrong.

I would agree, on the basis of my best observations, that 75 percent of our Iowa farmers want a supply adjustment program of some kind. But the one we have got now is not getting the job done.

There are, of course, other factors that enter in—the squeeze on cost of prodution, inflation, high interest rates. But I can understand people coming in here and advocating that this committee enact a supply adjustment program as a follow-on to what we have. But in the face of the sad situation that has developed in the last 7 years, I find it incredible that people come in and ask us to just simply renew what we have got.

I know a lot of people have signed up on this farm program out in Iowa. They have signed up, not because they are delighted about it; they have signed up because it is better than nothing.

I was going to ask Mr. Gross—I am sure you have seen that Iowa State study of about 2½ or 3 years ago, in which they analyzed various types of programs, computerized them out, both from the standpoint of net income return to farmers and also the cost to the Federal Government.

I understand it is going to be updated, so we may have the benefit of that later on this year.

The recommendations of your organization are, I am sure, contained in one or two of those sample programs that Iowa State has analyzed; are they not?

Mr. Gross. Senator Miller, first, I want to recognize you, and I am happy to see you here. I am happy that you are on this Agriculture Committee because you are from Iowa, and certainly if there is any State that needs to be represented in agriculture it is Iowa, because corn is the key to all feed grains, it is the bellwether, and it also is the key in livestock production because, heavenly days, turkeys and broilers are all fed grains, and what happens there is tied to it.

In answer to your question, Senator, as far as their picking up our thinking; no, I would not say this in this respect—except that they analyze the different methods that can be taken on farm programs. The study that I saw, and I think the one which you are referring to, sets out that a mandatory control program is the least costly to the taxpayer, and it accomplishes results.

But the drawback so far has been the willingness of the farmer to accept this responsibility. But as I pointed out, I think the farmers have changed their thinking on this responsibility, and I certainly am one who would like to see them given the opportunity to exercise their judgment on this.

Senator Miller. Well, if I could make a suggestion to you. I am quite sure that our committee will be very interested in what the updating shows as far as the Iowa State University study is concerned. I would hope that you might talk to the people in the economics division up there and persuade them to have this mandatory program which you recommend included in their survey, and possibly two or

three variations of it, because I think that the desire on the part of many farmers as to whether they would want one or more of the different varieties of programs could very well be premised on what that Iowa State study shows.

Mr. GROSS. Senator Miller, could I say a few words on something else that kind of bothers me.

Iowa State made a study—an area economic development study—in our area of the State, nine counties in southern Iowa. Two years ago they came down there. We held meetings with the power structure in each county, with the economists there. This is what they told us 2 years ago, Senator. I don't know whether you are aware of this or not.

They told us there were 900 to 1,000 farms in my county—that by 1980 there would be between 500 and 600. This was inevitable; it would be statewide and nationwide.

So then, when we asked them why this was going to happen, they said it was because of the price economics that would force these farmers out, which has happened.

All right, we said, if this is the price, why can't we do something about the price? They said, it cannot be done, because if they will recognize a mandatory control program it will enhance price. But they said they had taken a survey of the farmers and about 80 percent were unwilling to accept price control or the measures that it would take.

Then we asked them this: Had you taken a survey of the farmers 10 years ago on the use of fertilizers, let's say 150 pounds—herbicides, insecticides—do you think the farmers would have accepted that at that time?

They questioned it. But we said, you knew they were good, that the use of fertilizers was a good thing, herbicides, so you held meetings and you educated the farmers to this. This is what you are not doing on farm programs. And they are not.

We had Dean Anderson, Mr. Colmer, and one of the other fellows from the University—we met with them a month ago on this very thing, had a half-day meeting on it. We feel there is an educational job that needs to be done here—not to come out and say, this should be done, or that should be done, but to set the programs out so the farmers understand.

Senator MILLER. Well, I would guess if they made some projections on the basis of what is going on, that they could well come up with the sorry picture as far as the number of farmers are concerned. I think a couple of years ago, in the President's budget report, a statement was made that even with the farm programs, it is not expected more that 1 million farmers can receive an adequate net income to sustain.

If we continue down the road we are traveling, with inflation and high interest rates on the one hand, and depressed prices on the other, this is indeed what is going to happen. That doesn't mean we need to travel down that road. I for one am going to do all I possibly can to avoid traveling down that road.

I wanted to make another comment. I notice what you have to say about subsidizing exports. I have not quite gotten around to the point of recommending that today. But I have warned that if this inflation

and high-interest-rate situation continues, it is going to price us out of world markets, and the only way we are going to be able to absorb our production then will be subsidy of our exports.

It may be that we need to do some of it now. I don't know. But I think that you are being most realistic in pointing out that we are getting ourselves into a noncompetitive position in world markets.

Now, there are some exceptions. Soybeans are doing fine. But even there the competition from other oils is starting to make some difference in some of our markets. So we are going to have to be very, very careful, I think, even on soybeans, or we are going to find ourselves in a bad way, too.

Mr. Gross. Here is the problem. It is worse than corn. In corn we have 4 billion and we export 500 million. And that determines the price. In soybeans we grow a billion bushels and we export about 300,000. If you go down and figure this out, that we are growing this amount of soybeans, the farmer, as compared to parity price, should be getting somewhere between 3 and 3¼ of parity; instead, he is getting 2.40.

I don't think it is realistic to be asking the farmers to do this, because they have to buy the tractors and machinery on the domestic market.

FARM BARGAINING

Senator Miller. Do you think it is feasible under title I of the Mondale bill to organize the corn producers?

Mr. Gross. Yes, I do. I think it is.

Senator Miller. Suppose that you do get the corn ——

The Chairman. That would have to be countrywide, not only Iowa.

Senator Miller. That is what I mean.

What do you do when you have a group of corn producers who join together, have a referendum, and they agree they are going to have a committee of producers formed, they are going to negotiate prices on corn. You have a lot of corn producers that couldn't care less about it, because they are not going to sell their corn, they are going to feed it.

Mr. Gross. As I said before you came in—I cannot envisage that title I would work at all without mandatory supply control programs. So you would have the selection. If 51 percent wanted it, then they all would have to come into it.

Senator Miller. What do you do about those who don't want it and who don't come into it, and who don't market their corn—they feed it themselves?

Mr. Gross. That's right. This is good. If we get this price of corn up on the market, then as far as hogs and cattle, this is pretty well going to take care of them—because if you can get the price of corn up to about $65, you are not going to find many fellows growing 18-cent hogs or feeding cattle unless the price of hogs and cattle are up where they should be, too.

So feed grains is really, Senator, the key to the whole problem as far as the Midwest agriculture is concerned—corn, hogs, even beyond the Midwest.

Senator Miller. I agree that it is. But if you don't have—if you have a substantial number of those who feed their own—some of

them have a tremendous feedlot operation—cattle and hogs both—I am not sure how effective this is going to be.

Mr. GROSS. They will have to, if they are producing corn—will have to go in and cut their production right along with me and the rest of them, if the majority vote the mandatory supply adjustment.

Then, if you have your marketing board, this marketing board sets the price, then this is the price this corn will move at.

Senator MILLER. Well, I didn't so read the Mondale bill. I read the Mondale bill, perhaps inaccurately, to indicate that these who wished to sell their products are going to be bound by whatever the referendum does, and they are going to be bound by the prices negotiated by the producer committee. But if they are not interested in selling their corn, then they are going to go out and feed it to livestock.

I don't think the Mondale bill covers that situation. That is the reason I am raising the point.

Mr. GROSS. No. They would still be permitted to feed their corn to livestock. But if they could market this corn at the price, set price, of $1.65 a bushel, say, they are not going to feed it to this livestock, not very long, unless it, too, is making them money.

So give them this alternative—either sell or feed it. It makes little difference—unless the price of hogs and cattle comes up. That is why I say it is the real key to the whole thing.

Senator MILLER. I can see a number of these people with sharp pencils, especially big operators, who say: "Well, we don't want to have to pay $2 a bushel for corn or $50. We would rather grow an awful lot of it ourselves and just feed it to our cattle, and we will make pretty good money on that. Even though we may not get as high a price for our cattle as if we were feeding them $2 corn—we can grow this corn in that quantity and pour it into the cattle and the hogs and come out pretty well."

Mr. GROSS. This is possible. There are always those who wish to do this. This is why, under the Mondale bill, they have to participate. They are the fellows who are killing us right now—the rest of the corn producers that participate in the voluntary program. Those are the very fellows who kill us, are the very fellows who stay out and plant from fence to fence.

Senator MILLER. And many of them are feeders.

Mr. GROSS. That's right.

Senator MILLER. Well, as pointed out by Professor Padberg, I believe, there is going to have to be some insulation of the market from these aggravations—either from overseas or from other regions. I can see a problem of aggravation with respect to those who get into the livestock feeding business. I doubt if it would be feasible for us to legislate the Mondale title I approach, and say, even if you are not going to market your corn, you are going to be covered.

Mr. GROSS. They would not be covered on the price, because they do not sell the corn.

Senator MILLER. Right. They are going to grow their own corn.

Mr. GROSS. But they still have to control the supply. And if they buy any corn, they are going to have to pay the price. And as far as the exports, and so on, I am sure if the price goes up, which our price level will, probably there will have to be some provisions made. We have it now in cattle, we have the import restrictions on cattle.

We have had parity prices for feed grains several times in the past, and we have never suffered from imports from that. But this could happen. I don't know. But these could be taken care of in the future. We have had parity prices on corn and have never suffered from the imports.

Senator MILLER. I would like to see them again.

Mr. GROSS. This is what the farmers out in Iowa want. I am sure you are aware of this, Senator.

Senator MILLER. I have been complaining about this ever since I have been in the Senate, Mr. Gross. It seems as though this parity picture is getting worse each year.

Mr. GROSS. As far as the voluntary feed grain program, I don't want to see it kicked out the window as of now, because this is better than nothing. But it is not the answer.

Senator MILLER. You would rather have something better than that.

Mr. GROSS. That's right—built right on top of that.

Senator MILLER. I think that is why we are sitting through these hearings. We want to hear how these things can be improved. Some people will have one approach and others have another approach.

Out of the whole thing, plus, I hope, the Iowa State survey, I hope we can have a program better than we have got. If it is not better, we have an awful dim future looking our farmers in the face. This is what I think one of your major points is, and I thoroughly agree with it. The social cost and economic cost of what has happened to the farm population has been something that I think all of us abhor.

Mr. GROSS. It is a sorry sight, sir, to drive down the road where these corporations have moved in because these people have failed and have moved out, and see the empty farmhouses down the road, one after the other, and see the business houses in town empty. And this is true.

The CHAIRMAN. Thank you very much, Mr. Gross. We are glad to have had you.

Mr. GROSS. Thank you, sir.

The CHAIRMAN. Our next witness is Mr. Fairbanks.

STATEMENT OF LLOYD J. FAIRBANKS, LEGISLATIVE REPRESENTATIVE, NATIONAL FARMERS ORGANIZATION, KING CITY, MO.

Mr. FAIRBANKS. Mr. Chairman and members of the committee, I am Lloyd J. Fairbanks, legislative representative of the NFO. Mr. Oren Lee Staley, president of the National Farmers Organization had intended to be present today, but he is unable to do so. I will present the testimony he had prepared at this time.

I am sorry he cannot be here. I know you are acquainted with him. He wishes very much he could be here.

The NFO is an organization of farmers, made up of farmers, and run by farmers. Only producers of agricultural commodities can be members of the NFO. We cannot go into business. The only purpose of the NFO is to achieve justice at the marketplace for the American farmers through the NFO collective bargaining program.

We realize that no one else can be expected to solve all the problems of farmers and, therefore, it is the responsibility of farmers to take

businesslike steps to put a price tag on their products so they can compete in an organized economy.

We have supported any legislative programs or administrative policies that would maintain or increase farm income. We have advised our members to use all the legislative programs and administrative policies in every way possible to implement our collective bargaining effort.

We are now in a period of history in which the family-type structure of American agriculture is being challenged and is on the brink of destruction because of low farm prices. The average age of farmers is continuing upward because the youth does not see the necessary incentive in agriculture to stay on the farm.

No industry can survive unless the profit ratio in that industry is comparable to the profit ratio in other industries. In an organized economy those who remain unorganized get in a weaker and weaker position. Farmers are realizing this fact more each day. And this is the reason NFO has had such rapid growth and is now organized in 40 States.

The subjects we are discussing today are comprehensive and complicated. Collective bargaining is a necessity for American agriculture. But the farmers, themselves, are the ones who must make it work. Collective bargaining in American agriculture means farmers bargaining together and selling together.

Almost everyone now recognizes the need for collective bargaining in agriculture. NFO has been a pioneer in this field and has put a new dimension on bargaining. Many of the people who are talking about bargaining in agriculture are utterly confused about the real mechanics of collective bargaining in agriculture.

The first thing they are confused about is that they do not realize that true bargaining in agriculture is really the building and the using of a counteractant economic power. It is a counteractant economic power basically because it is competing with existing economic power.

The second thing that many people do not understand is that the large companies you deal with in collective bargaining have good lines of communication and that the leaders of the industry establish the price level. It is further not understood that the point of real economic strength in many commodities has moved from the processor level to the chainstore level.

The third thing that many people are confused about is the already existing legal right of farmers. They are confusing themselves by overlooking the broad antitrust exemptions and are looking only at the unfair practices that courts have ruled as illegal. The Capper-Volstead Act in the second section adequately protects the consuming public while still protecting the rights of farmers.

The NFO believes and has proven that the farmers can organize and can be successful in collective bargaining. We have bargained successfully with many of the Nation's largest meat and dairy processors, as well as grain handlers. We will support any legislation that could give farmers additional tools to hurry bargaining along, but at the same time we would oppose any legislation that would give the Government either direct or indirect control of bargaining. We have seen Government programs being gradually phased out because of the political climate that has resulted in farmers becoming a smaller and

smaller part of the Nation's population. Therefore, if farmers have their prices determined in a changing political climate by Government either directly or indirectly, we would find the same forces that have attacked the Government programs attacking the prices farmers receive. This would be no more fair than for the consumers to determine the prices of General Motors products.

There are several problems surrounding the formulation of a bargaining structure by the Government. First, if sufficient authority is outlined by law to give Government the power to force bargaining on farmers, then it is likely that enough restrictions will be placed on the bargaining effort to destroy farmers' chances of keeping competitive in a highly organized, private-ownership economy.

Secondly, farmers will not be satisfied very long nor will they understand bargaining unless they are active participants in the battle of economic forces. Superstructure marketing boards and farm boards throughout the world and in this Nation have been unsuccessful because farmers get so far removed from the board structural echelon that they are soon going in different directions and you have a structure that is not functioning for the farmers nor does it have the farmers' support.

Thirdly, bargaining in agriculture cannot be compared with bargaining in labor because of several reasons. Most important of these is the fact that in agriculture you have farm commodities that can be moved from area to area. It only takes a few hours' time to move agricultural production 500 to 1,000 miles, and when it is delivered the product is in as good or about as good condition as it was when it left its point of origination. Labor can successfully organize around plants because of a long training period for skilled labor. To try to set up a structure where bargaining can be done in an area would mean such strict regulations in prohibiting the movement of farm commodities from area to area that it would be impossible to pass such legislation or to administer it. Bargaining in agriculture must be done industry-wide and must recognize the differences in processor needs.

For collective bargaining to be successful in American agriculture everyone must realize that farmers must have the will, the understanding, and the determination to become involved in an economic struggle for justice. To try to superimpose upon farmers something they are not willing to do for themselves would be impossible. The Government should give farmers all the tools they need to meet their economic problems. But for the above reasons, we doubt if title 1 of the Mondale bill could ever be really worked out. Title 2 of the Mondale bill, however, does give farmers some additional tools that could be useful and helpful and should be considered very carefully. Basically, title 2 gives the right of self-determination of farmers to use methods that can give them equal rights as already enjoyed by other segments of our population. Therefore, we support title 2 of Senator Mondale's bill.

We urge the extension of the Food and Agricultural Act of 1965. It has been a useful and beneficial act. The basic parts of this act should be continued indefinitely so they could be used as necessary to assure this Nation of an adequate food supply and at the same time give some protection to the farmer so that farmers can keep the agricultural plant

geared to ever-increasing needs for food. This way the entire Nation can participate in helping to protect an adequate agricultural plant.

The NFO supports Public Law 480. This is the only way our Nation can partially meet at least its responsibility to other people throughout the world. We feel that Mr. Lewis' proposal should be given strong consideration because it does add a possible new dimension to Public Law 480.

COMMODITY RESERVES

The strategic reserve bill is a sound investment in protecting the Nation by insuring an adequate food supply. The NFO strongly opposes any provision in this type of legislation that would allow the farm products included in the strategic reserve bill to be used to depress farm prices. The purpose of this strategic reserve bill should only be for the protection of the consuming public by insuring an adequete food supply at all times. It should be not just the farmers' responsibility to maintain and protect an adequate reserve of food. This should be the responsibility of the entire Nation. Senator George McGovern has presented some sound and workable proposals that should be included in a strategic reserve bill.

The income situation in agriculture is in a sad state of affairs. The cost-price squeeze that farmers are caught in is destroying the family-type agriculture in our Nation. The Congress of the United States is not as aware of the seriousness of this problem as it should be. It is too bad that we are living in a time when catastrophe has already been had before steps are taken to see that problems are corrected.

We in the NFO are now saying to the Congress of the United States that the family-like structure of American agriculture is going to disintegrate unless farmers and the Congress recognize the seriousness of the present problem in American agriculture, and action is taken by both to meet the existing problems. We in the NFO are doing all we possibly can to assist farmers in meeting their problems. It is our hope that our Congress does its part.

I appreciate the time you have given me and will answer any questions you may have.

FARM BARGAINING

The CHAIRMAN. Well, I can assure you that this committee will do all it can. But up to now I do not see sufficient evidence before us to warrant this committee to report the so-called Mondale bill in its present form. As you know—as I stated heretofore—I was of the opinion that the corngrower should be put under the same laws with respect to acreage control as cotton and any other commodity. Whenever you speak of reducing the corn production so as to meet market requirement, I do not see any other way to do it except that way.

Now, you, like many others, are saying that you want the farmers to handle this, the farmer is going to do this, the farmer is going to do that. But you do not want the Government out of it. You want the Government to step in and loan a lot of money on whatever you produce in excess of requirements. Now, that is not tied in so well with the Mondale bill.

A lot of people are taking the position that Congress is not treating you right, that you want to do it yourself.

But even though your desire is to do it yourself, you still want the Government to be in there in order to take care of them in case you overdo it, or overproduce.

Mr. FAIRBANKS. Sir, we feel like we need the Government support, the Government tools in the interim of farmers getting into position of doing this themselves, and also any adequate tools that you can afford us.

Now, title 2 of the Mondale bill would be some additional tools.

Now, as to whether farmers will vote the controls on themselves or not, they should have the opportunity to do so if they want to. I think there is a change in attitude in agriculture today. They are much more educated today than they were a few years ago. Senator, you spoke of having meetings out in the area. I wish very much that you could do this again. I think you would see a considerable change in the farmers' attitude.

GENERAL

The CHAIRMAN. Well, on all programs we have had before, as I recall, the first program that we put on the statute books in 1937, I coauthored the bill—three of the titles, at least—and I remember going back to the farmers 10 years later, and they said, "If you cannot give us anything better, let well enough alone." They were satisfied with what we were doing.

And today you heard these farmers who came to testify, and they said they are well satisfied, and they wanted us to extend it as is this year—not wait until next year.

Mr. FAIRBANKS. And I join in the thoughts of extension, Senator. I think the extension should be made this year. Farmers are business people. They have become more business people than in the past.

The CHAIRMAN. This program has been on the statute books only 2 years in practice. I think that we ought to have at least three-quarters of it. And the reason the committee is holding the hearings now is to be ready, so as to undertake to extend it or improve it, so as to be ready for 1970.

Mr. FAIRBANKS. Well, Senator, it is our belief that farmers need to know this as early as possible, and it should be this year. As I said, they are business people. They have to make plans to buy machinery, make arrangements for credit, make arrangements for leasing of land, and what have you—just like all of our businesses today. In fact, the people that made this shirt that I have on, they take the order on these shirts before they even manufacture them—they know how many they are going to need, they have their material bought, they know what the labor costs and all are. Farmers have to also be business people and plan in advance.

The CHAIRMAN. Well, you know that the law would be in effect until December of next year—not this year, but next year. And I am sure that the Congress can get this law behind it in the early part of next year, which will give you a whole year practically before you start producing for 1970. In other words, this law is effective all of this year and all of next year. I think that it will be beneficial for us to get more experience on the law that is on the statute boks. And as far as I am concerned, I will do all I can to get it before Congress as soon as possible.

Now, as I stated to Senator Miller a while ago, after we left this room, it is my hope to take these hearings and submit them to all of our agricultural colleges, and let them look them over. I will send them the law as it now stands, and try to get them to get their heads together and make proposals to us as to how to better it. And all of that will be available to us in January. We are not going to have to hold extensive hearings any more. We are doing that now.

I agree with you—if we wait until next year to hold the hearings, there may be some good reason to do it this year. But the fact that we are now holding hearings in anticipation of meeting it—that we are holding hearings now in order to have them available early next year, I am sure that we can get this bill out very early. I do not anticipate that there will be much demand to hold extensive hearings. It may be that we can have a couple or 3 days of hearings on any bill proposed, so to simply find out if there are any bugs in it. We will do our best, and I am sure we will get it out in time enough to—so that the farmers can plan for 1970 and on.

Mr. FAIRBANKS. Senator, I feel that this committee is very knowledgeable of the programs that we have had; they have been following this program for 3 years.

The CHAIRMAN. No—only 2 years.

Mr. FAIRBANKS. It is going into the third year.

The CHAIRMAN. I know. But this is March.

Mr. FAIRBANKS. I stand corrected on that. At any rate, there has been time elapsed, and you have seen the programs operate. I feel like you have the knowledge of the programs, that you could go ahead and handle it better than a new committee, new Congress, that will have to be organized after the first of the year. As I say, the farmers are business people, they need to know in advance so they can go ahead and make arrangements.

The CHAIRMAN. Well, I do not think we will have any trouble. I don't expect much change in the Congress—I mean in the Senate. There may be some in the House of Representatives.

Mr. FAIRBANKS. I would like to say this, too. I feel that the grassroot farmer has as much knowledge of this as our colleagues do—they have as much knowledge of the farm problem, if not more than our colleges do.

The CHAIRMAN. Well——

Senator MILLER. May I make a comment?

The CHAIRMAN (continuing). It may be. What we are trying to do is get all the information we can. Now——

Mr. FAIRBANKS. I appreciate this.

The CHAIRMAN (continuing). That is the reason. Before we put the act we now have on the statute books, we wrote letters to all of the colleges and asked for their opinion, and asked for their advice. I do not know that much of it was used. But at the same time we had that available to us. And that is what I propose to do now.

Senator MILLER. Would the chairman yield at that point?

The CHAIRMAN. Yes, sir.

Senator MILLER. I do not think anybody would dispute the fact that the typical Iowa farmer knows more about the problems of farming than somebody up at Iowa State University. However, the average Iowa farmer has no concept of the costs of the program, which

is one very big factor that has to be taken into account, and which is one factor that these economists at Iowa State can pretty well work out.

I think additionally the average farmer knows that things are not right. He wants something done about it. But I don't need to tell you that when we hear them here in the committee—we hear good bona fide dirt farmers, and some big farmers, too, testify—and they have different ideas on some of these things. This has been part of the problem.

Iowa State can take a hard look at this without any particular concern about whether it is this farmer or this farmer. They take a pretty hard factual look, and then they come up with some conclusions.

I certainly do not suggest that we are going to be bound by them. But they will be helpful.

They have already been helpful in this respect, Mr. Fairbanks. The Secretary of Agriculture—and my guess is everybody on this committee, and many of the witnesses who have appeared before this committee—has used the study of Iowa State University, and some of the other land-grant colleges associated with it, to reach the conclusion that if we just did away with farm programs, the net income of farmers would drop about a third. So I do not think we should underestimate what they can do. I think what we need to do is get the best evidence we can from all knowledgeable sources—not to put a premimum on any one particular, but to come up with a broad base of our own committee's research, so that we can arrive at the best conclusions. That is what the chairman has in mind, I think.

The Chairman. I was the one who suggested this study that we have here. We had Dr. Wilcox make a study, and Iowa State made a study. We used that as tools to go before the Senate and say, "This is what would happen in the event we did not pass the Farm Act."

Senator Miller. That is right.

The Chairman. I am sure it opened the eyes of quite a few Senators who might have not been willing to vote as they did unless they were convinced.

Senator Miller. And especially for the appropriation.

The Chairman. Sure. Remember, now, you have to deal with a lot of money out of the Treasury. This program is costing in excess of $4 billion now. I expected, back in 1964 when we were considering the act, that when we got production in balance with our requirements we would gradually get away from Government controls. But I find we are not able to do that.

Mr. Fairbanks. This is something we hope we can accomplish basically through our organization.

I would like to say this. I am certainly not opposed to the study of the colleges. The only thing I am opposed to is the timing. If you could get the study of the colleges early enough in order to act on it this year, this is what we would prefer as an organization that we could do.

The Chairman. Well, this committee has already gone on record that we will hold hearings now, gather all the information we can this year, and early next year we will proceed.

Senator MILLER. I want to add this.

Mr. Fairbanks is perfectly correct about the desire of farmers to be able to plan ahead. There is no question about that. I share the chairman's hope and desire we can get something out of here early next year. I think we will have a better package doing that than if we just blindly go ahead and take what we have now. I must tell you, I have had many complaints about this. And the worst complaint of all is where is agriculture today, where is parity today, and this thing has been on the books for 2 years.

I think it is lousy. The parity situation is terrible. If we cannot do something in this committee, with all of the resources we have, to come up with a better follow-on program, I will be very, very surprised, and I think every farmer in the country ought to be greatly disappointed. So is why I think we would be making a mistake to just pass a follow-on program which seems to have been at least a part of the reason why we are having the situation we have today. And nobody knows better than NFO members what a lousy price situation we have. And I think that part of it—and I am not saying all of it—part of it is due to what we have on the books.

Now, maybe the wheat farmers like it pretty well. But I do not think our corn farmers are getting a fair shake on this at all. And in turn, our livestock farmers and other people—your members—from where you draw many of your members in various categories out in my area.

FARM BARGAINING

Mr. FAIRBANKS. I would like to add this if I might, Senator. I heard mention this morning changing or amending the Capper-Volstead Act. That act, as you know, is one of the broadest acts we have on the statutes today. The intent that was outlined by Senator Capper and Congressman Volstead was to give the farmers the same rights other segments of the economy has, giving them exemptions from the Sherman Antitrust Act and the Clayton Act. Certainly we have the tools that we need in order to bargain collectively as farmers today under this broad act. And certainly there is protection within this act in section 2 that protects the consumers.

So far as doing anything with the Capper-Volstead Act, we do not feel this should be done. Any additional legislation that can implement bargaining, we are certainly looking forward to. But as far as amending the Capper-Volstead Act, we certainly would not prefer this.

Senator MILLER. You say any additional tools you can get. As long as the Federal Government is not tied in directly or indirectly to it, as I understand from your testimony.

Mr. FAIRBANKS. Right. Of course, as far as title II of the Mondale bill, it would have to be administered by the Government in that respect, without title I.

The CHAIRMAN. Even title I would have to be administered by the Government.

Mr. FAIRBANKS. We do not support title I, sir.

The CHAIRMAN. You don't?

Mr. FAIRBANKS. No, sir.

The CHAIRMAN. That is—you see the conflict you have here

Mr. FAIRBANKS. As I said in my testimony, sir, I did not prefer the Government having a direct or indirect control of bargaining. And that is what would be in title I of the Mondale bill.

Senator MILLER. I think it is very significant, Mr. Chairman, that the NFO's position is opposed to title I. A lot of people think NFO is interested in collective bargaining for farmers, therefore they must be supporting title I of the Mondale bill. But NFO does not want the Government to get into this picture. And it would sooner or later get in under the title I.

The CHAIRMAN. It would the moment that the price—I mean the committees are not in agreement on what the price is and go to arbitration—and who carries it out, the Secretary of Agriculture. He is back in the picture, just the same as he is now.

Well, I guess we could go along and argue for quite some time.

Mr. FAIRBANKS. I do not feel like it is an argument, Senator. I feel like it is a good discussion. I certainly appreciate discussing it with you. And I wish very much that we had more time and our president could have been here to discuss it with you, too.

The CHAIRMAN. All right.

This concludes the hearings of outside witnesses. As I stated during the hearings, the record will be—will remain open until May 15 for additional information. During the latter part of this month or early next month, preferably the latter part of this month, I am going to invite the Secretary of Agriculture to come before us and spend a few days—after reviewing all of the testimony that has been admitted here—let him go over it and give us the benefit of his views as to what ought to be done.

Now, the committee will then stand in recess until further call of the Chair.

(Whereupon, at 5:55 p.m., the committee was adjourned, to reconvene subject to the call of the Chair.)

(Additional statements filed for the record are as follows:)

STATEMENT OF RALPH B. BUNJE, GENERAL MANAGER, CALIFORNIA CANNING PEACH ASSOCIATION, SAN FRANCISCO, CALIF.

Mr. Chairman and Members of the Committee, my name is Ralph Bunje. I am the Manager of the California Canning Peach Association, one of the oldest bargaining associations in business in the United States today. The organization had its start in the early 20's and has been involved in price bargaining for canning cling peaches over these many years. I believe that the experience that we have had may be of help to the Committee as it considers the bill proposed by the Honorable Senator Walter F. Mondale, Senate Bill 2973. I should like to express my views concerning the proposed legislation as well as to respond to the request contained in the message of the President on February 27, 1968, when he referred to farmer bargaining power.

Mr. Chairman, I believe it is important to establish at the outset what we believe, based upon our experience, to be an essential consideration in addressing ourselves to the subject of farmer bargaining power or price making by an association of farmers. Pricing and bargaining for a farm commodity is essentially a marketing function. Price bargaining for a commodity cannot achieve a price that is higher than the real value of the commodity. And the real value for a commodity is subject to a great many factors which are in addition to the cost of production factors that have been set forth in Title I of the proposed legislation.

It is interesting to note that in the policy and findings in the proposed bill, a reference is made to the fact that agricultural producers do not now enjoy an opportunity comparable to that of industrial workers and other forms of enterprise in being able to organize and bargain effectively for just and fair prices. It

is our experience that bargaining for the cost of labor is a substantially different type of operation and takes into account different considerations than that of price bargaining for a commodity. Agricultural commodity prices, as you well know, are subject to a great many factors. There are such things as supplies of the commodities that are available or may be carried over from one year to another. There is the matter of substitutability for the commodity, because today, particularly in the food area, America's grocery stores carry some 8,000 items for the consumer to choose from. There is the matter of promotion or lack of promotion—as well as other indirectly related factors. And thus, farmer bargaining must take into account all of the economic and marketing factors that have a bearing on the business of naming a fair and reasonable price. Bargaining for the price of labor is not so complex.

Over the years, farmers have been affected by the surplus of their production, but for reasons that are not too well understood by a great many of us, farmers have been reluctant to approve the idea of surplus management. Perhaps this is because they have not been given the opportunity to make decisions in this area. I can say to the Committee that it has been our experience, that if we are to bargain effectively, then we must have some means of regulating or handling the surplus production of our commodity. This we have done in the cling peach industry for nearly fifty years by one form or another. In California many commodities have made use of marketing orders, both Federal and State, that provide means for stabilizing the supply of the commodity that may flow to market. This takes the form of pro-rates, set-asides, diversion programs, surplus elimination programs and many other devices including tight quality restrictions that tend to restrict the supply when it is much greater than the expected market demand. This we refer to as "establishing a reasonable climate within which price bargaining can take place." I, therefore, believe that it is absolutely essential that more commodities be able to make use of Federal Marketing Orders that will enable such commodities to use some kind of surplus management program if it is justified. Not all commodities can use the same kind of surplus management programs. Each needs to be a little different, tailored to that particular commodity's needs.

The fact that supply management may be made available to a commodity, can remove the price depressing effects of overproduction which have been such a terrible burden on the pricing power of America's farmers. An effective and responsible bargaining association working in the context of a well conceived marketing order can mean a fair price and adequate bargaining power for farmers in America. However, our experience would lead us to warn the Committee that bargaining associations are not in themselves the answer to all the farmers' price problems, because under any circumstances, a certain amount of discipline has to be entered into by the farmers themselves if they wish to obtain good prices. These disciplines include market planning, industry advertising and sales promotion programs, surplus management programs, grade regulations, diversions or set-asides, or whatever may be necessary to create the essential climate within which the product might be advantageously marketed. Likewise, farmers need to adjust themselves to the realities of the marketplace to realize that they cannot expect to substitute one commodity for another wihout taking advantage of all the opportunities that are available to make the product more attractive to the consumer, either on the basis of quality or price or in the manner in which it is marketed.

Now, Mr. Chairman, with respect to our specific recommendations on Title I. First, with regard to policies and findings:

We believe that it is important to point out the fact that pricing for an agricultural commodity is not comparable to pricing for the cost of labor. That facts of substitutability, the supply of the product, the market potential, the amount of merchandising and promotion for the product that exists both at home and abroad, the potential imports from other competing countries, and the supplies and prices of competitive products all need to be taken into account when pricing an agricultural commodity. This makes it essential that producers have the opportunity, in this complex world of food marketing, to make use of many different tools to achieve reasonable and fair prices that are commensurate with the real value of the commodity. The pricing ol labor is not subject to such complex factors and so many unknown and uncontrolled elements.

Title I undertakes to establish a National Agricultural Relations Board and to set forth its obligations and responsibilities. I believe that the Chairman of the Committee is to be complimented for his courage in preparing such a pro-

posal for hearing and discussion. I believe that because this proposal has been set forth for farm groups and processors and handlers to examine, a better understanding as to the complexities of the marketplace for farm products will be achieved.

Unfortunately, it is my personal view that Title I will not find general acceptance either among producers or processors, or among consumers. But it has served to bring into sharp focus the need for farmers to find some better way of establishing fair and reasonable prices for their production.

The National Agricultural Relations Board concept borrows a good deal from the experience of organized labor. But, again, I want to point out that the marketing of farm produce is substantially different than the business of bargaining for the price of labor. Therefore, the idea of a National Agricultural Relations Board is not an appropriate solution; it is not an apt analogy. The concept is cast against a background of trying to achieve for farmers prices that may not be economically justified with reference to the market. I believe, in the long run, that there is danger in ignoring the principles of the marketplace when undertaking to give farmers bargaining power.

Bargaining power needs to be cast within a climate and an environment that takes into account all of the forces that have a bearing on establishing a price for the commodity. In many cases in the past, farmers have suffered because they have not been able to regulate the supply of the commodity that they put onto the market. They have not had an opportunity, in many cases, to regulate the manner in which the sale of their product is carried on. There have been many instances in which agricultural producers have been exploited by handlers and buyers of their product who have played one against the other, or because they have taken advantage of a surplus, or have been able to take advantage of a farmer's financial distress.

There are many factors that have influenced that the price of commodities that have nothing to do with the cost of production. I believe that major attention needs to be placed upon the opportunity to remove some of the difficulties of the present system of purchase and sale of farm commodities and remove some of the opportunities for mischief that exist with respect to the buyer of the product and give to the farmer some added strength in marketing his commodity. The advantage now enjoyed by the buyer should be shared with the farmer and his organization. To this end, I would make a recommendation to the Committee with respect to a new approach under Title I.

I would suggest that Title I be revised to authorize the Secretary of Agriculture to accredit bond fide farmer owned and operated bargaining associations. I suggest that the idea of accreditation be given consideration because if you are interested in encouraging the formation of voluntary farmer owned and operated bargaining associations over which the farmers have the ultimate control, then farmers should have some assurance that such an organization is equipped and prepared to do an effective job of bargaining for them. For example, I would recommend legislation along the following lines:

1. The Secretary of Agriculture shall be authorized and directed to hold public hearings whenever so requested by interested farmers for the purpose of determining and making a finding as to whether or not the farmer owned and operated bargaining association should be accredited by the Department of Agriculture. The Secretary's findings should be based upon the following considerations:

   A. That the bargaining association represents a sufficient amount of tonnage and numbers of producers to make it an effective price leader in connection with the sale of the commodity or commodities that it purports to represent.

   B. That the association does have appropriate contracts with the members which are binding and which can be enforced under local law.

   C. That the association is offering or is prepared to offer appropriate contracts covering the sale of the members' product to buyers, which contract not only is enforceable in a court of law, but which provides the necessary protection for the producer in connection with the delivery, the sale, and the payment for his production.

   D. That the association has by-laws which will assure membership ownership and control of the organization at all times.

   E. That there is a basis of financing the organization which is adequate to cover its requirements and which will enable the organization to carry out fully the purposes for which it has been established.

F. That the association has or will have personnel who are experienced and trained in the field of economics and marketing so that growers may be assured that an adequate staff is at hand to carry out the purposes of the organization.

G. That there appear to be good prospects for membership support from other growers not already members of the association.

H. That there is a practical need for the association in this particular field and that it can reasonably be expected to achieve the purposes for which it has been organized, namely to achieve for the farmers of the commodity it represents fair and reasonable prices consistent with economic events of the day.

2. When the Secretary has held a public hearing and has made the necessary findings and has accredited or sanctioned the organization, he would then be required to advise the handlers and buyers and processors of the commodity that will be affected by the new organization that they will be expected to bargain in good faith with representatives of the accredited association regarding prices and terms of sale of the affected commodities.

The accreditation idea that I am suggesting to the Committee is a departure from the proposals in Title I. It emphasizes the voluntary character of the farmer owned bargaining associations. It places the burden of developing the price bargaining process upon the farmers themselves. It has been our experience that when the farmers feel that they have a part in the organization, when they must help make the decisions and reach the decisions for price negotiations, they generally will make better decisions and will do a more effective job than that which can be achieved through some form of legal compulsion. I believe that it is this voluntary approach for farmers' bargaining associations that is important for the long run benefits of farmer bargaining power.

Title II of the proposed bill has some new approaches which have merit. However, the idea of providing authority in marketing orders for establishing minimum prices and terms and conditions of sale or for establishing collective bargaining units, is in our judgment not an appropriate use of the marketing orders. Pricing should be carried out by voluntary organizations which may be accredited along the lines of the suggestion that I have made. To place on the Department of Agriculture and the Secretary the burden of using the police powers of the government to fix minimum prices or terms of trade would, in our judgment, not be a good move, either politically or economically. It would place the Department of Agriculture in a no-win position. It would subject the Department to all of the strains and stresses and influence that generally accompany price-making authority. I would suggest that this be left up to the bargaining process between producers, their organizations, and the handlers and buyers of the product, and not be achieved through the use of the Federal Marketing Order procedures.

We believe that the idea of making it possible for farm products, which are not eligible for marketing orders under the present law, to become eligible after a special preliminary referendum of affected producers is a good idea. We hope that this opportunity to make use of the provisions of a Federal Marketing Order should be extended to all commodities, particularly including canned and frozen commodities. It is indeed unfortunate, for example, that the growers of pears on the Pacific Coast must undertake to get legislation passed by the Congress of the United States in order to be eligible for a Federal Marketing Order for their product when sold for processing. It is very difficult to understand why a pear grower may make use of a Federal Marketing Order if he ships his product to the fresh market or sells it to a dry yard, but is denied that opportunity if he chooses to sell his product to a processor. We think that this kind of a situation is not fair, is not in line with the present intent of the Congress, and such an unfair arrangement should be overcome. We believe that the idea of a preliminary referendum to determine whether or not the growers of a commodity wish to come under the provisions of the Federal Marketing Agreement Act is a sound move and one that should find widespread support. We believe that all of the provisions proposed in the legislation that have to do with minimum pricing or establishing bargaining agencies or collective bargaining units in the Federal Marketing Agreement legislation should be deleted. We believe the farmers are not prepared at this time to accept such provisions.

The authority to establish allotments is, in our judgment, an improvement of real substance because producers should have the opportunity to utilize any means possible to undertake supply management programs to assist in establish-

ing a desirable climate within which bargaining may take place. Our experience with marketing orders is that they are very difficult to have approved by the producers; that's because they examine the documents most carefully and vote in their self interest. It is doubtful that any proposal that is not a sound proposal, with respect to allotments or set-asides or pro-rates or whatever the device appropriate to the commodity involved may be, would ever be approved by the producers of the commodity involved. However, the authority to consider some means of supply management should be made available to producers. The provisions of Section 201(6) which amends Section 8c7(E) of the Agricultural Adjustment Act of 1933. Amended, are appropriate changes in the Federal Marketing Agreement Act except for those portions that deal with the business of price bargaining. We believe that every possible means of supply or surplus management should be made available to producers under Federal Marketing Agreements because, in our experience, farmers will never approve an impractical plan.

Since the passage of the House version of S–109, it would appear to us that Title III of the proposal no longer is a matter of issue before the Committee. We would, however, like to recommend that accredited bargaining associations be made exempt from the provisions of Section 4 of the Agricultural Fair Practices Act which prohibits certain practices.

Mr. Chairman, I should now like to make some comments specifically in response to the invitation from Senator Mondale concerning my testimony before the Committee and also would respond to the suggestions carried in the President's message to Congress. The President posed a number of questions, and I should like to respond to these based upon the experience that I have had in the business of bargaining.

WILL BARGAINING EFFORTS BE FULLY EFFECTIVE FOR ALL COMMODITIES

Each agricultural commodity is marketed in a different manner. Some commodities are grown in every state and some are grown in only very small areas or regions. There is no way that I know of in which a general rule of thumb can be used that could apply to all agricultural commodities in connection with their bargaining efforts. I do believe that it would be wise for the Congress to make available to farmers the widest possible range of alternatives to achieve some method of supply or surplus management and that such supply and surplus management opportunities be made available to producers after they have had an opportunity to examine the proposal and then to vote upon the proposal.

This is a means of causing the producer to decide for himself whether or not he is willing to take the disciplines of a market in order to achieve the appropriate income that he believes he is entitled to for the product. I believe the burden of responsibility should be placed upon the producer. My experience, over many years in working for farmers, has been that they will take this responsibility. They then will do an intelligent and effective job, and if provided with appropriate tools will modify the type of market power that exists in favor of the purchaser today. Establishing marketing power for the farmers, through use of marketing orders carying supply and surplus management opportunities, can lead to equal the bargaining strength between producer and buyer. The essential ingredient, it seems to me, is to make it possible for producers to utilize supply and surplus control devices which they, in their judgment and expressed by ballot, have decided to use. The producer should make the decision himself as to whether or not he wishes to be regulated. It should not be made upon the decision reached by administrators in the Department of Agriculture.

WHAT KIND OF BARGAINING UNIT SHOULD FARMERS ESTABLISH?

I believe that the best type of bargaining unit that can be established is a voluntary one. The Congress should express its approval of and create a climate in which voluntary bargaining associations are made a desirable means for marketing for farmers. If the farmers are able to control their own associations on a voluntary basis, if marketing through a bargaining association achieves better prices than marketing without a bargaining association, there need be no laws, no regulations or anything else drawn to attract people into such organizations. The very economics of the situation will cause the producer to be attracted to such an organization, and when they are accredited by the Department of Agriculture after applying appropriate criteria, a legal climate will be assured that will bring about a balance of bargaining power between the purchaser and the producer.

FOR WHAT SHOULD FARMERS BARGAIN? BETTER PRICE? UNIFORM QUALITY? TERMS OF SALE?

Farmers should bargain primarily for the price of the commodity and the method of delivery or terms of sale. The uniform quality of the product can generally best be achieved when we use voluntary bargaining associations for price and use marketing orders for quality regulations.

SHOULD THE BARGAINING UNIT BE ABLE TO LIMIT MARKETING OR PRODUCTION TO MEET BARGAINING OBJECTIVES? IF SO, HOW SHOULD THESE LIMITATIONS BE ADMINISTERED OR ENFORCED?

The bargaining unit, of course, should be able to limit the marketing or production of its own members' production. However, the bargaining unit should not be able to apply such controls to those people who are not a part of the bargaining association. If it is deemed to be necessary to have some kind of limitation or regulation upon the commodity, this should be carried out through marketing orders. I believe that the President made the point very well when he said, "Government may act as an advisor or it may serve as an umpire, but the plan must be designed for farmers to use if they choose. It cannot be forced upon them. Under any proposals, farmers must make their own decisions and control their own destinies."

Mr. Chairman, we would certainly agree with this statement by the President. We believe that voluntary associations accredited by the Department of Agriculture are the best way to achieve bargaining power without forcing anything on the farmer. Bargaining power can be further enhanced by making available to the producers of the commodities a vast array of methods which can be applied by the various commodities according to their peculiar requirements as to how supply and surplus control may best be achieved. Any regulations upon the producers should be voted into effect by the producers themselves. The producers themselves should designate the members of the administrative board who are to administer the program. At the same time, marketing orders that undertake supply or surplus control devices should be written in such a way that they may be terminated. The growers should be required from time to time to renew their programs in order that they might examine their effectiveness, change them to meet changes in the market, and to meet current problems and to take advantage of current opportunities.

Mr. Chairman, I believe that the farmers in America are prepared to assume the responsibility of improving their bargaining power if Congress will just give them the opportunity. Farmers are intelligent people. The modern farmer today is a well-educated man. He understands more and more about the market. But we must make it possible for him to meet the rapid changes that are taking place in our economy and our marketing system. And, in order to do that, we should create a climate that makes a voluntary bargaining association a desirable means for marketing.

The voluntary bargaining association should be under the full control of the farmers involved, and that association should undertake to do a job for its members. Farmers do not like the idea of enforced membership or closed shop or mandatory participation, unless they themselves decide to vote such a program into effect. The membership in an association should be voluntary; people should be attracted to the association because it does an effective job. This has been our record. We believe we have done a good job over the years and we have enjoyed the support of growers. Grower plans and proposals have also received consideration from the processors and handlers with whom we do business. We have been the leaders in developing marketing orders that carry out quality control programs, research projects, advertising and sales promotion, and surplus management. We have been joined in our efforts by most of the handlers with whom we do business, because we understand what the facts of the market place are. We would hope that such an opportunity be made available to all producers or every commodity in the United States, and if this is done, I believe that the Congress will strike a real blow for stronger bargaining power for the farmers which certainly is sorely needed in today's economic and marketing environment.

Thank you, Mr. Chairman, for the opportunity of appearing before you today.

GRAPEVINE, TEX., *April 1, 1968.*

HON. WALTER F. MONDALE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR MONDALE: Thank you for your invitation to appear as a witness at the Senate hearing on Senate Bill S–2973. Although I feel strongly that farmer bargaining power must be increased, I have serious doubts whether I could make significant contribution to furthering farmer bargaining power by appearing at the hearing. I do want to express my views in this letter. If you feel that my statement will assist, then please introduce it into the hearing.

We have been connected with agriculture for the past forty years, and we own the feed manufacturing facility which currently manufacturers from 150 to 200 tons of poultry feed per day. Most of this feed goes to commercial family egg farms. Inasmuch as these family egg farms are still independent, they represent an oasis in a desert of integration. Formerly we sold large quantities of feed to commercial family broiler and turkey farms. Virtually all of these turkey and broiler farms no longer exist. As you know, we lost these commercial family turkey and broiler farms not because of their inefficiency but because they did not have sufficient financial depth to sustain the losses in years of low prices. In fact, we have definite proof that their cost of producing a pound of meat was less than the current cost in integrated setups. These former independent turkey and broiler farmers either went out of business or they leased their facilities to vertical integrators, usually at a figure below their depreciation costs. After these facilities are no longer useful and the integrator is forced to construct new facilities, it is my opinion that the consumer will have to pay much more for food than he would have had to pay had the family farms continued in existence.

We still have family unit commercial egg farms near metropolitan areas befortunately, family farms which specialized in the production of turkeys, broilers producers had for their products. However, with broad-based corporations moving into the egg business, it is unlikely the family farm unit will survive long. As you know, one of the contributing factors to overproduction and low prices is the entrance of off-farm corporations into the production of agricultural products.

For the past year every agricultural newspaper or magizine which reported the income of these off-farm corporations showed that these corporations lost large sums of money in their agriculture ventures. However, these losses were partially offset by the broad-based corporation's profits in other areas. Unfortunately, family farms which sepcialized in the production of turkeys, broilers or eggs did not have profits from other sources to offset their losses. If such a trend continues, it is possible that less than a dozen super corporations will control the production of U.S. food. The United States could become similar to many countries in South America, Asia and Africa where only a few own the land and where there is extreme poverty in the city slums and among the peasants who produce the food. In my estimation, we need independent farmers in order to have a strong and vigorous agriculture and in order to keep the consumer cost of food down. These independent farmers probably will not continue in existence unless their bargaining power is increased.

There is ample statistical proof that income levels of commercial family farmers are not adequate—in fact, less than ⅔ per capita income of other citizens of this great country. New programs are needed, such as Senate Bill S–2973, to implement existing farm programs, to help balance supply with demend, and to give farmers more control over their economic destinies.

There will be great opposition to any attempt to increase the bargaining power of commercial family farmers. Some of this will come from so-called "farm organizations" which claim they have conducted polls which show overwhelming opposition to any government program. In my estimation, the questions asked in these polls were loaded in such a way as to try to obtain overwhelming opposition. Senate Bill S–2973 provides enabling standby legislation giving commercial family farms an opportunity to increase their bargaining power in the time of an emergency without having to seek new legislation. This type of enabling legislation appears essential to us if we are to halt future food production from falling into the hands of less than a dozen super corporations.

Sincerely yours,

L. E. DEACON,
President, B. & D. Mills.

WHEAT

WASHINGTON, D.C., *May 3, 1968.*

Hon. ALLEN J. ELLENDER,
Chairman, Senate Committee on Agriculture and Forestry, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In connection with proposals to extend the Food and Agriculture Act of 1965 under consideration by the Committee on Agriculture and Forestry, the American Bakers Association and the Biscuit and Cracker Manufacturers' Association wish to submit their views concerning that part of the overall Farm Program known as the "Wheat Certificate Program".

Under this program, as the Committee is well aware, all processors of wheat are required to pay to the Commodity Credit Corporation 75c for each bushel of wheat processed for food use. The funds so received are paid out by the Department of Agriculture to those wheat growers who have agreed to cooperate with the Department's program of acreage limitation and other restrictions with respect to wheat. The payments are related to their allotted acreage of wheat for the domestic market.

The Banking Industry continues to regard this program an inequitable and damaging for domestic users and consumers of wheat. Without doubt the greatest penalty under the program has been inflicted on the Nation's poor. They are being taxed on all the products they buy made from wheat, particularly bread, to increase the income of the Nation's wheat growers. We believe it inconsistent for the Congress to pass such regressive legislation in this area while trying mightly to alleviate poverty in another. This program may temporarily provide more income to the wheat farmer by taxing the wheat user. But one may well question whether this insulation from the discipline of the marketplace will ultimately be self-defeating and far more costly to the wheat farmer in the long run.

Our view has been and continues to be that if it is to be the declared Congressional policy that wheat farmers should receive 100% of parity on that part of their wheat used for domestic food purposes, this should be achieved by appropriations from the general revenues rather than through a special tax or assessment on the consumer of wheat products.

We urge the Agriculture Committee to take the time and opportunity now to seriously review the impact of the Wheat Certificate Program on the long range consumption of wheat and wheat products before assenting to its continuation in any form.

As pointed out by Professor John A. Shellenberger of the Kansas City State University, one of the country's most distinguished agricultural economists, reviewing the impact of the Wheat Certificate Program in a recent article in the "Kansas Farmer":

"At no time, however, have processing tax laws remained in effect for long because they have not proved to be a satisfactory, long-term solution to inadequate price support for farmers' wheat at the marketplace * * * Experience has proved repeatedly that this is a questionable manner to remedy the price situation for the farmer."

These are the views of a man of unimpeachable credentials in the agriculture community and particularly qualified to speak on wheat. He has spent a lifetime of involvement in wheat economics. He is universally recognized as a scholar in this area; his strong criticism of the Wheat Certificate Plan as a solution to the wheat growers' ills cannot be gainsaid.

From the standpoint of the Baking Industry as users of wheat, and as collectors of the tax from the consumer, our objection is that the Program places an undesirable and inequitable burden on those who consume our products. This is a hidden tax to provide funds for a benefit program which should be provided for openly by appropriations by the Congress from taxes on all the population. Under the certificate program, it is financed unknowingly by those least able to bear the burden.

We, too, want the wheat farmer to prosper, and to participate in the healthy economic growth of the Nation. But, we believe the Wheat Certificate Plan is not the proper means to effect that participation.

We have no way of knowing exactly the extent to which this tax may have decreased consumption of wheat products, but it seems logical to expect that when a food which is in competition with many other foods bears a special

tax, it labors under a distinct competitive disadvantage with those competing foods. We are gravely concerned over the fact that the decline in consumption of wheat products on a per capita basis has continued since this program was inaugurated. Efforts to increase consumption of wheat food products should not be so handicapped as they now are by having to bear the burden of the processing tax imposed through this program.

As Professor Shellenberger points out in his article, the program has "placed wheat at a price disadvantage compared with other grains". Certainly, the fact that consumption of wheat products has not increased and that this price disadvantage vis-a-vis other grains exists, strongly suggests that this program is not the panacea which its proponents have proclaimed.

We recommend to this Committee that it permits the Wheat Certificate Program to expire with its statutory termination date in 1969, and seek a solution for the needs of the wheat growers which does not impose a penalty on the consumers who provide the primary domestic outlet for wheat.

We respectfully request that this letter and the complete text of Dr. Shellenberger's article which appeared in the Congressional Record of March 27, 1968 (copy enclosed) be made a part of the record of the hearings on this legislation.

JOSEPH M. CREED,
General Counsel,
American Bakers Association.

(The article is as follows:)

[From the Congressional Record]

WHEAT CERTIFICATE PROGRAM UNDER ATTACK

(Remarks of Hon. Paul Findley, of Illinois, in the House of Representatives, Wednesday, March 27, 1968)

Mr. FINDLEY. Mr. Speaker, the February 3, 1968, issue of the Kansas Farmer, one of the oldest farmer-oriented publications in the country published an unusually perceptive article on the wheat certificate program by J. A. Shellenberger, a distinguished agricultural economist at the Kansas State University. Professor Shellenberger has served equally both agriculture and industry for many years and is well known in the milling and baking industries. Since the President has sent to the Congress his farm program I believe Members will find Mr. Shellenberger's comments on a portion of this program—the wheat certificate plan—very timely.

The article follows:

"THE CERTIFICATE CONTROVERSY

"(By J. A. Shellenberger)

"The wheat certificate program has been an important consideration of the major farm organizations and particularly of the wheat farmers. Although the present government processing assessment applies only to wheat, other crops such as cotton, soybeans, or tobacco could also be subject to a processing levy should Congress decide to use this means for providing funds to support agricultural prices. Thus the total implication and impact of this type of revenue measure needs to be wisely appraised by farmer, processor and the public.

"The flour milling and baking industries were generally opposed to the government's policy of levying an assessment on the processing of wheat. Most wheat grower organizations and wheat farmers resented the stand taken by the flour milling and baking industries. There has arisen, therefore, a need for an impartial discussion of this delicate subject without creating accusations of being for or against.

"The following is a discussion of the wheat certificate payment plan whereby the processor is assessed 75 cents per bushel for all wheat milled for domestic human consumption. What it is hoped will be accomplished is a more sympathetic understanding of the problems created by this processing assessment. Wheat certificate payments have caused, in many instances, substantial misunderstandings between wheat farmers and wheat processors. The fact that the wheat certificate payment policy was opposed by a majority of the flour milling industry

and some segments of the baking industry has erroneously been interpreted by many wheat growers in many instances as a conspiracy to hold down farm prices or disinterest on the part of processors in wheat producers acquiring an adequate income. It seems essential to correct, if possible, this misunderstanding among wheat producers and wheat processors and consumers.

"Without exception, exeryone with any knowledge or interest in the wheat farmer realizes that market prices are low in relation to what the farmer must pay for the goods and services he buys. Certainly the milling and baking industries would have no logical reason for wishing to deprive the wheat farmer of a fair return for his investment and labor. Whatever the price of wheat may be, all processors pay that price; therefore, the competition for the sale of flour or bread made from wheat is based on the same price structure regardless of the price farmers receive. However, the price of wheat in the U.S. relative to the world price is, of course, of concern to the processor who contemplates export sales. For that reason, there are legitimate reasons for objecting to wheat price increases by segments of the milling industry.

"However, it has always been the position of the milling industry that the wheat producer is entitled to a fair return for his product in the marketplace. Recent discussions on rising food prices have, in some instances, indicated that the farmer is to blame for these increases. To be sure, the price of bread has increased because of the various economic factors contributing to rising cost but neither the wheat grower nor the miller or baker is responsible. The basis of the increased cost of bread, as detailed fully by last year's Congressional investigation of the subject, were higher costs for labor, transportation, social security and other taxes, interest and other operating expenses in addition to the increased cost of flour resulting from the certificate program. The miller must pay 75 cents to the Commodity Credit Corporation for each bushel of wheat purchased, in addition to whatever the current market price may be.

"That wheat prices are too low is the vigorous complaint of the grower, but growers should realize that there is no organized opposition to their contention that prices received for wheat are too low. The milling industry certainly has not contested the growers' demand for a higher price. On the other hand, farmers, and often housewives, contend that the milling and baking industries have increased the price of bread without good reason and thus have derived considerable profit. The following factual account should dispel this notion.

"The Economic Research Service of the United States Department of Agriculture publishes in each issue of the Wheat Situation the marketing margin of the flour mills. Also, the National Commission of Food Marketing reports that the national average of flour mill profits before taxes based on percent of sales was only 0.22 of 1 percent.

"About 85 percent of the total value of products produced by a flour mill is represented by the cost of the raw material, namely, wheat. Wheat costs consist of the price paid at the marketplace plus the 75 cents per bushel which must be paid to the Commodity Credit Corporation in accordance with the Food and Agricultural Act of 1962 as amended. Normally, about 2.28 bushels of wheat are required to produce 100 pounds of flour. Historically, there is a close association between wheat costs and flour prices; therefore, the lower the price of wheat, the lower the price of flour and vice versa. Actually, over the past 16 years the price of flour has declined slightly more than the price of wheat not withstanding increased cost of wages, salaries, interest, equipment, and maintenance, etc.

"Considering what increasing the price of wheat means in terms of the added cost of flour which the baker must purchase, the effect of the certificate payment is appreciable. The price of wheat, basis Kansas City, is about $1.70 a bushel at the time this article is written. It requires 2.28 bushels to produce 100 pounds of flour and there are approximately 220 million hundred-weights of flour consumed in the U.S. per year. Thus, the payment of the processing certificate has created an added cost to the miller above the market price of wheat of over $376 million a year. This is only the sum which the milling industry must pay for the wheat that is ground into flour and does not represent certificate payments involving other products such as breakfast cereals which make the payment to the government amount to between $400 and $450 million a year under the wheat certificate program. This is a sizable sum for consumers of wheat foods to pay.

"The milling industry strongly protests the singling out of wheat for such a processing tax. In contrast, direct federal payments totaling $1 to $1½ billion are being made annually to feed grain producers. Payments in the neighborhood

of $750 million are being made this year under the cotton program. These and other commodity payments are being financed directly or indirectly by the general revenues of the government. There is no commodity program other than wheat that is financed by a direct and mandatory levy on the processors and consumers of that commodity—so there seems to be no sound economic justification for this special financing arrangement on wheat. Wheat will continue to be in a less competitive position than other grains so long as this inequitable treatment continues.

"One example is the increase in rye flour production in 1966–67 compared to the same period for the preceding year. The milling of rye does not involve a processing certificate and the 75 cents extra cost. Hence it is economically advantageous to substitute rye for wheat whenever possible in the baking industry. Baked goods that are dark in color such as some cookies and cakes can be made using some rye to replace wheat.

"The present certificate payment program has caused the processor of wheat to pay 75 cents per bushel more than would be the case without the payment and thus the additional raw material cost amounts to $1.71 per hundred pounds of flour produced. In competition with other grains, such as rye, rice, barley, oats, or corn, wheat and wheat products are seriously penalized.

"The millers did protest rather vigorously when their first certificate payment of 70 cents per bushel was introduced because this policy caused, for some time, serious disruption of normal milling operations. However, most millers and bakers too, did object strongly to the proposal that the certificate payment be increased to $1.25 per bushel. This resulted in the "bread tax controversy" and Congress decided that this was going too far and voted to continue the 75 cents per bushel assessments. Congress approved the increase in the federal payment, but to be taken from general treasury funds.

"The irony of the situation is that with the Food for Peace programs as a part of our national policy and wheat being the principal food grain, the certificate payment plan places wheat at a price disadvantage compared with other grains. It has been difficult to formulate a 'complete' food for developing countries based on wheat because of the more favorable prices of other grains and products. Rolled wheat and bulgur, which have had historical export markets, are also more difficult to market because of the certificate payment plan. In other words, at a time when the farmer needs a better price for his wheat, the method used to supplement its basic price reduces sales of his commodity.

"The right and necessity of the wheat farmers to make a living is not questioned by the milling industry. Millers merely questioned why, as wheat processors, they should be victimized by the payment scheme.

"The government's imposition of a processing levy on the milling of wheat and the industry's objection to this form of taxation are in no way new. Both Canada and the U.S. have had in the past processing taxes on all wheat processed for domestic consumption. Through 1940–41, Canada, for example, collected a tax of 15 cents a bushel on all wheat processed and used domestically. Similar legislation has been tried from time to time in Argentina, Australia and many of the European countries. At no time, however, have processing tax laws remained in effect for long because they have not proved to be a satisfactory long-term solution to inadequate price support for farmers' wheat at the marketplace.

"The burden of the processing tax on wheat is a case for the general theory of incidence or shifting. In the operation of the processing payment imposed on the millers of wheat for domestic consumption, the burden of this levy is shifted to the purchaser of flour, namely, the baker who, in turn, shifts the cost to the consumer. Obviously the persons who finally bear the burden of the tax are the consumers, who need to be considered, as well as do the beneficiaries of the tax, namely, the wheat producer.

"The processing levy on wheat falls on the public and is reflected in a higher price for bread and baked products. Experience has proved repeatedly that this is a questionable manner to remedy the price situation for the farmer. Certainly the miller and baker are justified in objecting to the processing certificate and their objections should not be regarded as organized opposition to a higher price to the farmer for his wheat.

"There has been considerable agitation by some segments of wheat growers' organizations for an added certificate payment on wheat exports. The higher minimum world price of wheat just negotiated in the Kennedy Round at Geneva by the International Cereals Agreement, when they become effective later this

year may not necessarily be reflected in domestic markets and could result in a decrease of foreign outlets for wheat. Higher prices usually create production expansion. A certificate payment on wheat exports to provide the funds necessary to pay the farmer higher prices could, therefore, result in a loss of markets and thus in net loss in the eventual total funds available to growers. The desire and hope of the negotiators has been a higher price for wheat for the farmer and an expanded export market.

"It is hoped that this impartial review of the processing tax on wheat will contribute to a more sympathetic understanding among wheat producers and wheat processors. At least it should help wheat farmers comprehend that their best customers, namely, the flour millers and bakers are not against them. It is definitely not true that the millers and baker are unsympathetic to the farmer's wheat price problems.

"Those who advocate taxes on wheat processing should realize that this means of providing revenue to bring a higher selling price for wheat is an old and often tried method of providing help to farmers. As a revenue means the processing tax never lasts long because it disrupts the processing industry, results in an increase of bread prices and reduces the volume of wheat processed.

"Both farmers and the flour milling industry share in the present cost-price squeeze and therefore they need more than ever to work together and to appreciate the problems which each shares."

Livestock

Statement of J. C. Wetzler, American National Cattlemen's Association, Phoenix, Ariz.

Although few Federal government programs are directed solely to the beef cattle producers of the nation, cattlemen have frequently been caught in the middle of government programs under many departments and circumstances in recent years. Too often being "caught" between activities other than possible agricultural betterment has resulted in cattle price breaks that created losses for cow-calf, yearling or feeder segments—and at other times the entire industry has suffered.

Conversely, only an occasional "assist" from USDA or other government agency has materially helped bring prices up. Nevertheless, in recent years, beef cattle prices have not approached anywhere near parity with the balance of the national economy. The situation has created an unprecedented attrition of family operations, along with increasing debt for those remaining in beef production, and disastrously lowered returns on labor and investment.

Analysis of Federal farm and allied programs, as shown by past developements, reveals that it is indeed time for revisions in thinking and planning so that all sectors of government will truly assist food producers in harmony and coordination with the food production industry, and at the same time minimize use of domestic food in political and international maneuvering.

The words of an administration spokesman at the 1967 National Farm Institute in Iowa leaves no doubt on one score. He said, "Farm policy for the future must be flexible and fast moving. Farm policy makers must be pragmatic, tenacious and *political*. To 'take the farm policy out of politics' is one of the nicest platitudes ever introduced into the farm policy debate, but it is nothing more than that. Farm policy making is inherently and ultimately political and will continue to be."

We realize your committee is dealing with farm programs, but all governmental factors involving the beef industry are integral parts of the ultimate solution. These include fiscal borrowing; establishing interest rates, decisions on feed grains and other programs affecting cost of production; imports; tariff negotiations; purchases of foreign meat for U.S. armed forces overseas; labor regulations, etc.

Negotiations or dealings with other countries by various departments often are detrimental to the interests of U.S. cattlemen to the purported national interest, although beef producers have had to pay the full cost in lowered prices rather than the general public for whom the benefits are said to have accrued.

Example: Recent loan to Colombia, South America, by the U.S. Agency for International Development (AID) of $45 million to increase beef cattle produc-

tion in that country can only create further problems for U.S. producers. Colombia has said it expects to double its cattle population and almost all of it for export. If the loan were made to raise the food standards of people within that country, U.S. cattlemen would have little objection. Instead, more beef produced by low-income people will enter the world market and inevitably help to drive prices down further.

Inflation created in the U.S. by policies at home and abroad has raised costs of beef production by 73% within the period 1950-1966, making it nearly impossible for U.S. producers to compete in any world market except on a limited offal and variety meat basis to some European countries and hides to Japan.

Result—static U.S. prices with those of two decades ago, and instead of increasing exports, our share of world beef markets declined in 1967.

Inflation also has created yearly higher land values which have added to taxes and opened the door to loss of a very large number of farms and ranches through Internal Revenue Service estate interpretation of "market value". Thus another agency added to the problems. Escalating land prices have also prevented young men from going into farming.

Most notable among created problems by governmental agency actions, however, came in May, 1966, and again in January, 1967.

The 1966 event recalls the Commerce Department's decision to place an embargo upon U.S. hide exports for the stated reason of short supply in the domestic leather market, and the presumed increases in shoe prices which developed anyway. Prices of hides abruptly dropped $3 to $4 per animal, and the level has remained low to the present time, probably due largely to foreign markets' decision to obtain supplies elsewhere that could be depended upon. This psychological down-turn in cattle prices, reflected upon the entire beef structure, which came at a time when the Administration was suggesting that consumers buy cheaper meat cuts and substitutes.

The January, 1967 problem came when the Census Bureau and USDA announced cattle population figures had been underestimated by 2,305,000 head. Market prices dropped $1-$2 immediately. This announcement was made, mind you, two years after the census had been taken. Accurate estimates are absolutely necessary.

Long range predicting of cattle prices by USDA has long been a thorn in the side of beef producers. Often an adverse price forecast has not been borne out, but the psychological factor again creates buyer uncertainty even though other factors may indicate an upturn. ANCA feels that no government agency should provide price forecasts.

The meat import situation has become an unbearable burden to domestic beef producers. U.S. population gain has leveled off somewhat and domestic production has continued an upward trend above a profitable demand. Import peaks coincide with high marketing periods in this country, particularly on cow beef, thus effectively dampening any chance for price rises that might bring U.S. cattlemen a break-even return.

Relative to direct Federal farm programs, American National Cattlemen's Association has, upon a number of occasions, called attention to consequences of selling surplus grain at periods when the sales had a detrimental effect upon grain prices and, therefore, affected feeding of cattle and prices of the cattle. Feeders cannot plan against these kinds of agency actions, but must accept the loss resulting.

American National Cattlemen's Association approves reasonable prices on grain which will allow cattlemen to profitably produce beef for the consumer at reasonable prices. A grain reserve is not opposed per se, but safeguards must accompany such a program against price manipulations.

ANCA believes that so-called "bargaining" legislation is basically unnecessary, and if adopted, could, without long-range considerations, create many other problems. ANCA believes in the free market concept which has brought about expansion of industry and increase in per capita consumption of beef.

American National Cattlemen's Association is embarked upon a market development program of self help. It is designed to keep beef supply in line with demand. The drive of less than a year to hold down fed cattle weights and numbers of the "cow factory" has already had notable results. Much beef tonnage upon the domestic market has been eliminated, with a consequent somewhat higher price level, despite other negative factors. The USDA is to be complimented in recently joining with the ANCA to spread the word on curtailment of over-feeding.

ANCA is in the midst of developing a more sophisticated program that will enlist cattlemen of the nation in a reporting service that will more accurately estimate week-to-week supplies at all levels. In turn, beef producers will be able to determine fair price levels in all regions and work toward obtaining those prices.

Thus, cattlemen would not want to see restrictive laws which would prevent the full free flow of private initiative. We believe that the Capper-Volstead Act provides sufficient strength for cooperative action on the part of producers to obtain bargaining rights, provided they elect to make use of it by voluntary action. Any other means of price improvement would entail mandatory control by government edict, which cattlemen do not desire.

We ask that cattlemen continue to be given the opportunity to develop their own self-help program, and ask that government actions be coordinated to the end that private enterprise and public interest will not work at cross purposes.

CROPLAND ADJUSTMENT

APRIL 12, 1968.

Hon. ALLEN J. ELLENDER,
Chairman, Senate Committee on Agriculture and Forestry,
Old Senate Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: The National Wildlife Federation appreciates the invitation and opportunity of commenting on programs of the Department of Agriculture even though it will not be possible for us to appear during the current hearings. Therefore, I would appreciate it if this letter can be made a part of the record.

By way of identification, the National Wildlife Federation is a private organization which seeks to attain conservation goals through educational means. The Federation has independent affiliates in 49 States. These affiliates, in turn, are composed of local groups and individuals who, when combined with associate members and other supporters of the National Wildlife Federation, number an estimated 2½ million persons.

It is our understanding that the Committee is receiving comments on the overall program of the Department of Agriculture; thus, I should like to comment on two of the major activities.

First, we hope that authority for the Cropland Adjustment Program will be extended. We now are recommending to appropriations committees of the Congress that sufficient authority be allowed in 1969 to incorporate another 2,000,000 acres into the program, hopefully making a total of 6,000,000 acres before the four-year effort expires.

In our opinion, extension and expansion of the CAP program is particularly needed at the present time. Some 9,000,000 acres of agricultural land now under Conservation Reserve (Soil Bank) contracts will come back into crop production unless farmers have some incentive to devote them to other uses. As long as these lands are not needed for crops, according to experts in the Department of Agriculture, a common sense approach would appear to be to divert them into five to ten year agreements which result in other benefits. Diversion on a long-term basis, of course, is more economical than on a year-to-year basis. Then, of course, we are interested in the public access provisions of the CAP program. These already provide free facilities for hunting, trapping, fishing, and hiking on some one million of the acres signed up in 1966 and 1967 and, in addition, 139 communities entered into "Greenspan" agreements for recreational opportunities near urban areas. It also is worthy of mention that such a land retirement program can be of special value to farmers who are handicapped or are elderly or have some other reason for wishing to reduce their farming activity.

Second, we would hope that the Committee can look into another inconsistency with which Federal programs have been plagued in recent years. This relates to one arm of the Government helping in the destruction of wildlife habitat at the same time that another agency of the same Government is endeavoring to save it.

I am sure you are aware of the accelerated wetlands acquisition program, a $105 million program financed by Duck Stamp receipts, being sponsored by the Bureau of Sport Fisheries and Wildlife of the Department of the Interior. The

purpose of this program, of course, is to acquire (by easement or outright fee title) wetlands vitally needed by ducks, geese, and other species of waterfowl. The program is designed to protect breeding, resting, and wintering areas in all Flyways. Success of the program is essential to maintenance of continental waterfowl populations and duck and goose hunting because there has been a continual loss of habitat, through drainage and other causes, particularly in the nesting areas.

At one time, USDA was actively aiding in the drainage of these same wetlands. Some of the inconsistencies have been eliminated, however. Under the so-called "Reuss Amendment" included in each Agricultural appropriations bill, no cost-sharing is offered for drainage in the wetlands which the Fish and Wildlife Service has designated as being of high wildlife value. Similarly, no Federal help is offered in North Dakota, South Dakota, and Minnesota if the land concerned is valuable for wildlife. Now, however, the Soil Conservation Service is involved with drainage of important wildlife habitat through "Stream channelization." This problem has been one of particular concern of the Southeastern Association of Game and Fish Commissioners and attached is a copy of a resolution typical of several being adopted on the problem. This resolution explains details of the difficulties.

In conclusion, Mr. Chairman, we hope the Committee can see fit to look into these problems as part of its consideration of the overall USDA program.

Sincerely,

THOMAS L. KIMBALL,
Executive Director,
National Wildlife Federation.

(The resolution referred to above is as follows:)

Whereas, the Soil Conservation Service of the U.S. Department of Agriculture and some other agencies in cooperation with local groups are employing or considering for virtually every significant stream in Alabama the channelization of those streams as an aid to the drainage of farm lands and for other purposes;

Whereas, a stream channelization project requires the clearing of a right-of-way, sometimes up to 100 feet, on each side of the stream, thereby necessitating the cutting down of trees in order to permit access by heavy dredging equipment to deepen the streambed and straighten its sides and in order to provide an area for disposal of the soil taken from the bottom and sides of the stream;

Whereas, the cutting down of such trees and the channelization of the stream must of necessity destroy the scenic and most recreational values of the stream and also the bottomland woods along its banks, which woods when destroyed cannot be replaced except over a great period of time;

Whereas, stream channelization appears the least preferable method of attempting drainage of lands since it runs counter to basic conservation practices that look toward holding back water and planting or preserving trees to retain water in the watershed;

Whereas, in the case of a stream channelization project, erosion arising from the cutting down of the trees and straightening the stream banks must be counteracted and problems of silting and flooding downstream must be alleviated;

Whereas, stream channelization projects destroy natural fish spawning grounds and food supplies as well as habitat for mammals, birds and other forms of wildlife;

Whereas, certain proposed stream channelization projects, such as the channelization of Swan Creek in Limestone County, would result in destruction of a significant part of the woodlands in the stream's watershed and, in that case, a significant part of the woodlands in the Swan Creek Waterfowl Management Area operated by the Alabama State Department of Conservation;

Whereas, in determining the cost-benefit ratio of stream channelization projects, the loss to the public arising from the destruction of woodlands is usually not taken into account; and

Whereas, the channelizing of a stream requires the expenditure of relatively large amounts of taxpayers' funds, while in the case of farm lands such funds are at the same time being expended through the soil bank and similar programs for withdrawing other farm lands from production: Now, therefore, be it

Resolved by the Alabama Ornithological Society That this Society does hereby strongly recommend and urge that stream channelization be discontinued as a method of attempting to drain farm lands or for any other purposes and that, in

lieu thereof, the building of water retention structures and the increased use of other water retention practices such as contour planting be employed for those purposes; and be it further

Resolved, That, in evidence of the concern of the Society about this matter, certified copies of this resolution be sent to the Governor of the State of Alabama, its Director of Conservation, the Secretary of Agriculture of the United States, the State Conservationist of the Soil Conservaion Service for the State of Alabama, the South Atlantic Division and Mobile District Engineers of the U.S. Corps of Engineers, the Tennessee Valley Authority, the Southeast Regional Director for the U.S. Fish and Wildlife Service, each of the United States Senators and Representatives from the State of Alabama, and any other agencies or public officials concerned.

CERTIFICATE

The undersigned, Elberta G. Reid, Secretary of the Alabama Ornithological Society, hereby certifies that the foregoing is a true and correct copy of a resolution adopted by said society at its fall meeting held on October 14, 1967.

WITNESS my signature as said Secretary this 3rd day of November, 1967.

ELBERTA G. REID, *Secretary.*

POULTRY

STATEMENT OF WILLIAM G. OWENS, JR., PRESIDENT, GEORGIA EGG ASSOCIATION, DAHLONEGA, GA.

As President of the Georgia Egg Association, I would like to make known that the Georgia egg producers overwhelmingly support the idea of Permissive or Enabling Legislation.

Without getting into specifics or further details, the idea of Enabling Legislation was approved by over 90% of producers voting in a state-wide meeting called for that purpose, and those attending that meeting represented approximately 20% of the entire number of producers in the State. In a follow through poll to extend the privilege of voting to those who could not attend this meeting, the absent producers were mailed the same ballot. Although the mail response was disappointing in quantity, the 90% in favor did not appreciably change.

The Enabling Legislation feature of the Mondale Bill S2973 has, therefore, the support of the Georgia Egg Association, and I would like to request the support of the Georgia delegation in Congress on behalf of the egg producers in Georgia.

Thank you for giving me the opportunity to express what I consider the view of the vast majority of the egg producers in Georgia.

COTTON

STATEMENT OF S. M. MCASHAN, JR., CHAIRMAN, ANDERSON, CLAYTON & CO., HOUSTON, TEX.

PART I—INTRODUCTORY COMMENTS

In view of the consideration being given to extension of current farm programs at this time, it is recommended that consideration also be given to needed modifications in the legislation as it relates to cotton.

Under the Food and Agricultural Act of 1965, now in the third year of its four year duration, the objectives for the cotton program were to (1) reduce surplus stocks, (2) make cotton more competitive with man-made fibers and foreign-produced cotton, (3) maintain cotton farm income, and (4) reduce Government expenditures.

It is highly significant that due to various factors the anticipated reduction in surplus stocks over four years was accomplished in less than two, and the problem of a surplus has now been converted to a problem of a shortage. In addition to causing loss of markets due to lack of needed qualities, the shortage has resulted in higher prices tending to further defeat the objective of making U.S. cotton more competitive.

Obviously, a program designed for purposes which have changed in either nature or relative importance should be modified rather than merely extended.

There is a manifest need to shift the program emphasis to regaining lost markets and retaining those we still have—changes that will increase the supply, especially the supply of qualities in market demands, and changes that will lower the unit price while giving assurance that the grower's income will be maintained or improved. Further, there is a need to incorporate some provisions into law rather than leave them to the discretion of the Department of Agriculture, whose future composition and attitude is undeterminable at this time.

Attached as Part II is a list of changes recommended to meet these objectives. Part III contains a brief explanation of the principal reasons these changes are needed.

PART II—RECOMMENDED CHANGES IN CURRENT LEGISLATION AFFECTING COTTON AS SET FORTH IN THE "FOOD AND AGRICULTURE ACT OF 1965"

1. Eliminate the provision for a mandatory diversion of acreage from cotton production and increase the present provision for a voluntary diversion to a maximum of 35% of the farm allotment.

2. Change the basis for determining the annual cotton loan rate to 80% of the average market price received by the producer for the three immediately preceding years.

3. Provide that the price support payment, which is made only on the acreage planted up to 65% of the farm allotment, be fixed at an amount sufficient to make the total of the available loan and the price support payment equivalent to 70% of parity.

4. In establishing loan differentials (as well as in making sales from Commodity Credit Corporation stocks), use current market price differences on quality and micronaire—the most current practical.

5. Remove acreage limitations on transfers of allotments and permit the transfer or sale of allotments across state lines.

6. Provide, by legislation, for "skip row" planting as provided during the current year by USDA regulations; and to make no amendments in definitions of effective allotment or domestic allotment.

7. Under the Export Market Acreage Provision, which should be continued otherwise unchanged, permit exportation of an equivalent poundage of cotton, not limited to the identical cotton grown on the Export acreage.

8. Include in the appropriate section of the legislation a statement recognizing that any limitation on amount of payment or other provision based on size would be contrary to the purposes of the legislation because it would have a detrimental effect on all producers by forcing large growers out of the program and into a full-allotment production, would penalize efficient production and would be grossly unfair and discriminatory.

PART III—REASONS FOR RECOMMENDED CHANGES

1. Relative to Change No. 1 for elimination of mandatory diversion payments:

Continuation of a mandatory diversion requirement would be illogical when the major original problem of a vast surplus of cotton has been eliminated and the current problem is lack of sufficient volume to satisfy markets, especially in certain qualities.

If a mandatory diversion were not required, a diversion payment could not be made for a farm where no cotton is planted. The allotment would have to be released to someone else to protect the history and allotment base. Certainly the Program is intended to assist cotton farmers—not to assist those who do not plant any cotton at all.

Elimination of the mandatory diversion requirement would elminate one piece of a very complicated system, difficult for farmers and others to understand and to evaluate the effects thereof.

2. Relative to Change No. 2 to base the loan rate on 80% of the last three years' market price: This change would substitute a factual experience figure (based on a period long enough to eliminate fluctuations due to extraordinary circumstances) for an "estimated" average world price for such cotton for the marketing year in prospect. Such substitution of experience figures for an estimate by presently unknown future Secretaries who might be overly subject to the effect of political or other pressures would give greater assurance of production for the world market rather than for the loan, with the farmer's income

yet assured, however, by another change recommended, i.e., that price support loans and price support payments combine to the equivalent of 70% of parity.

3. Relative to Change No. 3 to provide that price support loans and price support payments combine to be the equivalent of 70% of parity:

This change would provide the needed protection for income of farmers while, in combination with other changes recommended, giving greater assurance that U.S. cotton will be competitively priced for the world markets.

It would give greater legislative assurance of minimum income protection to farmers, leaving less to the discretion of future Secretaries of Agriculture of now undeterminable attitudes on such matters.

4. Relative to Change No. 4 to provide for use of current market differences on qualities and micronaire in establishing loan differentials: This change would substitute for Administrative discretion by future Departments of Agriculture of uncertain composition and attitude, the differences reflected by the marketplace thus giving greater assurance that loan differentials will encourage production to meet market demand; hence, greater assurance that production will be for the market rather than for government loan and ultimate government ownership.

5. Relative to Change No. 5, removal of acreage limitations on transfers of allotment and permission to transfer or sell allotments across state lines: The obvious desirability of permitting sale or transfer of allotments within the respective states has been recognized. Thus cotton farmers who choose to produce cotton under the Programs in effect are permitted to do so within maximum over-all limitations, while those who choose not to grow cotton are permitted to make that choice without undue penalty or loss of the allotment-asset built up through the experience of prior years. The proposed change would merely recognize, as in the case of rice allotments, that the logic of this present policy and practice is not changed by artificial state-line barriers.

6. Relative to Change No. 6 to include the "skip row" permission in the legislation: This change would incorporate into the law the logical permission currently provided by Department regulation for "skip row planting." Especially now that the problem of surpluses has been eliminated, farmers should be assured by law of permission to thus use their land and allotment most efficiently rather than leaving this to the Administrative discretion or whim of unknown future Secretaries of Agriculture.

Relative to Change No. 7 to maintain the present export acreage reserve but allowing substitution of equivalent poundage: This change would permit exportation of those qualities most in demand abroad, not limited to the identical bales grown on "Export acres."

8. Relative to Change No. 8 to provide greater assurance against limitation of payments:

The need for the recommended expression on this matter is indicated by the increase proposals, made by those who obviously do not thoroughly understand the nature and purpose of agricultural legislation, to impose limitations on the size of payments made under farm programs. Apparently this matter needs to be thoroughly discussed and explained in extending the legislation in order to reduce the possibility that at some future date a well-intentioned, economy-minded, but insufficiently informed Congress might separately impose limitations to the detriment of the program and all of those who undertake to operate under it.

Limitations based on size would leave large producers with no practical alternative to growing the maximum cotton allowed under their allotment. This would upset intended supply-price relationships of the program thereby adversely affecting all producers.

Limitations based on size would be grossly unfair and discriminatory against producers directly affected because they would be forced to use their property in a manner designed to benefit all producers without compensating them proportionately for such restricted use. In order to support prices through subsidies and controlled production, all producers are prohibited from growing cotton except within their restricted allotments. Limitations on payment based on size would further penalize affected producers by not compensating them proportionately for such limitations on their production. To many producers, payments under suggested limits would represent only negligible amounts in proportion to the penalties imposed upon them by being restricted to their allotments.

STATEMENT OF J. M. CHEATHAM, CHAIRMAN, COTTON POLICY COMMITTEE, AMERICAN TEXTILE MANUFACTURERS INSTITUTE, GRIFFIN, GA.

The American Textile Manufacturers Institute is the central trade association of the U.S. textile industry, representing about 85 percent of the spinning, weaving, knitting and finishing capacity of the cotton, man-made fiber and silk segments of the industry.

The maintenance of a strong domestic raw cotton industry is vitally important to our national economy and in the best interests of agriculture as a whole. We are convinced that a permanent one-price system for U.S. cotton is essential to this objective, for cotton's ability to compete with other fibers for future markets will depend heavily on such a system.

The record of losses in cotton's markets and the sharp rise of cotton textile imports beginning in the mid-1950's is well known. By 1963 cotton was in a rapidly deteriorating situation.

The Agriculture Acts of 1964 and 1965 contributed significantly to the competitive ability of cotton by enabling American mills to purchase upland cotton at the same price as that paid by foreign mills. The immediate result of one-price cotton was an increase in mill consumption of about 600,000 bales annually. Also, the return to one-price cotton restored confidence in cotton—confidence that the entire cotton industry was determined to do everything possible to make the fiber competitive and hold its markets.

INCREASED CONSUMPTION

Prior to the enactment of one-price cotton, a one-million bale annual increase in consumption was forecast by the U.S. Department of Agriculture. In the three crop years beginning August 1, 1964, through July 31, 1967, U.S. mill consumption has averaged 771,000 bales annually above mill use in the 1963–64 crop year. At the same time, the bale equivalents of cotton textile imports rose sharply from 634,000 bales in 1963 to over one-million bales in 1966 and were 913,000 bales in 1967. Tentative and preliminary projections indicate that the volume of cotton textile imports in 1968 will be the equivalent of over 1,100,000 bales—the highest level ever. Cotton bale equivalent imports in the three calendar years 1965–67 averaged 273,000 bales above 1963 imports.

In the form of increased mill consumption and higher imports, the market has absorbed an average of more than one-million bales annually above the levels of 1963. Imports would likely have been higher and mill consumption lower had two-price cotton remained. A return to two-price cotton would once again give a strong competitive advantage to foreign cotton mills and lead to shrinkage in cotton's domestic market.

COTTON PRODUCTS PRICES

In 1964 it was generally believed that any significant decline in raw cotton prices would be followed by similar declines in cotton products prices. This belief was based on the close historical relationship of cotton and gray cloth prices.

An analysis of the movements of raw cotton prices and cotton cloth prices was made by Surveys and Research Corporation, an independent research organization. The analysis was based on the U.S. Department of Agriculture's "Mill Margins" series which dates back to 1925. A major finding of the study indicated that:

"There is a remarkably high, positive, correlation between the price of raw cotton and the wholesale price of unfinished cotton cloth. This is to say that increases or decreases in the one were almost invariably accompanied by increases or decreases of the same degree in the other. In other words, when cotton prices went up two percent, cloth prices went up two percent; when cotton prices went down five percent, cloth prices went down five percent."

Immediately following the return of one-price cotton in April, 1964, prices for cotton yarn and many other basic constructions embodying the largest ratio of cotton cost to total cost did decline substantially.

Number 20/1 Cotton Carded Knitting Yarn dropped from 63.20¢ per pound in March, 1964, to 58.70¢ per pound in July, 1964. The U.S. Department of Labor's wholesale price index (1957–59 = 100) for all cotton products declined from 101.1 in March to 98.3 in July. The all industrial commodity index was 101.1 in March and also in July.

It must also be remembered that a tremendous upsurge in demand for textile products occurred in 1964 and carried through 1965. This sharply increased demand followed the reduction in federal income taxes and came at a time when textile pipelines were abnormally low because of the uncertainty preceding the enactment of one-price cotton. Consumer spending on clothing had risen by only 2.0 percent in 1963, but it climbed by 13.2 percent in 1964 and by 10.3 percent more in 1965.

Therefore, the tremendous demand for textiles which followed one-price cotton became a determinative factor in the price of many cotton goods. However, it should be emphasized that the record does show that the influence of the lower cotton price was at work and did pull downward on the price of cloth, though it was only in a part of the market that this influence was big enough to offset the upward pull of booming demand and higher labor costs.

It is indeed remarkable that cotton products prices have remained relatively stable in the face of rising wages and general inflation throughout the U.S. economy. Cotton products prices reported by the U.S. Department of Labor did decline from an index of 104.4 (1957–59 = 100) in 1960 to 99.6 in 1964 and in 1967 the index averaged only 100.7, an increase of seven-tenths of one percent over ten years.

A change in the upland cotton supply-demand situation has occurred with cotton programs established by the Agriculture Acts of 1964 and 1965. Because of reduced acreage and adverse weather conditions, the 1967 crop was the smallest in over 70 years. Coupled with low production the previous year, carryover stocks have been reduced about 10-million bales. At the same time, textile mills have been hard pressed to find adequate supplies of medium and longer staple lengths of quality cotton. As a result, the price of cotton rose significantly.

A comparison of the textile industry situation overall in 1967 to 1963, just prior to one-price cotton, shows that:

1) Upland cotton consumption has increased by an average of over 750,000 bales annually.

2) Cotton system spindles in place rose from 19.3 million to 20.6 million.

3) Textile employment increased by 65,100 to 950,500.

4) Average earnings for textile workers rose 25 percent to $2.14 hourly.

5) Wage increases and larger employment raised the textile production worker payroll by more than one-billion dollars annually.

6) Cotton products wholesale prices increased by only four-tenths of one percent to an index of 100.7 (1957–59 = 100), while the average all industrial commodity price index rose nearly five percent to 106.3.

7) Textile industry profits changed from 2.3¢ per dollar of sales to 2.9¢ compared to 4.7 and 5.0¢ for the all industrial commodity profits average.

8) Provision for annual federal income taxes increased from $367 million to $443 million.

9) Spending for new plants and equipment rose from $640 million to $890 million. It reached $1,130 million in 1966 and averaged a billion dollars annually in 1965–67.

10) Cotton textile imports in bale equivalents increased by an average of 273,000 bales annually.

As the industry through which cotton must move to market domestically, we urge that the 1965 act be extended on a continuing basis this year.

On April 3, 1968, the ATMI Board of Directors voted unanimously for continuation of one-price cotton. Included in a policy resolution on cotton is this statement:

"The United States textile industry believes that the government's cotton policy should provide for:

1. The preservation, encouragement and expansion of efficient and profitable cotton production with adequate supplies of the qualities and staple lengths required for modern, high-speed machinery.

2. A permanent one-price cotton system under which American cotton is made available to American mills through normal trade channels at the same price as it is made available for export.

3. A substantial and growing volume of cotton and cotton product exports."

The failure to provide a permanent one-price cotton system beyond the July 31, 1970, expiration date of the current law would undermine the textile industry's confidence in cotton as a basic raw material and seriously jeopardize the efforts of cotton producers to expand their markets.

It is encouraging to note that spokesmen for the major raw cotton producing organizations across the cotton belt have urged continuing one-price cotton. We support this position, and respectfully request the committee to approve a permanent extension of such a system this year.

Textile Sales, Earnings, Taxes and Capital Spending

Sales and earnings.—Net textile sales reported by the SEC–FTC rose from $15.1 billion in 1963 to $18.7 billion in 1967. Along with this sales increase, net profits after taxes also increased from $354 million in 1963 to $540 million in 1967. Textile earnings on sales increased from 2.3% to 3.8% in 1965 and fell back to 2.9% in 1967.

Taxes.—The rise in textile sales and profits from 1963 to 1967 resulted in increased tax payments. Provisions for federal income taxes alone rose from $367 million to $443 million annually. Over the four year period 1964–1967 since one-price cotton, the textile industry has set aside $2,029 million for income taxes with peak payments of $575 million in 1965.

Capital spending.—Spending for new textile plants and equipment of $640 million in 1963 increased sharply to $1,130 million in 1966 and was $890 million in 1967. Capital spending throughout the textile industry in the last four years has totaled $3,760 million.

Years	Net sales [1]	Earnings [2]	Earnings as percent of of sales	Provision for Federal income taxes [2]	Capital spending [3]
1963	$15.1	$354	2.3	$367	$640
1964	16.2	507	3.1	440	760
1965	18.0	694	3.8	575	980
1966	19.5	702	3.6	571	1,130
1967	18.7	540	2.9	443	890

[1] In billions of dollars.
[2] In millions of dollars.

Sources: U.S. Department of Commerce and FTC–SEC.

Textile and All-manufacturing Industry Profits

The wide gap between textile earnings and average earnings for all-manufacturing industries was narrowed somewhat by 1965. Textiles earned 3.8 cents per sales dollar versus the industrial average of 5.6 cents. Rising costs and a sluggish market widened the gap in 1967 when textiles dropped to 2.9 cents versus a 5.0 cent industrial average.

This same improvement and disparity of textile earnings is revealed in measurements of profits on stockholders' equity.

[In cents per dollar]

Year	Profits on net sales after taxes		Profits on stockholders' equity after taxes	
	Textiles	All manufacturing	Textiles	All manufacturing
1963	2.3	4.7	6.1	10.3
1964	3.1	5.2	8.5	11.6
1965	3.8	5.6	10.9	13.0
1966	3.6	5.6	10.1	13.4
1967	2.9	5.0	7.8	11.7

Sources: Federal Trade Commission—Securities and Exchange Commission

Textile Labor Costs and Cotton Products Prices

Wages increase.—Since 1963 there have been four industry-wide textile wage increases, bringing average hourly earnings up 25% to $2.17 hourly in March, 1968. The textile payroll for production workers in 1967 of $3,945 million was $1,081 million above 1963. The increased cost of "white collar" workers is estimated at about $150 million.

Prices remain stable.—Cotton products prices have remained relatively stable in a period of general inflation. The U.S. Department of Labor's Wholesale Price Index for cotton prices was 100.3 (1957–59=100) in 1963. The index dropped to 99.6 in 1964 and averaged 100.7 in 1967, a rise of only four-tenths of one percent. Over this same period the all-industrial commodity index, including cotton products, increased 5.6% to 106.3.

Year	Average hourly earnings	Production workers' payroll (in millions)	Wholesale price indexes (1957–59=100)	
			Cotton products	All industrial commodities
1963	$1.71	$2,864	100.3	100.7
1964	1.79	3,046	99.6	101.2
1965	1.87	3,360	100.2	102.5
1966	1.96	3,660	102.5	104.7
1967	2.14	3,945	100.7	106.3
Percent change, 1963–67	+25	+38	+0.4	+5.6

Source: U.S. Department of Labor.

STATEMENT OF W. D. LAWSON, III, PRESIDENT, AMERICAN COTTON SHIPPERS ASSOCIATION, GASTONIA, N.C.

On behalf of the American Cotton Shippers Association, I wish to present our views on the Extension of the Food and Agriculture Act of 1965, and the National Agricultural Bargaining Act, S. 2973.

The American Cotton Shippers Association was founded in 1924, and is basically comprised of merchants, shippers, and exporters of raw cotton who are members of six federated Associations, located in fourteen states throughout the cotton belt:

Arkansas-Missouri Cotton Trade Association.
Atlantic Cotton Association.
Oklahoma State Cotton Exchange.
Texas Cotton Association.
Southern Cotton Association.
Western Cotton Shippers Association.

The 678 member firms of the ACSA handle over 70% of the domestic cotton crop and 90% of the export market. We believe that our program would accomplish all of the objectives of the 1965 Act, and at a substantial savings in cost to the American taxpayer. This program will guarantee producer income, and at the same time produce a sufficient amount of cotton for domestic and export needs.

On April 27, 1968, the ACSA met at its Forty-Fourth Annual Convention in Atlanta, Georgia and adopted the following positions:

"FARM LEGISLATION

"With some assistance from the elements, the 'Food and Agriculture Act of 1965' has reduced burdensome surpluses. It has also maintained farmer income.

"The present cotton legislation contains certain provisions which should be maintained as we consider new legislation. They are:

"A) A competitive one-price system which makes cotton available to U.S. textile mills at the same price paid by foreign mills;

"B) A CCC loan program, if there is to be one, must be fixed at a sufficiently low level so as to avoid interference with the orderly marketing of cotton, and which is substantially below the estimated world price of cotton;

"C) A direct payment program must be continued until cotton producers can be competitive on their own with foreign growths;

"D) A minimum national acreage allotment of 16 million acres is necessary to assure an adequate supply of the qualities most desired by domestic and foreign mills;

"E) There must be no maximum dollar limitation on producer participation in, or benefit from, a support or payment program;

"F) The 1965 skip-row regulations must be maintained.

"We believe that future legislation should encompass the following principles; free market, one price, expanding off-take, adequate supply and reasonable cost. To guarantee these principles we recommend the following:

"1. Support cotton produced on a minimum of 60% of the acreage allotment at a price goal sufficient to assure farmers of reasonable income. Such support should be made available by price support payments which are the difference between the prices received by farmers and the price goal.

"2. A low level loan for cotton produced on the percentage determined under item one.

"3. Farmers should be allowed to produce more than minimum percentage determined under item one up to production from a national acreage allotment, minimum of 16 million acres, but there will be no loan nor payments on production above this percentage.

"4. A farmer can plant more than his farm acreage allotment, but he will receive no loan nor price support payments if he does exceed his acreage allotment.

"5. All payments will be based on actual yield."

"MONDALE BILL, S. 2973

"If passed as presently written, the National Agriculture Bargaining Act would establish a National Agriculture Relations Board for the purpose of collective bargaining between producers and processors to establish prices. It also expands marketing orders to include any commodity when a majority of producers so desire. Furthermore, it includes the provision of S. 109 before it was amended by the Senate and the House. The American Cotton Shippers Association strongly opposes this bill because of the adverse affects it would have on the orderly marketing and processing of cotton.

"The cotton producer presently enjoys the security of being able to market his cotton through the CCC loan, cooperatives, gins, FOB merchants, shippers, and mill buyers. Today cotton is operating in a free and open market with a viable futures trading for the first time since the Korean War. Present competition for the producer's cotton has resulted in record high income for cotton farmers, and the price fixing mechanisms prescribed in the Mondale Bill are not suitable to the cotton industry."

We hope that you and the Committee members will give our views your careful attention, and we are available for consultation.

We respectfully request that this statement be included in the Official record of the Committee's consideration of the Extension of the Food and Agriculture Act of 1965, and the National Agriculture Bargaining Act, S. 2973.

GENERAL

CALHOUN, MO., *April 23, 1968.*

HON. STUART SYMINGTON,
U.S. Senate,
Washington, D.C.

DEAR SIR: I was reared on the farm and have been a farmer's wife for the past forty years and believe me, I know wherewith I speak. Our family has always carried on a diversified form of agriculture. Our son, an only child wishes to continue farming. He has a wife and two lovely children and it is my fervent prayer that he can stay on the farm on account of the children. The small farmer with no financial backing has been forced off the farm and many have located in the congested areas of the cities where there is so much crime and unrest and I might add civil disorders as we are just eighty miles from Kansas City. In our part of the country very few of the young people wish to stay on the farm on account of the hard work and uncertain pay and they flock to the city for employment after graduation.

I read with interest the different people's ideas on how to improve the economy of the American farmer. After reading the Congressional Record of Feb. 26, 1968, I am prompted to write.

In the report of the Resolutions Committee, Farm Leaders Conference, Kansas City, Mo. Feb. 8, 1968, it spoke of raising farm prices to 100% of parity through loans, farm programs and controls. Hasn't much of this been tried? When are our responsible government officials going to stop giving lip service and vague promises to the farmer and actually do something? Hardly a day passes, that there isn't an article in our daily paper about organizing the farmers. Personally

I do not think that is practical on account of our diversification. Then too, we shrink from the labor tactics sometimes practiced by organized labor, and we want no part of it. Honestly do you think it is possible and practical to organize the farmers?

Then too, if farm prices should be raised, won't that cause another spiral in cost of living and won't that in turn cause American labor to ask for a raise as many of their contracts are tied to the cost of living? If they get a raise won't the processor add that to the price of the product which in turn goes back to the consumer? Then what about the parity index? Please explain to me how that can aid our economy.

My plan is to pay the farmer 100% parity in direct payments based on his actual expenses as shown on his 1040F tax form plus his actual living expenses (food, clothing, and shelter). The past year the parity was 74%. The government would base their payment 26% of the expenses and refund it after the income tax is filed. It could be handled the same way as our gasoline tax refund is now handled and included in the same check. Let it be handled through IRS.

Under this plan the government would be subsidizing the American consumer instead of the farmer having to do it. Close all county and state ASC offices. Remove all controls and let the farmer be his own boss. If there is an over supply and commodities are cheap, every one will benefit by it. We will then be able to compete in the foreign markets and not be priced out as has happened in the past. Possibly the starving people at home and abroad can have more food if it is cheaper.

Will you please send me the amount that it cost to maintain all ASC offices throughout the U.S. in 1967? Please include all personnel from committeemen, clerks, and supervisors—county, state and federal level if there are any; also include the cost of supplies (all those triplicate forms), furniture, business machines, rent and upkeep. I would also like the amount paid to the cooperating farmers for 1967. If you cannot supply this information, please tell me where I may write and obtain it.

I have read that the Agriculture Department said that direct payments would be too expensive but I wonder if they know just how it would compare with what they are already spending and not getting the job done.

I would appreciate a reply with your opinion as to the feasibility of my plan.

Sincerely,

Mrs. L. W. Hutcherson.

Harlan Iowa, *January 23, 1968.*

Senator Allen J. Ellender,
Senate Office Building,
Washington, D.C.

Dear Senator Ellender: Positive action must be taken to develop a program which will provide greater income for agricultural producers. I believe such a program must provide production controls but that these controls must be developed, regulated, and enforced by the producers themselves. I therefore submit the following suggestion as a means of providing voluntary controls through an organization which would give continuity to the program.

I propose that the ASCS be set up in much the same manner that the Farm Credit Services were established. The initial funding would be provided by the Federal Government through a loan and the funds would be repaid from operating profits of the cooperative association. Suitable interest rates or a franchise tax would be charged by the Federal Government.

Production would be controlled through acreage assignment and through marketing controls on agricultural products. Marketing controls would be secured by having marketing outlets become members of the association.

I will not attempt to provide answers to all of the problems which would develop should such a proposal be given consideration both because I do not have all of the answers and because this would become more of a book than a letter should I attempt to incorporate all of my ideas. I do suggest, however, that such a program would provide two very important ingredients for a solution.

1. It would be a program controlled by the farmers and therefore would excite the interest of farmers from all political parties and all farm organizations.

2. It would give all farmers, regardless of their farm organization affiliation, a common ground on which to meet.

If you feel that this proposal deserves further consideration, I will be glad to discuss it with you. I believe that this is a time for positive proposals and if there are other positive approaches being brought to your attention, I will appreciate hearing about them so that I may give them my consideration.

Very truly yours,

H. S. Vanderlinden,
General Manager,
Farm Service Cooperative.

FARM PROGRAM AND FARM BARGAINING

WEDNESDAY, APRIL 24, 1968

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to call, at 10 a.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Talmadge, Jordan of North Carolina, McGovern, Aiken, Young of North Dakota, Boggs, Miller, and Hatfield.

The CHAIRMAN. The committee will please come to order.

As all of you know, we held hearings a couple of weeks ago in respect to an extension of the bill of 1965 affecting agriculture. I wish to say that during these hearings we found very little opposition to it.

We have set aside today to hear the Secretary of Agriculture as to how the bill has worked, and such improvements as he may propose.

I know the bill is very flexible. We saw to that. We would be glad to hear from the Secretary. You may proceed, sir.

STATEMENT OF HON. ORVILLE L. FREEMAN, SECRETARY OF AGRICULTURE

Secretary FREEMAN. Thank you very much, Mr. Chairman. I have asked that there be placed before each member of the committee two pieces of paper. I would propose to review one, and you may wish to make reference to the summary of the attached proposed legislation which is a separate bundle, which specifies the nature of the changes I would propose, and then sets down attached thereto the legal language to make the amendments.

Incidentally, the proposed changes are very limited and modest in nature.

GENERAL

I appreciate this opportunity to appear before you this morning. This is the eighth year in which I have appeared before you to urge the passage of important farm legislation.

All of these legislative proposals have been important—some more important than others. Among those directed toward the reduction of surpluses and the improvement of prices and income, two stand out—the 1961 voluntary food grains program and the Food and Agriculture Act of 1965.

The 1961 voluntary feed grains program was a landmark because it demonstrated the ability of a voluntary program to reduce surpluses

while improving farmers' incomes. The 1965 act was a landmark in several respects. It combined the best features of the voluntary programs of the previous years and extended them to cotton. It provided price supports at near world market levels, greatly improving our competitive position in export markets, with Government payments to finance acreage adjustments and supplement market prices as necessary.

The 4-year life of the 1965 act also was a landmark. It was the first major farm price support legislation since World War II which extended more than 1 or 2 years.

These legislative acts and the many others enacted in the past 7 years are a tribute to the skill of the chairman and members of this committee on both sides of the table, in guiding sound farm legislation through the Senate.

I am grateful for the opportunity to once again discuss with you the future of American agriculture and our Federal farm policy. There are two fundamental challenges which I call to your attention:

First: Will today's urban-oriented Congress support a continuing national agricultural policy? Has American agriculture convinced the Nation and the Congress that a good policy is indeed a national need?

Second: Can the legislative process turn slogans into action by increasing farmer bargaining power in the marketplace? This is the challenge to this committee, to farm organizations and to those who represent farm people—to invent new approaches to pricemaking—to devise new relationships between seller and buyer in future farm markets.

Let there be no misunderstanding about the current contribution of farmers to our national economy. American agriculture is the most efficient agricultural industry in the world. It brings America's families the most nourishing food in the world at a farmgate cost of only 5 cents out of each dollar of their disposable income—6 cents if all farm program costs are included.

This high level of performance is a direct result of a profit system manned by the best farmers in the world, together with research and development programs authorized and financed by the Congress over the past 100 years, and the credit and price and income stabilization programs of the past 35 years.

In the early days of our Nation, our national farm policy was essentially one of getting the land settled and insuring a Nation of family farms—through grants and Government sale of cheap land to farmers.

Beginning about 1860, the policy shifted to positive governmental assistance to these family farms through public financed research, extension, and vocational education. Government agencies undertook to develop new varieties of crops and livestock, new farming practices, and demonstrate their value to farmers. Large production was to give farmers more net income. Later, Government sponsored and financed farm credit agencies helped the Nation's family farms with needed credit to adopt the improved farm technology.

Some 40 years ago it had become evident that farmers as a group could no longer gain solely by expanding output. The 1920's and the 1930's were years of depressed farm prices. Export markets were

deteriorating in the 1920's and domestic markets collapsed in the Great Depression of the 1930's.

The excess supply problem continued after World War II, but for a different reason—the public and private measures for improving and adopting new agricultural technology now were pushing up supply faster than population growth, higher consumer incomes and expanding foreign outlets increased effective demand.

For the past 30 years, a large volume of private research and development programs sponsored by agribusiness corporations has complemented Government-financed research and educational technology and efficiency: Total farm productivity in the past 20 years has increased at a rate 2½ times that of other industries. This increased efficiency in food production by America's farmers has blunted advances in food costs and given the United States a remarkable record of food price stability in contrast with much of the rest of the world.

You all are familiar with the series of Government farm programs in the 1930's, 1940's, and 1950's essentially built on what we would now call a high price support approach. They heped stabilize farm income—but at the expense of a loss of foreign markets and mounting surplus stocks. The culmination of these programs was the bulging stocks of 1961—with grain stored everywhere, even on ships—85 million tons of feed grains and 1.4 billion bushels of wheat. It was costing the Government over $1 million a day just to store and handle these stocks—literally a national scandal.

The 1961 voluntary feed-grain program was the first of a series of voluntary adjustment programs to reduce the surpluses while increasing farmers' incomes and expanding our foreign markets by staying competitive. As I pointed out earlier, the Agricultural Act of 1965, building on the earlier experiences with voluntary programs, marked a substantial shift in U.S. farm policy. It recognized that the supply imbalance in agriculture was not a temporary matter—that agriculture was faced with an excess capacity problem that was likely to persist.

Instead of the high price support of earlier years, it sets price supports at near world market levels, permitting the market to perform the jobs it can do best, then using payments to adjust production and to strengthen farm income.

CROPLAND ADJUSTMENT

Coupled with the year-to-year voluntary production adjustment features was the longer term cropland adjustment programs. Under it families who wished to divert a large part or all of their cropland for a 5- or 10-year period were offered rental payments for diverting specified crop acreages to conservation uses on a long-term basis.

Both the Government and farmers benefit from having the cropland adjustment program as a supplement to the annual programs. Under it many older and part-time farmers are able to retire their entire crop acreage for a period of years. And since these farmers wish to retire from active crop cultivation, the cost per unit of potential production retired is less than under the annual adjustment programs.

The public also reaps a benefit from the cropland adjustment program in that many farmers in exchange for a small additional pay-

ment under the public access provisions allow hunting and fishing on their land without charge to the user.

In addition to the land retired by farmers for 5 to 10 years under the cropland adjustment program, the act enables public entities—counties, municipalities, and States—to acquire eligible cropland and retire it permanently on similar terms. The State or local government receives the same Federal payment that a farmer would receive under a 10-year agreement.

This effort—known as Greenspan— has proved extremely popular with local communities. In 1966 and 1967, the Department entered into Greenspan agreements with 137 communities, on projects providing for outdoor recreation close to urban areas in which more than 6 million people live.

GENERAL

Operating together, the year-to-year voluntary production adjustment and the cropland adjustment program constitute a coordinated flexible approach. Neither could be as effective in isolation.

Their effectiveness also has been increased by the purchase programs utilized to carry out our domestic and foreign food distribution programs. For example, our food distribution programs not only improve the diets of millions of needy families and schoolchildren, but they also permit us to help shore up meat and produce prices, which we do by buying this food when the market is weak as a result of overproduction.

This new design for farm programs was limited to a 4-year trial period. The experience to date testifies to the fact that it has enabled U.S. farm products to compete more effectively in world markets. It also has permitted a reduction in the enormous surpluses of grains and cotton which had accumulated under the old price support system, while increasing farmers' incomes.

The time now has come to make the Food and Agriculture Act of 1965 continuing. Just as labor has continuing legislation in the Wagner Act; just as there is legislation establishing the Federal Trade Commission, the Federal Communications Commission, and the antitrust laws; just as banking and finance benefit from continuing legislation setting up the Federal Reserve Board; just as the Nations' senior citizens have continuing legislation in the Social Security Act; so, too, there now is need in agriculture for similar continuing legislation which deals realistically with agriculture's underlying economic conditions.

I hope that the legislation I am proposing today will be remembered as the basic charter for a stable agriculture, joining these other continuing acts which serve other segments of our national economy so well.

All serious students of the farm problem recognize that American agriculture has excess production capacity which will continue for many years. American farmers today have the capacity to produce 10 to 12 percent more farm products than can be sold in commercial markets at current price levels. A part of this reserve capacity is being held out of production by the various adjustment programs and a part is being used to produce products for distribution outside commercial markets.

Some 48 million acres are diverted from crop production this year under the wheat, feed, grains, cotton, and cropland adjustment programs. These would increase output about 7 percent, if cropped. We also are distributing about 5 percent of our products through domestic food distribution programs at home and Public Law 480 programs abroad.

Many authoritative statistical studies have been made of the impact of farm income support and stabilization programs on net farm income. These studies indicate a drop in net farm income of one-fifth to two-fifths during the first 5 transition years if farm programs are ended. A study made by Iowa State University economists for the National Advisory Commission on Food and Fiber went even further and concluded that these low farms prices would persist at least for another 5 or 10 years.

We estimate that except for current adjustment programs, grain supplies would be so large that corn prices would soon fall to 70 to 75 cents and wheat to $1 a bushel or lower. World grain prices, too, might decline sharply.

It is clearly in the public interest to foster the advance of farm technology. But farmers, like businessmen in nonfarm industries, require stable prices and income if they are to adopt new technology and earn more with increased efficiency.

There is no particular virtue in unstable prices, although some of the pleas for free markets would make it appear so. Efficiency is not fostered by erratic prices. Rather, sharp changes in output caused by unstable prices foster wasteful use of resources. Clearly, several million farmers operating under atomistic competition, and subject to unstable growing seasons, cannot stabilize supplies and prices like nonfarm industries do.

The programs carried on under the 1965 act do, however, provide a basis by which farmers through voluntary action working together bring production in harmony with market requirements. The benefits are not limited to farmers. For the costs of unstable farm income and low farm prices extend far beyond the farming industry. In the old days when farm income dropped, farmers could postpone expenses and take a low return on their own labor and land. The horses lived off the feed produced on the land. These were few bills requiring cash to pay for machinery repairs, gas, oil, and rubber tires.

Today, expenses for the repairs, fuel, tires, fertilizer, insecticides, herbicides, and hybrid seed take up to 80 percent of a farmer's cash receipts. He cannot postpone buying all these items or he will have no income. And he cannot postpone paying for them or his city creditors will liquidate him.

An unstable farm economy brought on by a removal of these programs operating under the act of 1965 would create chaos for our family farms and our rural communities. Our agricultural progress—the envy of the world—would be brought to an abrupt halt.

The resulting vacuum might very well be filled by large conglomerate corporations—not because they are more efficient, but because they could get the capital to survive widely fluctuating farm prices.

Government commodity farm programs are a thrifty investment for our Nation. Technical progress has been more rapid under these programs than in any previous period in our history.

93-192—68——37

Productive capacity continues to grow faster than demand and without some means of holding the excess capacity in reserve in most years farmers face sharply falling income and violently unstable prices. This year over 1.5 million farms with feed-grain bases, over 460,000 farms with cotton allotments, and over 840,000 farms with wheat allotments are voluntarily participating in production adjustment programs under the Agriculture Act of 1965.

If there were no programs of production restraints this year, USDA analysts estimate that total feed-grain production would be over 40 million tons larger, cotton production nearly 4 million bales larger, and wheat production over 150 million bushels larger. Prices would be driven so low by this sharply larger output that the value of these three crops—including Government payments—would be over $5 billion less than current estimates. Production expenses would be higher as a result of cropping larger acreages and farmers' net income would shrink even more.

The Agriculture Act of 1965 provides a more flexible means for dealing with agriculture's excess capacity problems than any previous legislation. It is not perfect. We are still learning to operate it more skillfully and coordinate more efficiently with producers in our efforts to keep demand and supply in fair balance. But it is working better each year. No one has proposed any better system. Although it does not expire until 1969, farmers need to be able to make plans in advance. The 1970 wheat program should be announced 13 months from now. Farmers will need the adjustment features of the 1965 law for many years.

The time has come for an agriculture act of 1968 which will join the many other continuing legislative acts which protect and stabilize the other sectors of our economy. I recommend that this be accomplished extending the Food and Agriculture Act of 1965 with a minimum of changes.

I have brought with me today suggested legislative language for such an act for your consideration. It has a number of provisions.

(The proposed bill and section-by-section analysis are as follows:)

A BILL To provide permanent legislation for maintaining farm income, stabilizing prices and assuring adequate supplies of agricultural commodities

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Food and Agriculture Act of 1968".

DAIRY

SEC. 101. The class I dairymen's base plan is extended by striking out section 103 of the Food and Agriculture Act of 1965.

FEED GRAINS

SEC. 102. The feed grain program is extended by striking out "1966 through 1969 crops" wherever it appears and substituting "1966 and succeeding crops" in the following provisions of law:

(1) Section 105(e) of the Agricultural Act of 1949, as amended.

(2) Section 16(i) of the Soil Conservation and Domestic Allotment Act, as amended.

SEC. 103. Effective beginning with the 1969 crop, section 105(e) of the Agricultural Act of 1949, as amended, is amended by adding at the end thereof the following:

"Notwithstanding any other provision of this subsection and section 16(i) of the Soil Conservation and Domestic Allotment Act, as amended, price

support payments and diversion payments may be made in cash or in kind for the 1969 and succeeding crops of feed grains. Payment-in-kind certificates which the Commodity Credit Corporation acquired under the price support and diversion programs for feed grains through the 1968 crop in assisting producers in the marketing of such certificates and which are still on hand on September 30, 1969, shall not be marketed and shall be cancelled."

COTTON

SEC. 104. The Agricultural Adjustment Act of 1938, as amended, is amended—

(1) By changing the colon in subsection (a) of section 344a to a period and striking out the proviso.

(2) By striking out "the 1966, 1967, 1968, and 1969 crops" in the first sentence of subsection (e) of section 346 and substituting "the 1966 and succeeding crops".

(3) By striking out "the 1966, 1967, 1968, and 1969 crops" in section 350 and substituting "the 1966 and succeeding crops".

(4) By changing the colon in the third sentence of section 350 to a period and striking out the proviso, effective beginning with the 1969 crop.

SEC. 105. Effective beginning with the 1969 crop, the Agricultural Act of 1949, as amended, is amended—

(1) By amending paragraph (1) of section 103(d) by striking out "the 1966, 1967, 1968, and 1969 crops" and substituting "the 1966 and succeeding crops".

(2) By amending paragraph (4) of section 103(d) to read as follows:

"(4) The Secretary is authorized to make diversion payments in cash or in kind in addition to the price support payments authorized in paragraph (3) to cooperators who reduce their cotton acreage by diverting a portion of their cotton acreage allotment from the production of cotton to approved conservation practices to the extent prescribed by the Secretary: *Provided*, That no reduction below the domestic acreage allotment established under section 350 of the Agricultural Adjustment Act of 1938, as amended, shall be prescribed: *Provided further*, That payment under this paragraph may be made available for diverting to conserving uses that part of the acreage allotment which must be diverted from cotton in order that the producer may qualify as a cooperator. The rate or rates of payment for acreage diverted shall be such rate or rates as the Secretary determines to be fair and reasonable, but shall not exceed 40 per centum of the parity price for upland cotton as of the month in which such rate is announced. Payment at the applicable rate shall be made on the quantity of cotton determined by multiplying the acreage diverted from the production of cotton at such rate by the projected farm yield. In addition to the foregoing payment, if any, payments at the rate applicable for acreage required to be diverted to qualify as a cooperator (or, if no payment rate is established for acreage required to be diverted, at a rate determined by the Secretary to be fair and reasonable, not to exceed 40 per centum of the parity price for upland cotton as of the month in which such rate is announced) shall be made to producers on small farms as defined in section 408(b) who do not exceed their farm acreage allotments on a quantity of cotton determined by multiplying the projected farm yield by the acreage by which the farm domestic allotment is less than the farm acreage allotment."

(3) By striking out the first sentence in paragraph (6) of section 103(d) and substituting the following:

"Where the farm operator elects to partcipiate in the diversion program authorized in this subsection and no acreage is planted to cotton on the farm, diversion payments shall be made at the applicable rate or rates established under paragraph (4) on the quantity of cotton determined by multiplying that part of the farm acreage allotment diverted under the program by the projected farm yield, and the remainder of such allotment may be leased under the provision of section 344a of the Agricultural Adjustment Act of 1938, as amended, subject to the conditions of that section, or may be released under the provisions of section 344(m)(2) of such Act. Such lease or release shall not result in reduction of the acreage eligible for diversion under this paragraph."

SEC. 106. Section 402(b) of the Food and Agriculture Act of 1965 is amended by striking out "1966 through 1969 crops" and substituting "1966 and succeeding crops", and by striking out "1967, 1968, and 1969 crops" and substituting "1967 and succeeding crops".

Sec. 107. Effective beginning with the 1969 crop, section 350 of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out the second sentence and substituting the following: "The Secretary shall determine a farm domestic acreage allotment percentage for each such year which shall be the percentage which he estimates when applied to the farm will result in price support payments under section 103(d) of the Agricultural Act of 1949 being made on a quantity of cotton equal to such estimated domestic consumption."

Sec. 108. Effective beginning with the 1969 crop, section 103(d)(3) of the Agricultural Act of 1949, as amended, is amended by striking out in subparagraph (ii) "the cooperator percentage established under section 408(b)" and substituting "the percentage which 14,000,000 acres is of the national acreage allotment for cotton".

Sec. 109. Section 344a of the Agricultural Adjustment Act of 1938, as amended, is amended—

(1) By striking out in subsection (a) the following: "(excluding that part of the allotment which the Secretary determines was apportioned to the farm from the national acreage reserve)".

(2) By striking out the last sentence in subsection (b).

Sec. 110. Section 346(e) of the Agricultural Adjustment Act of 1938, as amended, is amended—

(1) By striking out in the third sentence thereof "For each subsequent crop—" and substituting "For the 1967 and 1968 crops—."

(2) By inserting after the table in the third sentence thereof, the following: "For the 1969 and succeeding crops the national export market acreage reserve shall be an amount prescribed by the Secretary, not to exceed 250,000 acres."

(3) By striking out in the tenth sentence thereof "of all cotton produced on such farm for such year" and substituting "of a quantity of cotton equal to the quantity of all cotton produced on such farm for such year".

WHEAT

Sec. 111. The wheat program is extended—

(1) By striking out "the calendar years 1964 through 1969" in amendment (7) of section 202 of the Agricultural Act of 1964, as amended by amendment (1) of section 505 of the Food and Agriculture Act of 1965, and substituting "1964 and succeeding calendar years".

(2) By striking out "the calendar years 1965 through 1969" in amendment (13) of section 202 of the Agricultural Act of 1964, as amended by amendment (2) of section 505 of the Food and Agriculture Act of 1965, and substituting "1965 and succeeding calendar years".

(3) By striking out "the calendar years 1964 through 1969" in section 204 of the Agricultural Act of 1964, as amended by amendment (3) of section 505 of the Food and Agriculture Act of 1965, and substituting "1964 and succeeding calendar years".

(4) By striking out "the calendar years 1966 through 1969" in section 332(d) of the Agricultural Adjustment Act of 1938, as amended, and substituting "1966 and succeeding calendar years".

(5) By striking out "the calendar years 1964 through 1969" in section 339(b) of the Agricultural Adjustment Act of 1938, as amended, and substituting "1964 and succeeding calendar years".

(6) By striking out "the calendar years 1966 through 1969" in section 502 of the Food and Agriculture Act of 1965, and substituting "1966 and succeeding calendar years".

(7) By striking out "1966 through 1969 crops" in section 506 of the Food and Agriculture Act of 1965, and substituting "1966 and succeeding crops".

Sec. 112. Effective beginning with the 1969 crop, section 301(b)(13)(k) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out "three calendar years" and substituting "five calendar years".

Sec. 113. Effective beginning with the 1960 crop, section 332(b) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out "owned by the Commodity Credit Corporation" and substituting "on hand in the United States".

Sec. 114. Section 379e of the Agricultural Adjustment Act of 1938, as amended, is amended by adding at the end thereof the following:

"Notwithstanding any other provision of this Act, Commodity Credit Corporation shall sell marketing certificates for the marketing years for the 1970 and succeeding wheat crops to persons engaged in the processing of food products at the lower of (1) the face value thereof or (2) $0.75 per bushel plus the amount by which the parity price for wheat as of the beginning of the marketing year for such crop as estimated by the Secretary not earlier than May 1 preceding the beginning of such marketing year exceeds the parity price as of July 1, 1969."

SEC. 115. Effective beginning with the 1969 crop, section 107 of the Agricultural Act of 1949, as amended, is amended by inserting in paragraph (1)(a) after the words "100 per centum of parity price" the following: "as of the beginning of the marketing year as estimated by the Secretary not earlier than May 1 preceding the beginning of such marketing year,".

WOOL

SEC. 116. The National Wool Act of 1954, as amended, is extended by striking out "beginning April 1, 1955 and ending December 31, 1969" and substituting April 1, 1955".

CROPLAND ADJUSTMENT

SEC. 117. Section 602 of the Food and Agriculture Act of 1965 is amended—

(1) By striking out "the calendar years 1965 through 1969" in subsection (a) and substituting "1965 and succeeding calendar years".

(2) By striking out "during any of the fiscal years ending June 30, 1966 through June 30, 1968 or during the period June 30, 1968 through December 31, 1969" in subsection (k) and substituting "during any fiscal year".

(3) By adding at the end of subsection (a) the following:

"Beginning with the fiscal year ending June 30, 1970, in utilizing funds available for carrying out the program, preference shall be given to (1) entering into agreements with producers who, due to are, physical disability, lack of sufficient resources, off-farm employment opportunities or for similar reasons, wish to make a substantial reduction in their farming activities (2) entering into agreements with producers who agree to permit access to the farm by the general public, during the agreement period, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations and (3) assisting States or local government agencies pursuant to subsections (i) and (j) in acquiring cropland for the preservation of open spaces, natural beauty, the development of wildlife or recreational facilities, or the prevention of air or water pollution, and in the establishment of practices or uses which will establish, protect, and conserve open spaces, natural beauty, wildlife or recreation resources, or prevent air or water pollution."

(4) By striking out of the second sentence of subsection (c) "The rate or rates of annual adjustment payments as determined hereunder may be increased by an amount determined by the Secretary to be appropriate" and substituting "In addition to the annual adjustment payment an annual public access fee may be paid to the producer in an amount determined by the Secretary to be appropriate".

(5) By striking out the last sentence of subsection (p).

(6) By adding a new subsection (r) as follows:

"(r) The Secretary may terminate agreements which are entered into with producers after the effective date of this subsection if he determines such action to be in the national interest and gives public notice in ample time to permit producers a reasonable opportunity to make arrangements to return their land to agricultural production."

MISCELLANEOUS

SEC. 118. Section 708 of the Food and Agriculture Act of 1965 is amended by adding at the end thereof the following: "The projected yield for any State or county for the 1969 and succeeding crops of any commodity shall not be less than 95 per centum of the yield established for such State or county for the preceding crop."

SEC. 119. The last paragraph of the Act entitled "An Act to amend the peanut marketing quota provisions of the Agricultural Adjustment Act of

1938, as amended, and for other purposes," approved August 13, 1957 (7 U.S.C. 1359 note), is amended to read as follows:

"This amendment shall be effective for the 1957 and succeeding crops of peanuts."

SECTION-BY-SECTION ANALYSIS

Section 101 of the bill would amend the Food and Agriculture Act of 1965 by striking out section 103 which limits the application of the class I base plan for dairymen to the period ending December 31, 1969. This would extend and make permanent the authority for a class I base plan under which a base is established for class I (fluid milk) for each dairy producer in a Federal order market, and producers receive the higher "fluid milk price" on the base rather than a blend price on all production.

Section 102 of the bill would amend section 105(e) of the Agricultural Act of 1949, as amended, and section 16(i) of the Soil Conservation and Domestic Allotment Act, as amended, by striking out the provisions which limit the application of those sections to the 1966 through 1969 crops and making them apply to succeeding crops. This would extend and make permanent the present feed grain program.

Section 103 of the bill would amend the feed grain provisions by authorizing payments thereunder to be made either in cash or in kind. At present such payments may be made only in kind. This section would also cancel feed grain certificates still on hand which CCC has acquired under previous programs in assisting producers to market them.

Section 104 of the bill would amend the Agricultural Adjustment Act, as amended, as follows:

Paragraph (1) of section 104 of the bill would amend section 344a of the Act by striking out the proviso in subsection (a) which limits the authority for the sale, lease and transfer of cotton acreage allotments to 1966, 1967, 1968, and 1969. This would extend and make permanent the authority to sell, lease, and transfer cotton acreage allotments.

Paragraph (2) of section 104 of the bill would amend section 346 of the Act by striking out the provision in subsection (e) which limits the application of the section to the 1966, 1967, 1968, and 1969 crops and making it apply to succeeding crops. This would extend and make permanent the provision under which a farmer with a cotton allotment may stay out of the program, receive no price support or payments, and plant and sell cotton into export without penalty.

Paragraph (3) of section 104 of the bill would amend section 350 of the Act by striking out the provision which limits its application to the 1966, 1967, 1968, and 1969 crops and making it apply to succeeding crops. This would extend and make permanent the provision for a domestic acreage allotment program for cotton.

Paragraph (4) of section 104 of the bill would amend section 350 of the Act by striking out the proviso. This would remove the provision which states that no farm domestic acreage allotment shall be less than 65 per centum of the farm acreage allotment.

Section 105 of the bill would amend the Agricultural Act of 1949, as amended, as follows:

Paragraph (1) of section 105 would amend section 103(d) of the Act by striking out the provision which limits its application to the 1966, 1967, 1968, and 1969 crops and making it applicable to succeeding crops. This would extend and make permanent the provisions for price support and diversion payments on cotton.

Paragraph (2) of section 105 would amend section 103(d)(4) of the Act in the following respects: Whether or not a diversion payment would be made for the mandatory reduction in cotton acreage would be left to the determination of the Secretary. The rate of the diversion payment on the mandatory reduction in cotton acreage as well as on the voluntary reduction would also be left to the determination of the Secretary at not to exceed 40 per centum of the parity price. Under the provisions presently in effect for the 1966 through the 1969 crops the rate of the diversion payment is required to be not less than 25 per centum of the parity price for any mandatory reduction in acreage. The special payment which the producers on small farms receive without having to reduce their acreage of cotton would be based on the difference between the farm acreage allotment and

the farm domestic allotment rather than on a fixed 35 per centum of the farm acreage allotment. This change is made to conform to the earlier amendment removing the provision which states that the farm domestic allotment may not be less than 65 per centum of the farm acreage allotment. The rate of the small-farm payment would be the rate established by the Secretary for acreage required to be diverted, and if no payment rate is established for such acreage, the small-farm payment rate would be as determined by the Secretary, not to exceed 40 per centum of the parity price.

Paragraph (3) of section 105 would amend section 103(d) of the Act to permit producers who elect to participate in the program and grow no cotton to receive a diversion payment with respect to that part of the allotment diverted and to lease, or release for reapportionment, the remainder of the allotment. Under the provisions presently in effect for the 1966 through 1969 crops, such a producer may receive a diversion payment only for the acreage which is required to be diverted in order to qualify as a cooperator, and may not lease the remainder of the allotment but may only release it for reapportionment.

Section 106 of the bill would amend section 402(b) of the Food and Agriculture Act of 1965, by striking out the provisions which make such section applicable only to the 1966 through 1969 crops and making it apply to succeeding crops. This would extend and make permanent the provisions of section 408(b) of the Agricultural Act of 1949, as amended, which authorize the Secretary to require producers (except in the case of small farms) to reduce their acreage of cotton below the farm acreage allotment in order to be eligible for price support.

Section 107 of the bill would amend section 350 of the Agricultural Adjustment Act of 1938 to change the method of determining the farm domestic allotment. At present, the farm domestic allotment is determined by dividing (1) the national domestic allotment (in net weight pounds) by (2) the total for all States of the product of the State acreage allotment and the projected State yield. The inflexibility of this formula does not permit arriving at a domestic allotment percentage which will assure the making of price support payments on a quantity of cotton equal to the estimated domestic consumption. The proposed change would permit arriving at a domestic allotment percentage which would achieve that result.

Section 108 of the bill would amend section 103(d)(3) of the Agricultural Act of 1949, as amended, by modifying the price support formula to provide that the guaranteed support of 65 per centum of parity on the "permitted acreage" shall be limited to 14,000,000 acres (87.5% of the minimum national allotment of 16,000,000 acres).

Section 109 of the bill would amend section 344a of the Agricultural Adjustment Act of 1938, as amended, in the following respects: It would strike out the provision which prohibits a producer from selling or leasing that part of his cotton acreage allotment which was apportioned to his farm from the national acreage reserve. It would also strike out the provision which permits the sale or lease or transfer of cotton to be made only during the period June 1 to December 31. This would give the Secretary discretion to allow producers additional time for making lease and sale arrangements.

Section 110 of the bill would amend section 346(e) of the Agricultural Adjustment Act of 1938, as amended, to liberalize the provisions applicable to producing cotton on export market acreage. Under the proposed amendments of this section, the export market acreage reserve would be an amount prescribed by the Secretary not to exceed 250,000 acres. Under the provisions presently in effect for the 1967 through 1969 crops, the amount of the export market acreage reserve is dependent upon amount of reduction in the carryover, and a reserve of 250,000 acres is possible only if the carryover has been reduced by at least 1,000,000 bales during the preceding marketing year. Another change in this section would permit the producer of cotton on export market acreage to export an equivalent quantity of cotton to that produced rather than be required to export the identical cotton produced.

Section 111 of the bill would amend a number of laws relating to wheat by striking out the provisions in such laws which limit their application to the 1966 through 1969 crops and making them apply to succeeding crops. This would extend and make permanent the present wheat program.

Section 112 of the bill would amend section 301(b)(13)(K) of the Agricultural Adjustment Act of 1938, as amended, to provide for determining wheat farm yields

on the basis of the last five years instead of the last three years. This would make the determination of farm yields consistent with the determination of State and county yields which are on a five year basis.

Section 113 of the bill would amend section 332(b) of the Agricultural Adjustment Act of 1938, as amended, to permit the Secretary in determining the amount of the wheat needed which is used in computing the national acreage allotment, to allow for a desirable reduction in excess stocks of wheat on hand in the United States. Under the provisions presently in effect for the 1966 through 1969 crops such allowance may be made only if the excess stocks are owned by Commodity Credit Corporation.

Section 114 of the bill would amend section 379e of the Agricultural Adjustment Act of 1938, as amended, by providing that for the 1970 and succeeding crops the Commodity Credit Corporation shall sell marketing certificates to processors for $0.75 per bushel, adjusted by subsequent increases in parity. This would extend the provision for selling certificates to processors at a price below the face value of the certificate, but would substitute $0.75 per bushel for "the face value thereof less any amount by which price support for wheat accompanied by domestic certificates exceeds $2 per bushel." This change would make it possible to make minor adjustments in the loan rate without affecting the sales price of the certificates. The proposed language would also provide for increasing the cost of the certificate by the amount of any increase in the parity price of wheat.

Section 115 of the bill would permit the Secretary, in establishing price support for wheat of 100 percentum of the parity price, to estimate such parity price as of May 1. This would permit wheat marketing certificates to be issued at an earlier date.

Section 116 of the bill would amend the National Wool Act of 1954, as amended, by striking out those provisions which limit the application of the Act to the period ending December 31, 1969. This would extend and make permanent the present wool program under which incentive payments on wool and Mohair are made at a minimum level of 62 cents per pound adjusted in accordance with a formula to reflect any increases in the parity index.

Section 117 of the bill would amend section 602 of the Food and Agriculture Act of 1965 which provides for a Cropland Adjustment Program in a number of respects.

Paragraphs 1 and 2 of section 117 would strike out the provisions which limit the applicability of the program to the years 1965 through 1969 and make is apply to succeeding years.

Paragraph 3 would amend the Act to provide that in utilizing funds available for carrying out the program, the Secretary shall give preference to producers who, due to age, physical disability, lack of sufficient resources, off-farm employment opportunity or similar reasons, wish to make a substantial reduction in their farming activities, and to producers who permit public access to the farm for hunting, fishing, and recreation, and to the Greenspan Program under which cropland is converted to recreational uses for urban areas.

Paragraph 4 of section 117 would amend the Act to make it clear that the public access fee may be excluded in applying the limitation of 40 percent of the estimated value of the crops which might otherwise be grown on the rate of the annual adjustment payment which may be paid.

Paragraph 5 of section 117 would remove the prohibition against paying any compensation or expenses of the members of the Advisory Board on Wildlife.

Paragraph 6 of section 117 would add a new provision which would authorize the Secretary to terminate agreements if he determines such action to be in the national interest and gives public notice in ample time to permit producers a reasonable opportunity to make arrangements to return their land to agricultural production.

Section 118 of the bill would amend section 708 of the Food and Agriculture Act of 1965 to provide that the projected yield established for any State or county for any commodity shall not be less than 95 per centum of the yield established for the preceding crop. This will prevent the yield which is used for program purposes from dropping more than 5 per centum per year.

Section 119 of the bill would amend the Act relating to boiled peanuts approved August 13, 1957 by striking out the provisions which restrict the application of the Act to the 1957 through 1969 crops and making it apply to succeeding crops. This will extend and make permanent the exemption of boiled peanuts from acreage allotments and marketing quotas.

Secretary FREEMAN. A brief summary of these provisions follows:

DAIRY

The bill extends the class I base plan for dairy, and puts it on a continuing basis. This authority has had only limited use so far but several areas are interested in it.

Senator AIKEN. Mr. Chairman.

The CHAIRMAN. Senator Aiken.

Senator AIKEN. I would like to ask what marketing areas have so far made use of the class I base plan.

Secretary FREEMAN. There has just been one, Senator Aiken, and that has been in the Puget Sound area in Washington.

Senator AIKEN. What is the principal market for the dairymen of the Puget Sound area?

Secretary FREEMAN. In that vicinity, around Puget Sound, I am not quite sure just how wide that area reaches.

Senator AIKEN. You are not sure what the principal market is? Isn't it the Carnation Milk Co.?

Secretary FREEMAN. Frankly, I don't know.

Senator AIKEN. Evaporated milk.

Secretary FREEMAN. I don't know.

Senator AIKEN. What happens to the farmers in the Puget Sound area when Carnation closes down its plant?

Secretary FREEMAN. Well, if that is the principal market, I expect that would be very damaging.

Senator AIKEN. As it will have to do under the recent order of the Food and Drug Administration, which was issued at the insistence of the State Department and Justice. You have not heard from Carnation in any respect lately?

Secretary FREEMAN. No; I have not, Senator. This is all news to me.

Senator AIKEN. Before the Food and Drug Administration issued their order permitting unlimited importation of canned milk from foreign countries, were you consulted?

Secretary FREEMAN. No.

Senator AIKEN. The State Department did not consult you? Justice didn't?

Secretary FREEMAN. I have not had any personal discussions in connection with that.

Senator AIKEN. Do you agree that the removal of all restrictions and all inspection requirements of herds and processing plants in foreign countries and the admission of canned milk from foreign countries under no quota at all would be rather disastrous to the U.S. dairy industry?

Secretary FREEMAN. I am not familiar at the moment, and do not have at the tip of my tongue the volume of importation of evaporated milk. It has been a very modest amount. And the amounts that have been coming in have been highly limited. And it would be subject, I am sure, as other imports would be, to actions under section 22, which, as you are aware, were taken with a sharp cutback in dairy imports recently.

Senator AIKEN. I think that is the only hope. The Milk Import Act has protected American dairy farmers for the last 40 years—since

1927. But a month or so ago, Food and Drug issued an order that there are to be no further restriction on the importation of canned milk from foreign countries so long as the contents had been sterilized and the cans were hermetically sealed. There is no further requirement for inspection of the herds which produce the milk in a foreign country. They can have brucellosis, tuberculosis, hemorrhagic septicemia, or foot and mouth disease and the product will still be admissible into the United States.

Secretary FREEMAN. Didn't the Senator say it would have to be sterilized?

Senator AIKEN. It has to be sterilized. It can stink. So long as it is sterilized it can come in. It can be produced by diseased animals. It can be processed by processing plants which have not gone through the sanitary inspection required of American processing plants. And it will put the evaporated milk industry of the United States completely out of business so long as one importer starts bringing that underpriced milk in here. The only hope is that you can take action under section 22, I believe, and impose a quota on it. Canned milk is not a quota item now, so the President's order of last July does not affect it at all. We may have some recourse through your applying section 22, which could control the imports of canned milk from abroad. But I can assure you, you will have one hell of a fight with the State Department and Justice before you can do it.

The CHAIRMAN. That is nothing new. We have had it for the last 37 years.

Senator AIKEN. Has your program here been cleared with State, the one you are proposing to us today?

Secretary FREEMAN. No, sir.

Senator AIKEN. Well, you have trouble there, too.

Secretary FREEMAN. Might I just clarify on this, on the record. I was not particularly consulted in regard to the safety and sanitation. I would assume that our Federal Food and Drug Administration would not permit the import into the United States of any commodity that would endanger the health and well-being of our people. I cannot cite that from personal intimate participation. If not, if they have permitted this, I am sure Congress and others would correct it, and I know the President would. In terms of the volume of imports, there are differences of opinion on this, which the Senator refers to appropriately. But I think the record ought to show that the President, by executive order, sharply cut back dairy imports a few months ago from an estimated level of over 4 billion pounds of milk equivalent down to well under 1 billion pounds. And if Carnation milk, or if evaporated milk comes in, in quantities that is damaging to the American dairy industry, I can assure you that the Secretary of Agriculture will institute proceedings to try and correct it as I have done in the past.

Senator AIKEN. U.S. dairy companies have at least seven processing plants in the countries which made the complaint to our State Department. In behalf of Food and Drug, may I say they did not want to issue this ridiculous order; they were made to, by pressure from State Department and Justice. While I have no doubt but what milk produced in Denmark and Holland, the two countries that formally complained about the restriction on imports, would be clean,

nevertheless the order applies to all countries, and not just those two.

I think you will find that at least two of our evaporated milk companies are worried to death over this order. They do not want to close their plants in this country. As to the amount of milk they use, they process about a billion pounds of canned milk a year, which is a substantial amount.

So I thought this was a good time to call attention to it, and find out to what extent the State Department is taking over the agriculture of the United States.

Secretary FREEMAN. I can assure you they are not taking over the agriculture of the United States, and the batting average has been a fairly reasonable one. I do not win all these differences, but I think I have won a reasonable percentage. If I were playing on a ball club, they might even increase my pay.

Senator AIKEN. You cannot assure me they are not trying to take over the agriculture of the United States.

Secretary FREEMAN. I won't pass judgment on that, sir.

Senator AIKEN. You do not need to comment on that one. And in the case of canned milk they have been successful.

The CHAIRMAN. Mr. Secretary, since you have mentioned milk as the first commodity, you say that the plan under the present law has been put into effect in the northwestern part of our country?

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. Now, how has that plan differed from what they had previously?

Secretary FREEMAN. Well, it is the base excess plan on which the class I payments, as the Senator is well aware, are made in effect in separate categories, so that the producer will be able to adjust his production, recognizing that there may well be a point where he will benefit from producing less at a higher price than producing too much on a blend price.

The CHAIRMAN. In other words, you are familiar with the position that the chairman took all along on this proposal?

Secretary FREEMAN. Yes.

The CHAIRMAN. It was my belief that class I milk should be sold at a fair price, and then the rest of the production be sold at a not exactly fixed price, but a minimum would be put under the law as to raw milk that is used to make butter and cheese?

Secretary FREEMAN. Right.

The CHAIRMAN. And that is what you have done in that area?

Secretary FREEMAN. This is what the plan is designed to do.

The CHAIRMAN. Well, I am very hopeful that we can renew this proposal, and even tighten up on it, because as I recall in many of these areas where farmers agreed to form a certain area, the producers, through this blending process, use as little as 39 percent of the milk produced in a milk shed, and the rest of it went to make cheese and butter. It made no sense. To me it was a veering away from the purpose of the act as I understood that legislation.

I regret that other areas of the country did not take advantage of this, particularly in the area where my good friend George Aiken comes from.

Senator AIKEN. I can assure you, Mr. Chairman, why they don't is because it restricts the number of producers. It requires anyone going

into the milk business to get a permit from the others already in the business. You cannot increase the size of your herd and production without permission. And in the case of New England, it would permit milk from other parts of the country to come in and deluge us.

The CHAIRMAN. The purpose of the original bill, as I understood it, was to provide a law whereby the producers of milk in a certain milk area would produce it for direct consumption. They were put on a restriction as to how to do that. And it was never intended that the price of the class A milk was to be blended by all other milks produced in that area. To me that is why you have had such an abundance of milk in many places. If we were to stick to the law, as I understood it, when I voted for it, having this class A milk stand out, and let it sink or fall on its own, and not take in this blended milk proposal, I think the dairy industry would be better off today.

Secretary FREEMAN. Well, I think there is merit in what the chairman says—that the blend price system, which is incorporated in the law—at least most legal authorities have so determined, I think—does tend to encourage production and the very process of blending itself.

Senator AIKEN. If the law is so good, why is it that only one marketing area has seen fit to adopt it?

Secretary FREEMAN. Well, I think as you pointed out there are some additional features on it that have——

Senator AIKEN. We have one area where I believe at the time it was passed there were only 52 producers who could effectively prevent any other producer from coming into that area once they established the base rating plan. And that is one of the weaknesses of it.

Secretary FREEMAN. That is right.

The CHAIRMAN. Well, I would like to remedy it to make it work as we originally planned back in 1937, I think it was.

Senator AIKEN. I would say amendments to the Marketing Agreement Act might be helpful. I do not know just what they should be.

The CHAIRMAN. Well, in that connection, have you any suggestions to be made as to how we could improve the milk provision of the act of 1965?

Secretary FREEMAN. We have been making a study of the operation of this base plan in the Puget Sound area. A number of proposals have come forward that are currently under study. I am not prepared at this point to make a judgment on that. I have not decided in my own mind what is the best way to move. But here I am only going so far as recommending the extension of the class I base plan as it now stands. And I agree with the chairman and Senator Aiken that some improvements on it are in order if it is going to accomplish the purpose the chairman has in mind.

The CHAIRMAN. Of course all this is on a voluntary plan. It is left to the farmers who produce in that milk shed area to make the decision.

Secretary FREEMAN. That is right.

Senator AIKEN. Well, do 66⅔ percent of the farmers or those with 50 percent of the production have to approve it?

Secretary FREEMAN. I think it is both, isn't it? I do not recall rightly.

Senator AIKEN. I guess so.

The CHAIRMAN. All right. You may proceed.

FEED GRAINS

Secretary FREEMAN. Feed grains.

The bill extends the voluntary feed grain program and puts it on a continuing basis.

It provides, as in the past, for price support through loans and payments to program participants who divert acreage from feed grain production to conservation uses, as between 65 and 90 percent of parity.

Its provisions include:

(1) Programs for corn, grain sorghum, and also barley if designated by the Secretary; malting barley would be exempt from diversion requirements.

(2) To be eligible for price supports, feed grain producers must participate in the program to the minimum prescribed by the Secretary. In the past this has been a minmium diversion of 20 percent of their base acreage.

(3) Payments for diverting additional acreage could be made if determined by the Secretary.

The CHAIRMAN. Now, Mr. Secretary, have you any suggestions to make as to the feed grain program? Is that incorporated in that summary?

Secretary FREEMAN. Yes. The summary I have made now is just a summary of the program's operation.

The CHAIRMAN. To what extent has the cost of this particular program increased, or decreased, since 1961?

Secretary FREEMAN. Well, the program cost has fluctuated up and down. It was less last year, because the diversion payments were not made, and we had only the price support payments—because we were then in a supply position which at the time the program was put into effect called for increasing production. This year again we—the world picture having changed, we are trying to cut back production. And it will cost something more.

The program has fluctuated back and forth, but it has been within \$200 or \$300 million at about the same level when it was instituted.

The CHAIRMAN. Would you provide for the record and place at this point in the record the yearly cost of the program since 1961—including 1961?

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. As to each commodity—corn and other feed grains separately?

Secretary FREEMAN. I would be happy to do that. We will give you a breakdown on that.

(The information is as follows:)

NET BUDGETARY EXPENDITURES

[In millions of dollars. Minus sign represents receipts]

CORN AND PRODUCTS

	Fiscal year 1961	1962	1963	1964	1965	1966	1967
Price support and related:							
Acreage diversion payments [1]	(1961) 270.2	(1961) 375.8	(1962) 394.2	(1963) 220.1	(1964) 401.0	(1965) 427.8	(1966) 336.1
Do [1]		(1962) 287.7	(1963) 154.4	(1964) 300.0	(1965) 328.0	(1966) 234.0	(1967) 115.8
Price support payments [1]				(1963) 304.4	(1964) 223.5	(1965) 333.5	(1966) 447.2
Do [1]							(1967) 168.5
Commodity export payments	7.8	.8					
Loans and purchases	630.2	744.6	726.1	444.1	249.2	237.7	252.4
Storage and handling	132.4	117.6	93.2	87.9	83.7	53.0	30.2
Other outlays [2]	139.9	140.0	161.6	121.1	96.3	83.1	51.7
Total outlays	1,180.5	1,666.5	1,529.5	1,477.6	1,381.7	1,369.1	1,401.9
Sales proceeds	−320.0	−1,036.9	−813.7	−243.6	−454.1	−437.0	−264.0
Loan repayments	−70.9	−65.6	−36.0	−200.1	−239.6	−204.5	−281.6
Other receipts	−4.7	−11.1	−12.0	−3.9	−2.3	−5.6	−4.5
Total receipts	−395.6	−1,113.6	−861.7	−447.6	−696.0	−647.1	−550.1
Total above items (net)	784.9	552.9	667.8	1,030.0	685.7	722.0	851.8
Foreign donations included in Public Law 480, title II [3]	−16.0	−15.4	−17.0	−17.6	−13.8	−13.3	−2.9
Total, price support and related [3]	768.9	537.5	650.8	1,012.4	671.9	708.7	848.9
Public Law 480 commodity costs (gross): [4]							
Sales for foreign currency	61.8	54.2	43.0	55.4	19.9	13.4	46.0
Long-term credit sales			.2	.5	16.7	20.1	
Foreign donations [3]	32.9	58.8	23.3	26.2	26.4	20.2	29.6
Total, Public Law 480 [3]	94.7	113.0	66.5	82.1	63.0	59.7	75.6
Total expenditures	863.6	650.5	717.3	1,094.5	734.9	768.4	924.5

GRAIN SORGHUMS

	1961	1962	1963	1964	1965	1966	1967
Price support and related:							
Acreage diversion payments [1]	(1961) 63.0	(1961) 73.5	(1962) 69.5	(1963) 40.0	(1964) 88.0	(1965) 88.0	(1966) 60.2
Do. [1]		(1962) 55.0	(1963) 24.0	(1964) 50.0	(1965) 57.0	(1966) 50.0	(1967) 14.0
Price support payments [1]				(1963) 59.0	(1964) 45.5	(1965) 80.5	(1966) 115.6
Do. [1]							(1967) 46.2
Commodity export payments	3.4	2.3					
Loans and purchases	172.3	216.4	249.6	138.8	87.2	103.1	21.9
Storage and handling	82.3	89.9	85.3	85.3	78.8	59.5	39.5
Other outlays [2]	33.5	29.3	37.5	22.1	25.7	47.3	46.7

Total outlays	354.5	466.4	465.9	395.2	382.2	427.8	344.1
Sales proceeds	−45.6	−226.5	−275.3	−142.4	−169.1	−273.9	−375.6
Loan repayments	−17.0	−3.2	−1.9	−8.1	−10.1	−13.4	−24.1
Other receipts	−1.7	−2.4	−2.9	−1.0	−1.2	−1.5	−1.5
Total receipts	−64.3	−232.1	−280.1	151.5	−180.4	−288.8	−401.2
Total above items (net)		234.3	185.8	243.7	201.8	139.0	−57.1
Foreign donations included in Public Law 480, title II [3]						−.3	−.6
Total, price support and related [3]	290.2	234.3	185.8	243.7	201.8	138.7	−57.7
Public Law 480 commodity costs (gross): [4]							
Sales for foreign currency	16.1	13.1	11.0	2.5	7.5	59.2	208.8
Long-term credit sales			1.3	.7	.9	.7	
Foreign donations [3]	2.8	4.3	2.3	3.0	2.2	4.4	14.8
Total, Public Law 480 [3]	18.9	17.4	14.6	6.2	10.6	64.3	223.6
Total expenditures	309.1	251.7	200.4	249.9	212.4	203.0	165.9
BARLEY							
Price support and related:							
Acreage diversion payments [1]		(1962) 11.0	(1962) 25.0	(1963) 13.0	(1964) 24.4	(1965) 30.1	(1966) 15.7
Do [1]			(1963) 10.2	(1964) 23.0	(1965) 15.7	(1966) 12.0	
Price support payments [1]				(1963) 19.0	(1964) 13.0	(1965) 16.8	(1966) 21.1
Do [1]							
Commodity export payments	5.4	3.2	−.2				
Loans and purchases	36.8	34.3	30.8	19.3	11.6	13.2	12.2
Storage and handling	8.7	4.9	4.0	4.6	3.5	1.8	1.2
Other outlays [2]	18.0	9.4	8.1	9.8	6.8	2.7	1.0
Total outlays	68.9	62.8	77.9	88.7	75.0	76.6	51.2
Sales proceeds	−46.1	−39.5	−13.3	−35.3	−17.6	−11.0	−5.9
Loan repayments	−17.3	−38.3	−9.2	−11.2	−14.8	−13.3	−10.6
Other receipts	−.7	−.4	−.7	−1.0	−.5	−.4	−.2
Total receipts	64.1	−78.2	−23.2	−47.5	−32.9	−24.7	−16.7
Total above items (net)	4.8	−15.4	54.7	41.2	42.1	51.9	34.5
Foreign donations included in Public Law 480, title II [3]						−.1	
Total price support and related [3]	4.8	−15.4	54.7	41.2	42.1	51.8	34.5
Public Law 480 commodity costs (gross): [4]							
Sales for foreign currency	29.8	19.7	13.1	11.8	7.0	1.4	3.9
Long-term credit sales				.1	2.0	.1	
Foreign donations [3]	16.4	6.0	1.0			.1	
Total, Public Law 480 [3]	46.2	25.7	14.1	11.9	9.0	1.6	3.9
Total expenditures	51.0	10.3	68.8	53.1	51.1	53.4	38.4

See footnotes at end of table.

NET BUDGETARY EXPENDITURES—Continued

[In millions of dollars. Minus sign represents receipts]

OATS AND PRODUCTS

	Fiscal year 1961	1962	1963	1964	1965	1966	1967
Price support and related:							
Acreage diversion payments [1]							
Do [1]							
Price support payments [1]							
Do [1]							
Commodity export payments	2.0	.2					
Loans and purchases	9.6	10.9	16.7	23.3	23.7	23.5	17.0
Storage and handling	1.2	1.1	1.5	2.1	3.5	4.5	5.6
Other outlays [2]	6.6	4.9	2.8	4.2	6.7	9.2	5.3
Total outlays	19.4	17.1	21.0	29.6	33.9	37.2	27.9
Sales proceeds	−3.4	−3.8	−4.1	−1.8	−7.2	−9.0	−14.0
Loan repayments	−5.0	−9.7	−7.7	−4.7	−9.3	−10.1	−13.4
Other receipts	−.2	−1.4	−.2	−.2	−.4	−.4	−.7
Total receipts	−8.6	−14.9	−12.0	−6.7	−16.9	−19.5	−28.1
Total above items (net)	10.8	2.2	9.0	22.9	17.0	17.7	−.2
Foreign donation included in Public Law 480, title II							
Total price support and related [3]	10.8	2.2	9.0	22.9	17.0	17.7	−.2
Public Law 480 commodity costs (gross): [4]							
Sales for foreign currency	.1		.1	.1	.3	.2	.1
Long-term credit sales				.1		.1	
Foreign donations [3]							2.4
Total, Public Law 480 [3]	.1		.1	.2	.3	.3	2.5
Total expenditures	10.9	2.2	9.1	23.1	17.3	18.0	2.3

SUMMARY: FEED GRAINS AND PRODUCTS

Price support and related:							
Acreage diversion payments [1]	(1961) 333.2	(1961) 449.3	(1962) 488.7	(1963) 273.1	(1964) 513.4	(1965) 545.6	(1966) 411.9
Do [1]		(1962) 353.7	(1963) 188.6	(1964) 373.0	(1965) 400.7	(1966) 296.0	(1967) 129.8
Price support payments [1]				(1963) 382.4	(1964) 282.0	(1965) 430.8	(1966) 583.8
Do [1]							(1967) 214.7
Commodity export payments	18.6	6.5	-.2				
Loans and purchases	848.9	1,006.2	1,023.2	625.5	371.7	377.5	303.5
Storage and handling	224.6	213.5	184.0	179.9	169.5	118.8	76.5
Other outlays [2]	198.0	183.6	210.0	157.2	135.6	142.3	104.8
Total outlays	1,623.3	2,212.8	2,095.3	1,991.1	1,872.9	1,911.0	1,825.0
Sales proceeds	−415.1	−1,306.7	−1,106.4	−423.1	−648.0	−730.9	−659.5
Loan repayments	−110.2	−116.8	−54.8	−224.1	−273.8	−241.3	−329.7
Other receipts	−7.3	−15.3	−15.8	−6.1	−4.4	−7.9	−6.9
Total receipts	−532.6	−1,438.8	−1,177.0	−653.3	−926.2	−980.1	−996.1
Total above items (net)	1,090.7	774.0	917.3	1,337.8	946.7	930.9	828.9
Foreign donations included in Public Law 480, title II [4]	−16.0	−15.4	−17.0	−17.6	−13.8	−13.6	−3.5
Total price support and related [3]	1,074.7	758.6	900.3	1,320.2	932.9	917.3	825.4
Public Law 480 commodity costs (gross):							
Sales for foreign currency	107.8	87.0	67.2	69.8	34.7	74.2	241.6
Long-term credit sales			1.5	1.4	19.6	21.0	17.2
Foreign donations [3]	42.1	69.1	26.6	29.2	28.6	30.5	46.8
Total, Public Law 480 [3]	149.9	156.1	95.3	100.4	82.9	125.7	305.6
Total expenditures	1,224.6	914.7	995.6	1,420.6	1,015.8	1,043.0	1,131.0

[1] Crop year indicated in parenthesis.

[2] Includes transportation, processing and packaging, loan collateral settlements, reseal loan charges, and other expenditures.

[3] The Food for Peace Act of 1966 authorizes the commodity cost of former Title III donations to be charged to Public Law 480 effective Jan. 1, 1967. The 1969 budget and above data have been adjusted to reflect costs on a comparable basis.

[4] Does not include ocean transportation costs, receipts from the sale of foreign currencies, or receipts from loan repayments.

93-192—68——38

Secretary FREEMAN. I think I need not read what would happen in the absence of legislation; that has been covered. However, I would like to insert in the record at this time, a summary of a study just completed by the Economic Research Service of the Department estimating the farm production prices, and income in the absence of farm programs, 1961–67.

(The information referred to follows:)

ESTIMATES OF FARM PRODUCTION, PRICES AND INCOME, 1961–67, IN THE ABSENCE OF FARM PROGRAMS

At the beginning of 1961, new farm policies were initiated in an attempt to balance the supply and demand for major farm products at acceptable prices. At that time, Government stocks of many farm commodities were at or near all-time high levels. Farm programs in effect during the period 1961–67 included a combination of price support and acreage diversion programs affecting supply and promotion of export and domestic demand. Export subsidies for many crops were substantial in the early years of this period, but were generally reduced as U.S. prices moved toward the lower price levels prevailing in World markets.

This report gives estimates of farm production, prices and income during the period 1961–67 if we had had no price supports, diversion payments and export subsidies on farm products and had allowed these products to be produced and marketed under more nearly "free market" conditions.

The only notable exceptions to this "free market" condition were that (1) government financed exports (so-called P.L. 480 shipments) would have been at actual levels during the period 1961–67, and (2) other minor programs, notably sugar, wool, and special soil conservation programs would have been unchanged.

Also, though substantial stocks of most major farm products were on hand at the beginning of 1961, for the purpose of this analysis, these stocks were left "insulated" from the market and were assumed to constitute "ample carryover stocks" for all products.

About 28.5 million acres of land were in the Soil Bank at the beginning of 1961. This land was allowed to become available for production or for other use as the Soil Bank contracts actually expired.

PROCEDURE

Compared to the situation which actually prevailed, greater production and lower prices would be expected for farm crops between 1961 and 1967 under essentially "free market" conditions. These lower prices would have resulted in an expansion both of exports and of domestic consumption. Lower feed prices would have encouraged expanded livestock production, with some decline in prices and some expansion in consumption of livestock and livestock products.

After estimating the production and utilization (including exports) expected under alternative "free market" price levels, a general balancing of supply and demand was required for the 1961–67 period. No rigid balancing of supply and demand was required for individual years, however.

Estimates of crop yields were based on the yield actually realized during the 1961–67 period but adjusted downward for the effects of larger acreages in production. New higher export levels were estimated as increases from actual exports in response to lower prices for U.S. products in World markets.

RESULTS

The implications of shifting from actual conditions to a free market situation are extremely complex; they are only highlighted here.

Effects on Production and Prices.—Substantial increases in crop production were estimated under the "free market" situation as compared to the actual situation with farm programs during the period 1961–67. Wheat acreages were estimated to increase 27 percent, feed grains 16 percent, and cotton 19 percent.

Annual average prices were estimated to decline by 45 percent for wheat, 34 percent for corn, and 35 percent for cotton. As a result, expected market prices would have been about $.90 per bushel for wheat, $.75 for corn, and $.18 per pound for cotton.

Substantial increases in production and declines in prices also would have occurred for soybeans, rice, and tobacco, while the acreage of hay would have increased only modestly to utilize a portion of the Soil Bank land becoming available and to service an expanded livestock industry. Soybeans would have increased by about 4 million acres as compared to the actual acreage produced in 1967 with further expansion curtailed principally by expanded acreages of feed grains and cotton.

The impact of "free market" conditions on livestock production and prices would have been substantial also. Since beef production takes longer to expand, the major initial increases in production would have occurred in hogs and poultry. Because of the substitution of pork and poultry meats for beef, however, beef prices would have been depressed. By 1967, lower prices for feed grains and other feedstuffs would have resulted in an estimated increase in production of 9 percent for beef and 7 percent for hogs. As a result, in 1967 average annual beef prices would have declined an estimated 22 percent from actual 1967 prices and hog prices 24 percent. The impact on dairy production and prices, however, would have been somewhat less pronounced.

Effects on Iincome.—The impact on net farm income under the "free market" conditions would have been even greater than the impact on production and prices. Increased volume of marketings would have held gross realized farm income during individual study years at levels of 80 to 90 percent of their actual 1961–67 levels. Net realized farm income, however, would have declined sharply. It would have been an estimated 76 percent of the actual in 1961, and 54 percent of the actual in 1967 as the cumulative impacts of lower livestock prices were fully realized.

For the entire period of 1961–67, net realized farm incomes under actual farm programs totaled to $95.4 billion. Under the "free market" situation, net realized farm income was estimated at $60.9 billion. Thus, net realized farm income would have been lower by a total of 36 percent between 1961 and 1967 if farm price supports, acreage diversions, and export subsidy programs had been eliminated.

CONCLUSIONS

The impact of changing to a "free market" situation during the period 1961–67 would have resulted in:

1. A total of 36 percent less net realized farm income.
2. 21 percent more wheat and 45 percent lower average annual wheat prices.
3. 17 percent more feed grains and 34 percent lower average annual feed grain prices.
4. 9 percent more cotton and 35 percent lower average annual cotton prices.
5. By 1967, 9 percent more beef and 22 percent lower prices.
6. By 1967, 7 percent more hog production and 24 percent lower prices.

Clearly, price and income changes of these magnitudes would have resulted in severe, sustained problems for farmers. Yet, these appear to be the likely results under "free market" conditions because:

On the demand side—an increase in commercial exports by optimistic amounts would have been necessary to prevent even greater price declines. For example, we would have needed 40 percent more "free market" commercial wheat exports than actual exports in Fiscal Year 1966.

On the supply side—the land and other resources required for the estimated expanded production under "free market" conditions are readily available. The initial consequences of much lower crop prices would have been a revaluation of land prices to much lower levels and an expansion of livestock production.

Land prices would have borne the brunt of adjustment as some farmers were forced out of production and their land transferred to other producers at successively lower prices.

The history of earlier farm depressions suggests that, rather than idle their land, farmers would have repaired their machinery and equipment and continued production even with a much lower level of new machinery purchases than before.

Moreover, returns from the use of fertilizers and agricultural chemicals would remain high even at the lower prices. Hence, it is unlikely that farmers would have curtailed production by reducing their use of fertilizers and other chemicals until forced to do so by a complete lack of capital or credit.

As a result of spreading use of machinery, and continued use of fertilizers and other agricultural chemicals, a high volume of production would continue under "free market" conditions.

WHEAT

Secretary FREEMAN. Skipping to wheat—the bill extends present wheat legislation and puts it on a continuing basis. Its provisions include:

(1) Authorization of price supports, acreage allotments, and marketing certificates which stabilize farm prices and income and assure adequate supplies for domestic and foreign markets.

(2) Price support for producers who comply with their acreage allotment and devote to conservation uses the land diverted from wheat.

(3) Certificate payments on the share of the crop used for domestic food, providing 100 percent of parity returns for wheat used for domestic food.

(4) Price support for all wheat through loans at a level based on competitive world prices and the feeding value of wheat in relation to feed grains.

(5) Diversion payments at the discretion of the Secretary if additional voluntary diversion below the level of the national allotment is needed to balance production with utilization.

Changes recommended

(1) Increased flexibility in setting loan rates.

(2) Authorization to increase the cost of the certificates to processors by the amount of any increase in parity price.

The CHAIRMAN. Your first recommendation—what is your authority now?

Secretary FREEMAN. In this instance, for all practical purposes, loan rates cannot be changed because when you make the loan rates, if you increase it, you decrease the amount of certificate payment to the farmer. So that has had the practical effect of trying the Secretary's hands on increasing loan rates, because loan rates, if you did so, it would actually decrease the farmer's income.

The provision here, I might say, would do two things. It would provide for a 75-cent flat payment to the farmer by the processor. That payment, then, would increase from the processor as parity increased, which recently it has been doing around 3 cents a year, and that increase in the certificate value of one rise in the parity would come from the processor.

That having fixed then that level of certificate payment, the current inhibition toward increasing the loan rates would be removed.

The CHAIRMAN. Now, will you place in the record the yearly cost of this wheat program?

Secretary FREEMAN. Yes, Mr. Chairman.

The CHAIRMAN. Since and including 1961.

Secretary FREEMAN. Yes, sir.

(The information is as follows:)

NET BUDGET EXPENDITURES—WHEAT AND PRODUCTS

[In millions of dollars. Minus sign represents receipts]

CCC operations	Fiscal year 1961	1962	1963	1964	1965	1966	1967
Price support and related:							
Acreage diversion payments [1]			(1962) 220.1				
Do [1]		(1962) 65.1	(1963) 48.5	(1963) 114.7	(1964) 32.5	(1965) 38.1	(1966) 27.2
Price support payments [1]				(1963) 79.2			
Commodity export payments	74.3	56.8	26.3	96.7	11.1	159.8	107.7
Loans and purchases	861.0	576.6	720.0	425.3	396.4	322.6	259.9
Storage and handling	165.9	156.1	144.9	139.6	97.9	67.4	30.0
Certificates issued					409.8	470.7	651.8
Other outlays [2]	147.6	191.7	137.5	161.7	88.0	117.1	71.9
Total outlays	1,248.8	1,046.3	1,297.3	1,017.2	1,035.7	1,175.7	1,148.5
Sales proceeds	−647.9	−797.7	−676.0	−945.1	−566.1	−789.5	−554.9
Loan repayments	−231.3	−283.1	−158.5	−158.9	−98.3	−171.5	−152.2
Certificates sold					−516.5	−630.7	−376.1
Other receipts	−7.2	−120.5	−40.4	−10.9	−5.2	−15.0	18.2
Total receipts	−886.4	−1,201.3	−874.9	−1,114.9	−1,186.1	−1,606.7	−1,101.4
Total above items (net)	362.4	−155.0	422.4	−97.7	−150.4	−431.0	47.1
Foreign donations included in Public Law 480 title II [3]	−63.1	−77.3	−80.5	−91.7	−79.4	−75.9	23.6
Total price support and related [3]	299.3	−232.3	341.9	−189.4	−229.8	−506.9	−23.5
Public Law 480 commodity costs (gross): [4]							
Sales for foreign currency	867.2	1,002.7	1,097.1	992.7	932.1	903.5	454.3
Long term credit sales		18.5	15.4	30.0	121.3	185.0	88.0
Foreign donations [3]	177.9	177.1	199.9	204.9	132.7	182.0	128.8
Total, Public Law 480 [3]	1,045.1	1,198.3	1,312.4	1,227.6	1,186.1	1,270.5	671.1
International Wheat Agreement	76.5	90.0	74.2	125.8	34.8	10.2	
Total expenditures	1,420.9	1,056.0	1,728.5	1,164.0	991.1	773.8	694.6

[1] Crop year indicated in parenthesis.

[2] Includes transportation, processing and packaging, reseal loan charges, loan collateral settlements and other expenditures.

[3] The Food for Peace Act of 1966 authorizes the commodity cost of former title III donations to be charged to Public Law 480 effective Jan. 1, 1967. The 1969 budget and above data have been adjusted to reflect costs on a comparable basis.

[4] Does not include ocean transportation costs, receipts from the sale of foreign currencies, or receipts from loan repayments.

The CHAIRMAN. Now, going back to the feed grain program—have you made any suggestion—I do not see any.

FEED GRAINS

Secretary FREEMAN. The only suggestion—I did not think it was important enough to burden the committee with—is really a bookkeeping one. We had about $4.6 billion worth of certificates on December 31, 1967, that we had accumulated, identified with stocks under the earlier year programs.

Now, under the law we could sell into the market from the CCC at a lower rate than is now permitted by law from Government stocks—by tying that to these certificates. And it is just a matter of bookkeeping to cancel these certificates. We have no intention to in effect violate a later law by using the certificates. And it is just a bookkeeping encumbrance. We would just cancel those certificates out.

The CHAIRMAN. Well, I thought those certificates became unusable after a crop was made and sold.

Secretary FREEMAN. No. They carry forward, and they have accumulated over the years, until we got a great big bag of them. We would just cancel that out.

The CHAIRMAN. Well, at what cost?

Secretary FREEMAN. Nothing. Just a bookkeeping transaction.

The CHAIRMAN. It would not increase the cost of the program?

Secretary FREEMAN. It would not increase anything. It would just cancel out the certificates and clean up the books.

The CHAIRMAN. Well, you have no suggestion to make to up the loan rate, do you, or lower it?

Secretary FREEMAN. No; the loan rate has remained constant for some time. There have been some adjustments, as the chairman is aware. This is within the discretion of the Secretary. I hope that discretion has been exercised responsibly.

The CHAIRMAN. And now the direct payments to those who comply—have you any suggestions as to that?

Secretary FREEMAN. No; that is also a matter of discretion. We tried to put together a combination here that will get the desired result of the needed acreage—at the same time recognizing the farmer's income position consistent with the other factors we must always have in mind.

Senator YOUNG. Mr. Chairman.

The CHAIRMAN. Senator Young.

Senator YOUNG. First, Mr. Secretary, I want to commend you for attempting to get these farm price support programs extended. The farmers are in trouble. They would be a whole lot worse off if it were not for these programs. No one knows better than you do that during this war period the prices of everything the farmer has to buy have gone up sharply, while the farm prices have not. In my opinion, and I think this is the opinion of most farmers, if we did not have these programs, prices would be a whole lot worse.

Farmers have to plan for the future. Many of them are quitting now. Many more would probably quit if they thought there was not going to be a price support program in the future.

But I am wondering how flexible the present program is. At times, I have gotten different figures from you on what the blended price support for wheat has been. What, according to your estimate, has been the blended price support level for wheat for the last four years—1964, 1965, 1966, and 1967? That is the price support loan plus wheat certificate payments.

Secretary FREEMAN. My best recollection is for the last year, which would have been 1966–67, the blended price to the participant in the program was about $2.22. This year obviously wheat prices are considerably lower. I think our calculations that the blend price will be about $1.95. Those returns are not all in yet.

Senator YOUNG. Mr. Secretary, this is the same discussion I had with you when you appeared before the Agriculture Appropriations Subcommittee. I tried to explain then that I meant the blended price support—that is the price support loan plus the wheat certificate payments. You gave these same figures to the Senate Agriculture Appropriations Subcommittee. I had one of the staff members of the Agriculture Committee contact your office on this. The reply came back in a letter to Senator Ellender under the date of March 6, signed by Mr. John Schnittker, your Under Secretary. According to his figures in 1964 the blended price support was $1.73 a bushel; in 1965, $1.69 a bushel; in 1966, $1.84 a bushel.

(The letter is as follows:)

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, March 6, 1968.

HON. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In accordance with a telephone conversation with Henry Casso, I am enclosing the requested information on wheat supports.

Sincerely yours,

JOHN A. SCHNITTKER,
Under Secretary.

WHEAT: PRICE SUPPORT LOAN RATE, ACTUAL AND AS PERCENT OF PARITY AND AVERAGE PAYMENTS, 1964–67—MARKETING CERTIFICATE PROGRAM

Year beginning July	National average loan rate (per bushel)	Domestic certificate		Export certificate		Blended support rate	
		Value (per bushel)	Allocation (percent)	Value (per bushel)	Allocation (percent)	Actual (per bushel)	As percent of parity
1964	$1.30	$0.70	45	$0.25	45	$1.73	69
1965	1.25	.75	45	.30	35	1.69	65
1966	1.25	1.32	45	0	0	1.84	72
1967	1.25	1.36	35	0	0	1.73	66

WHEAT: PRICE SUPPORT LOAN RATE, ACTUAL AND AS PERCENT OF PARITY, 1950–63—MARKETING QUOTA PROGRAM

Year beginning July	National average loan rate: Actual (per bushel)	National average loan rate: As percent of parity	Year beginning July	National average loan rate: Actual (per bushel)	National average loan rate: As percent of parity
1950	$1.99	90	1957	$2.20	80
1951	2.18	90	1958	1.82	75
1952	2.20	90	1959	1.81	77
1953	2.21	[1] 91	1960	1.78	75
1954	2.24	90	1961	1.79	76
1955	2.08	82	1962	2.00	83
1956	2.00	83	1963	[2] 2.00	80

[1] Exceeded 90 percent due to a decline in par ty after the minimum support price was announced in September 1952.
[2] Includes price support payment of 18 cents per bushel to producers who reduced acreage by at least 20 percent.

Secretary FREEMAN. That was the first year of this program.

Senator YOUNG. Yes. You recall I tried very hard to make this $1.84 permanent, and was unsuccessful. And now in 1967, the blended price support is $1.73 a bushel.

Now, this is the information obtained from your Under Secretary of Agriculture. You have a much higher figure.

The reason I am trying to establish exactly what the blended price support is now is to determine just how flexible the program is or could be in the future. Could you make the blended price support higher? I know you can make it lower. But how much higher could you make the blended price support?

Secretary FREEMAN. I think we could make the blended price substantially higher, and this is what we seek to do. We seek to make it higher. And the whole purpose of this program is to be able to get supply and demand in such balance as to increase the market price.

The reason for the fluctuation of blended price in various years is what the market produces. The loan rate is $1.25. In a couple of the years you mentioned the market price averaged out at $1.40. In 1 year the market price was about $1.75. I do not know exactly what the material from Under Secretary Schnittker says, but in the year that the market price was about $1.75, it is quite obvious that with a certificate which averaged about 48 cents, that we had in that instance a blend price that was $2.22.

Senator YOUNG. Mr. Secretary, I just do not seem to be able to get through to you. I am not talking about the blended price a farmer receives. I am talking about the blended price support the Government guarantees to a farmer.

Secretary FREEMAN. Oh, oh, I was talking about the price the farmer gets.

Senator YOUNG. Yes.

Secretary FREEMAN. I am talking about his income for that year.

Senator YOUNG. I am talking about blended price support, because that is what we are dealing with here in this price support program.

Secretary FREEMAN. Well, I see. I misunderstood.

Well, as of now, we have the loan rate, as you know, and then we have the payment, which is the difference between the loan rates and a hundred percent of parity on the domestic food share. The domestic share is going to vary from year to year, depending upon the level of production, obviously. The percentage is going to vary. And when you put those together, that is the support rate.

Senator YOUNG. Under the present law, would you have authority to impose an export certificate and increase payments to farmers by doing so?

Secretary FREEMAN. No; we would not have under the current law.

Senator YOUNG. You do have authority, though, to increase the price support loan level.

Secretary FREEMAN. Well, that is relatively meaningless, because price support in this instance is made up for all practical purpose of the certificate payment and the loan rate. And if the market price is higher than the loan rate, the farmer does not turn his grain in, he sells it. And the market price has been higher than the loan rate right along. So relatively little wheat has gone under loan. In the old sense of a high fixed price support, that just is not in this certificate to price program. It is a different kind of approach.

Senator YOUNG. The price support or loan level does have some effect on the cash price.

Secretary FREEMAN. The loan level does, but the price support does not. There is no real price support here. The loan level determines the minimum, when combined with the certificate payment which is established in law. The farmer could not then get less than the loan, plus the certificate if he were a program participant, which would be the difference between that and parity, which is now $2.60, for the domestic share. That would mean as of now you would have a certificate payment of $1.36 on his domestic share. That would average about 53 cents on his total production. So as of now, the farmer's return could not go any lower than $1.78. But his actual return will be 15 cents above that.

Senator YOUNG. But the loan level does determine the minimum price.

Secretary FREEMAN. The loan right, yes. Are you asking can you increase the loan rate?

Senator YOUNG. That is your minimum price support—the loan rate. You can increase the loan rate now.

Secretary FREEMAN. You and I have been disagreeing about this, I guess—simply because if I increased the loan rate, it deducts the farmer's payments. Every time I increase the loan rate, it is money right out of the farmers' pockets.

Senator YOUNG. Increasing the support price loan level would decrease certificate payments, but if it increased their price in the market, the farmer would still be in better shape because he is only given this wheat certificate payment on about 40 percent of his production, or a little less.

Secretary FREEMAN. But not if the market price is well above the loan rate. You are right if it dropped to the loan rate. But it has been above the loan rate.

Senator YOUNG. Wheat prices have in recent weeks dropped about 10 cents a bushel.

Secretary FREEMAN. It is averaging now about $1.40. It has not been below that under this bill. So to that extent, the farmer would just be out because he could get a better price, and he is not coming under the loan.

Senator YOUNG. This is probably the first time in 15 or 18 years that the cash prices have dropped so low that an export subsidy is not required on most classes of wheat. Isn't this true?

Secretary FREEMAN. Well, that is the whole philosophy of this program and approach—I think that it has worked out where all would like to see this priced higher than $1.40. If we get the market price up where it was to $1.75, no one would be happier than I would. But it has not dropped below $1.40. In the deliberations of this committee it was generally felt if we could hold the market price at $1.40, with these certificate payments, and if we could operate this program skillfully, and get that price up higher in the market, that this is the way the program ought to function. And we have been very successful under this program in expanding our export markets. We now have better than 55 percent of the market in Japan, and we, on a commercial basis, have come up under this program from not much more than a hundred million bushels of wheat exported for dollars to now well above 300 million.

Senator YOUNG. I am trying to get at the mechanics of it. Not everyone is happy if the price of wheat goes up. For example, the exporters are worrying that the International Grains Agreement would boost world prices above the domestic price, and they would have to make an inverse export payment to the Federal Government. That is one of the reasons they are opposed to the International Grains Agreement. I suppose that could be corrected by raising the price support a little more. I am trying to find out how much flexibility you do have.

Secretary FREEMAN. Almost none now. That is why the recommendation I am making here would remove—would set the certificate payment on a different basis, so an increase in the loan rate would not automatically decrease the payment to the farmer. I think we are on the same wavelength. The recommended amendment I believe would be exactly what you have in mind.

Senator YOUNG. At the present time how do world prices for wheat compare with the domestic prices? Isn't the present domestic price lower than the world price would be if the International Grains Arrangement went into effect?

Secretary FREEMAN. Well, at the moment the domestic price and the world price are about the same. If our domestic price went below the world price, we would have to have that inverse payments system to meet our international commitments.

Senator YOUNG. That is what the grain exporters are worried about. They are more worried about that than they are a little increase in the price to the farmers.

Secretary FREEMAN. You know that same fund that would accumulate would be paid back to the farmers. So the farmers do not have to worry about this. It is not going to hurt them any. It just means the difference between what they have today in the United States and what they can sell internationally, they are not going to be able to keep that difference. They still keep their normal profit margin. Just this extra amount will go to the farmers instead of to the handlers.

Senator YOUNG. I am not arguing with that at all. In fact, we have a situation now where, as you say, hardly any export subsidy is necessary to export wheat. This saves the Federal Government a great deal of money. If the International Grains Arrangement works out the way I think it would, it would tend to boost the farmer's minimum price up to $1.40 or $1.43 a bushel, and then an export subsidy would probably not be necessary most of the time, isn't that correct?

Secretary FREEMAN. Yes.

Senator YOUNG. Mr. Secretary, over a year ago I introduced Senate bill 649, which would assure farmers a minimum blended price support of $2 a bushel. I have been trying by various means ever since to get a report from you on your feeling regarding that bill. You promised the Senate Agriculture Appropriations Subcommittee at the request of Senator Holland, the chairman, to send us such a report. Would you do that, so the committee would have the benefit of your thoughts regarding my proposal?

Secretary FREEMAN. The real problem here is that there is not any price support under this kind of program for all practical purposes.

Senator YOUNG. No. I am talking about the bill I introduced.

The CHAIRMAN. That would give you that right.

Secretary FREEMAN. I see.

Senator YOUNG. Would you furnish a report to the committee expressing your views concerning my bill?

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. Even though it is in the negative.

Mr. Secretary, have you had any requests or suggestions that we return to the old programs? In other words, the wheat program today is voluntary, and the other, as you remember, was based on acreage controls. Do you find that the program that we now have is as good or better or worse than the old program?

Secretary FREEMAN. I have had no request and know of none to return to the old program.

The CHAIRMAN. Now, what percentage of the farmers—that is, productionwise—complied with this program?

Secretary FREEMAN. A very high percentage. Virtually every commercial wheat farmer complies with this program.

The CHAIRMAN. So that on a voluntary basis it works pretty well?

Secretary FREEMAN. It works very well.

The CHAIRMAN. I wish we could say the same thing about corn.

Secretary FREEMAN. Yes, it would be better.

Senator AIKEN. What you are asking for, Mr. Secretary, is for us to enact another annual permanent farm program. We have practically enacted a permanent farm program every 2 years.

Secretary FREEMAN. I like the word "continued" better. Nothing is permanent. Congress changes everything from time to time.

Senator AIKEN. Maybe "improved" would be a better word to use.

The CHAIRMAN. Well, improved, and limited, so we can examine it now and then. We work with the farmers, you know that.

Secretary FREEMAN. Yes. All right. Again—I come to cotton, on page 14.

COTTON

The CHAIRMAN. Are you making recommendations about cotton?

Secretary FREEMAN. Again, only nominal recommendations. Very little change.

The CHAIRMAN. What about the one-price system?

You remember as chairman of this committee I opposed it, and my good friend from Georgia, Senator Talmadge—and Senator Jordan from North Carolina, also—supported it. I just felt that the program would not work as advocated by the proponents of this one-price system. The textile mills used much less than they said they would use.

As I recall, they estimated $1,100,000 bales, and they have not reached that yet, in 3 years. And then the reduction in the price of cotton goods has not taken place, as Mr. Hodges said—$700 million a year—on the contrary it has gone up. And the cause of it, we are told now, is labor—that is the main thing.

But have you given any thought to any change in the price structure?

Secretary FREEMAN. Well, Mr. Chairman, the points you make are very valid in connection with the operation of this program, and certainly the textile industry has not utilized the volume of cotton that it was predicted would be utilized. On the other hand, one unknown in this was the unprecedented bad weather for 2 years which resulted in eliminating the surplus, and as a matter of fact propelling us into a very tight supply situation overnight.

Commodity Credit stocks of cotton dropped in 2 years from 12½ million bales down to below 1 million bales. This resulted in a number of supply distortions in quality, and resulted in a price which was quite high, and a number of other distortions.

I think that this program has worked under those circumstances remarkably well, and with some adjustments that I would recommend here that would cut the cost some, I believe that it will work on a continuing basis.

The CHAIRMAN. Well, who would suffer the losses by reducing the cost?

Secretary FREEMAN. This would just be spread generally in terms of the payments that would be made across the board.

The CHAIRMAN. The farmer would be the sufferer, would he not?

Secretary FREEMAN. In this instance the payments to the farmers would be less.

The CHAIRMAN. That is what I said would happen if the bill as passed by the Congress were enacted. We have taken it out of the hides of the farmers rather than the textile mills.

Secretary FREEMAN. Well, in this instance I think the chairman was a good prophet. With his customary concern for the producer, he put in a provision for the producers in regard to the payments that payments should not be less than 65 percent of parity applied to permitted acres. But we did not dream at that time that permitted acres would climb as fast as they have in light of the cutback of supply because of the weather. And I think, and I certainly would not want to put words in the chairman's mouth—that the provision we make here now, that the payments, rather than a hundred percent permitted acres, that the formula should be 87½ percent of permitted acres, because we all contemplated that there would need to be a larger cutback in cotton acreage than we are now having this coming year. And the result is that when we increase acreage, we also increase payments. Obviously that was not the real purpose. When we decrease acreage we ought to increase payments. And that is because again of the abnormality of the weather. And I think the combination now of the recommendation that we are making for setting this level of payments is consistent with what the chairman had in mind in protecting the producers, and it would make for a much more logical and effective cotton program.

The CHAIRMAN. Now, will you furnish for the record the cost of the cotton program, including 1961 up to date?

Secretary FREEMAN. Yes, sir.

(The information is as follows:)

NET BUDGET EXPENDITURES—UPLAND COTTON AND PRODUCTS

[In millions of dollars. Minus sign represents receipt]

CCC operations	Fiscal year						
	1961	1962	1963	1964	1965	1966	1967
Price support and related:							
Acreage diversion payments [1]						(1966) 116.4	(1966) 168.3
Do [1]							(1967) 135.1
Price support payments [1]					(1964) 39.4		
Do [1]					(1965) 11.8	(1965) 57.6	(1966) 489.2
Commodity export payments	191.9	174.3	121.1	40.0	4.4		
Loans and purchases	1,288.2	800.6	1,068.9	1,266.4	1,051.6	958.1	287.3
Storage and handling	22.6	7.8	22.6	30.0	33.2	42.5	37.2
Equalization payments				62.6	435.0	332.2	20.4
Other outlays [2]	2.5	.3	1.45	23.7	24.8	23.8	23.4
Total outlays	1,505.2	983.0	1,227.1	1,422.7	1,600.2	1,530.6	1,160.9
Sales proceeds	−1,644.4	−77.8	−79.2	−563.5	−485.3	−342.3	−794.8
Loan repayments	−58.3	−223.1	−360.2	−287.9	−362.1	−256.4	−148.8
Other receipts	−.3	−.1	−.5	−1.7	−.7	−1.8	−.8
Total receipts	−1,703.0	−301.0	−430.9	−853.1	−848.1	−600.5	−944.4
Total price support and related [3]	−197.8	682.0	796.2	569.6	752.1	930.1	216.5
Public Law 480 commodity costs (gross): [4]							
Sales for foreign currency	219.1	191.6	179.5	167.9	128.5	66.0	80.4
Long term credit sales		9.2	33.1	2.2	21.9	31.4	60.4
Foreign donations [3]	3.3	.1				−.1	
Total, Public Law 480 [3]	222.4	200.9	212.6	170.1	150.4	97.3	140.8
Total expenditures	24.6	882.9	1,008.8	739.7	902.5	1,027.4	357.3

[1] Crop year indicated in parenthesis.
[2] Includes transportation, classing loan settlements, etc.
[3] The Food for Peace Act of 1966 authorizes the commodity cost of former Title III donations to be charged to Public Law 480 effective Jan. 1, 1967. The 1969 budget and above data have been adjusted to reflect costs on a comparable basis.
[4] Does not include ocean transportation costs, receipts from the sale of foreign currencies, or receipts from loan repayments.

Senator JORDAN. Mr. Chairman, may I make an observation.

Senator YOUNG. Mr. Chairman—I wonder if I could have some material placed in the record. Could I have this letter from the Under Secretary to you as chairman of this committee on the blended price support for wheat inserted in the record at the appropriate place during my remarks?

The CHAIRMAN. That will be done.

(For letter above, see p. 593.)

Senator JORDAN. The mills did use more cotton than they had in previous years. As we well know, the stocks are the lowest they have been in many years in the warehouses, Government and otherwise. But there is no way in the world of telling Mr. Secretary—I think I am correct in this—what would have happened to the consumption of cotton if the cotton the American mills used had not been equal in price with the cotton the Japanese mills used.

We come back to the State Department—if they keep running this country—I say that very advisedly—you are going to export all the labor out of the country. January imports of textiles to the United States have been the highest ever on record under the so-called program limiting exports. They are not limiting anything—they are encouraging imports.

The CHAIRMAN. Another argument was—if you give us a one-price system, you would be able to—you would be in a better competitive position with foreign markets—instead of increasing your exports, you decreased them about a third, or two-thirds.

Senator JORDAN. We do not export anything any more in the way of textiles.

The CHAIRMAN. You have decreased them. You end up with cheaper cotton.

Senator JORDAN. Yes, we increased the exports of cotton some under this program. But——

The CHAIRMAN. That is not what the record shows, Senator.

Senator JORDAN. I think you will find that is pretty close to correct. You are talking about bales of cotton?

The CHAIRMAN. Equivalent, cotton equivalent. I think it has been curtailed about two-thirds.

Senator JORDAN. The minimum wage scale in the United States is now $1.60. But the average wage is over $2 an hour, whereas in Japan, for instance, the wage scale is approximately $0.60 an hour and they are permitted to bring their goods in here and sell them considerably under our cost. Without the American mills having the same price cotton the foreign mills have, there is no way in the world that American mills can compete. It is true that synthetics have eaten into the cotton consumption very drastically, and if the American mills don't continue to get cotton at the same price foreigners get it there will be a larger percentage of the textile mills going into synthetics as rapidly as synthetics can be secured.

Secretary FREEMAN. I think the record ought to show of course this does not apply to raw cotton imports into this country, because there is a quota arrangement on that. What the Senator is really referring to is artificial fibers coming into the country.

Senator JORDAN. There is no limit to that at all; 24 cents a pound for rayon.

The CHAIRMAN. You said you had suggestions to make for cotton?

Secretary FREEMAN. Yes. On page 15— the bottom of page 14, we have covered pretty well. Page 15 — the top.

Changes are recommended in the 1965 act to:

(1) Provide for a more realistic determination and allocation of the domestic allotment. The only real change——

The CHAIRMAN. You are not taking out the 65 percent, are you?

Secretary FREEMAN. Yes—but only in a technical sense. The estimated domestic use would constitute the domestic allotment which is roughly equivalent to the 65 percent when the Nation's allotment is at the minimum.

The important one that I referred to earlier is No. 2—to retain the guaranteed support of 65 percent of parity on permitted acreage as provided by the Ellender amendment, but limit its application to 87.5 percent of the minimum national allotment of 16 million acres. This would keep faith with the legislative history of this provision but allow flexibility that may be needed in future years.

The CHAIRMAN. In round figures, how much would that decrease the cost of the program?

Secretary FREEMAN. About $75 to $85 million.

The CHAIRMAN. And that would be a loss to the farmers.

Secretary FREEMAN. Decrease of payments directly to the farmers, yes. As I said earlier, I believe that it was——

The CHAIRMAN. Have you given thought to selling the cotton to the mills at a little higher price than the world price, to absorb this, and at least give the farmer a break?

Secretary FREEMAN. Well, in this instance, in this program, where cotton, like wheat, is moving in the market at a world market price, I have given some thought to how this could be done, sir, but I have not been able to figure out how.

The other three suggested changes are to liberalize the provisions applicable to marketing of cotton grown on export market acreage. And the last two are technical matters in connection with lease and sale arrangements, and release and reapportionment, that are technical in nature.

The main one is No. 2—I sympathize completely with the desires of the chairman, but I am not sure how to accomplish it. Again, in the absence of legislation—we would have a sharp drop in cotton prices and in cotton income.

It would go back to the old cotton program, to the so-called two-price system, with high price supports, with high export subsidies, presumably, which I think would be more costly and less desirable than the program we have now.

Senator YOUNG. Would you yield at that point?

The big problem in the case of wheat would be in getting the necessary two-thirds vote to put the mandatory program into effect.

Secretary FREEMAN. That is correct.

Senator YOUNG. I do not think this would ever be possible again with production scattered over every State on the mainland of the United States.

Secretary FREEMAN. I think you are absolutely right.

The Cropland Adjustment Program:

The long-term cropland diversion authorized by the cropland adjustment program is an important supplement in the annual adjustment programs. It costs less per unit of production diverted since it appeals to many older and part-time farmers who wish to retire from crop cultivation. It authorizes Greenspan programs whereby cropland may be converted to recreational uses for urban areas. It also makes additional lands available to the public for hunting and fishing.

The bill extends the cropland adjustment program and puts it on a continuing basis, with the following changes:

(*a*) It directs that preference be given to farmers who because of age, physical disability, et cetera, wish to reduce their farming activities; to the Greenspan program; and to farmers who permit public access for hunting, fishing, et cetera.

(*b*) Makes it clear that 40-percent crop value limitation on amount of annual adjustment payment does not apply to public access payment.

(*c*) Permits the Secretary to terminate contracts if he determines such action to be in the national interest and gives public notice in ample time to permit producers a reasonable opportunity to make arrangements to return their land to agricultural production.

(*d*) Deletes prohibition against compensation or expenses to members of Advisory Board on Wildlife.

I think I will omit what I have here on absence of legislation.

The same thing on wool. I will not burden the committee by reading this. It simply points out the wool bill we would recommend to be extended as is. In its absence there would be a sharp drop in wool producers' income.

The CHAIRMAN. Would you place in the record the cost, comparative cost from 1961 included up to date?

Secretary FREEMAN. Yes, sir.

(The information is as follows:)

NET BUDGET EXPENDITURES—WOOL AND MOHAIR

[In millions of dollars]

CCC operations	1961	1962	1963	1964	1965	1966	1967
Amount of payments:							
Shorn wool	45.4	49.9	47.8	55.0	16.6	28.1	21.1
Unshorn lambs	8.5	9.6	9.1	11.5	3.6	6.1	5.1
Mohair				.8		2.0	6.4
Total payments	53.9	59.5	56.9	67.3	20.2	36.2	32.6
Other costs:							
Administrative expenses	3.0	2.8	2.3	3.9	2.2	1.8	1.8
Prior year adjustment			1.0			−.1	+.3
Interest expense	4.0	3.0	3.0	2.0	.2	.3	.4
Total expenditures	60.9	65.3	63.2	73.2	22.6	38.2	35.1

TOBACCO

Secretary FREEMAN. This refers here to legislation now pending in the House for the lease and transfer of acreage allotments and poundage quotas—again a highly technical matter I won't burden the committee with. It is there if you wish to inquire further about it.

The CHAIRMAN. Are you recommending it?
Secretary FREEMAN. Yes, I am.
Senator JORDAN. Just what would that do, Mr. Secretary?
Secretary FREEMAN. It is to continue beyond 1969 the lease and transfer of acreage allotments and poundage quotas for certain kinds of tobacco. The same as it is now.
Senator JORDAN. That is perfectly satisfactory.
Secretary FREEMAN. This would be extended legislation already pending.

COMMODITY RESERVES

Now, the food bank—top of page 19.
National security and agricultural stability require that continuing farm legislation provide for reserves of certain crops—a national food bank. This is not a new idea. The basic principles extend way back to the ever-normal granary of the 1930's. Its enactment is essential at this time.
The CHAIRMAN. Why? What is the main reason? Is it not to bolster prices mainly?
Secretary FREEMAN. No, sir, that is a reason.
The CHAIRMAN. It is the main reason, is it not?
Secretary FREEMAN. No, sir; two reasons. No. 1 is to make it possible to operate our basic programs more closely and——
The CHAIRMAN. Such as—Public Law 480?
Secretary FREEMAN. No, sir. Domestic acreage allotments. In 1966, if we had had this provision, I can assure you the Secretary of Agriculture would not have made the second increase in wheat allotments. I did that only because we were in tight and short supply, and I was very worried that we were going to literally run out of wheat.
The CHAIRMAN. But, Mr. Secretary, you had in the law, even Public Law 480, that you had to retain enough for domestic consumption. Why should you worry any further than that?
Secretary FREEMAN. Well, in this instance, because we had a number of commitments that we had made and we were fulfilling that were above this.
The CHAIRMAN. In your contract, though, you were directed that if you did not have the wheat or the corn on hand, you did not have to fulfill the agreement. That was in the law.
Secretary FREEMAN. In this instance—not only Public Law 480. Let me correct my earlier statement a bit. It also involved meeting our commercial—I was concerned in meeting both—commercial, and we did have some commitments tied to famine in India at that time that you are well aware of. But also we were in a position where if we had a bad crop year in 1966, our wheat carryover could have dropped as low as 200 million bushels.
Now, this gets down to where you are really scraping the bottom. It creates extreme economic unrest and market fluctuations at home. And it seriously imperiled our position with our commercial markets abroad. And that is the second reason.
Other countries, and particularly Japan, that buys a billion dollars' worth of agriculture from us, are concerned that we will be a reliable supplier at a reasonable and stable price. And if we will not be, they are going to build up supply sources elsewhere than in the United

States. And they have served notice on me to that effect in no uncertain terms.

Now, in the process of administering this program, to keep demand and supply in tight balance in the market, to give the farmers a fair return, we always run the danger that if you have a real bad crop year, that you will end up in a short supply position. This results in a very high price and even a shortage in our ability to meet our commercial market commitments abroad.

Therefore, Mr. Chairman, in terms of our foreign markets, and being able to assure stability of supply, in terms of our farmer prices and being able to short the market sufficiently to get a fair price, to have these strategic reserves and the capacity and ability to move in and out of this market, selling when prices get up to a given high level, and buying when prices come down to fill up those stocks again, is a useful adjunct and a very important one to the programs we are currently operating. It is not really just an effort to pile up more reserves for concessional foreign markets.

The CHAIRMAN. But the huge surpluses in the past have been the cause of all of our trouble, beginning in 1961—with 85 million tons of corn and other feed grains, and then a billion and a half bushels of wheat. That is what caused us to pass this special legislation in 1961 and amend the act of 1965. Now that we have ridden ourselves of these surpluses, you want to increase them?

Secretary FREEMAN. No, Mr. Chairman; I do not.

The CHAIRMAN. Yes; you do.

Secretary FREEMAN. This would not increase the surpluses.

The CHAIRMAN. But the amount on hand would be increased.

Secretary FREEMAN. No. The amount on hand literally—we would have this amount in the Government's hands where we would be in a position to hold it and to use it in stabilizing supply and demand and market prices. Today we do not have any. Today we have less than a hundred million bushels of wheat. We have less than a million bales of cotton. It is all out in the trade. As long as it is all out in the trade, we do not have any reliable and assured source of reserve and supply, the Secretary of Agriculture just does not dare short that market very tightly. A bad weather year would mean shortages and economic catastrophe, and conceivably running out of food. That is why we need this.

Senator YOUNG. Mr. Secretary, as you know, you had members of the House and Senate Agriculture Committees over to your office each time before you made those two 15 percent increases in the wheat acreage allotment. As you recall, I opposed the second increase. I thought there was too much of a scare over the possible shortage of wheat. I think everyone underestimated the ability of American farmers to produce wheat. They like to produce wheat. I think you are going to have wheat running out of your ears this year with only a 15 percent increase. This will be in spite of a vast export market. I hope you do not underestimate their ability and their desire to produce wheat in the future like you did the last time.

Secretary FREEMAN. May the record show it was not an underestimation of the record of the American farmers to produce wheat. It is what happened to world markets in terms of boom crop years around the world.

As a matter of fact, I estimated more production from increasing acreage than a lot of people that are supposed to be experts in these estimates. I estimated all right what American farmers would do. There werea lot of people that said if you do not increase the loan rate, you do not increase the price rate or do half a dozen other things you won't get any production. We got every bit of production I predicted, which is more than most people in the trade and certainly more than most farm leaders said. What wrecked us on the pricing at that particular time is what happened to world production. The Russians increased their wheat crop that year by 50 million tons, in 1 year.

Senator YOUNG. I know all that. But here in the United States, in spite of a severe drought situation in the major hard winter wheat producing areas, we still came up with about a billion-and-a-half-bushel crop. This was with a bad drought situation. The production could have been far greater than what you estimated if we had had good crop production conditions.

The CHAIRMAN. We have never run short yet since I have been on this committee, except probably during war.

Senator YOUNG. I would like to live long enough to see a short wheat situation.

The CHAIRMAN. I would, too. It has been my experience the huge surplus on the market has the effect of depressing the price. What I thought the purpose of the act of 1965 was to put our production in balance with our consumption requirements—both domestic and exported. We would have had it to that point except for this increase, for which, of course, I have no apologies to make I. thought that you knew what you were talking about, and I guess you did—about this huge increase in Russia, but it strikes me to go back to this ever-normal granary I have been hearing about for 30 years now, in my opinion, if we go back and increase the surpluses—we will find ourselves in the same condition as we did back in 1961.

Secretary FREEMAN. Let me put it this way.

The CHAIRMAN. And it has been very costly to us.

Secretary FREEMAN. I do not think we would, Mr. Chairman. This is what would happen. I think everyone agrees we should have a carryover in wheat of let us say from 400 to 600 million bushels. If we get less than that, we are getting into a severe shortage supply situation.

The CHAIRMAN. You have under the law that authority, to make it 400 million bushels. You do not have to have additional authority.

Secretary FREEMAN. This is what I was going to say.

Today we have about that. We are moving now up a bit toward the 600 million level. maybe a little bit over. But that is not in the Government hands. That is the total in the country.

Now, if we had the strategic reserve bill, we would end up with a larger portion of that in the Government hands, and on the far, and a smaller amount in the trade. And this would balance this out and put us in a position, then, where you would get better prices in the market. That is what I am talking about. I do not think, Mr. Chairman, this would increase our carryovers or our surpluses at all—at least very nominally. We would be in the process then of squeezing down production much tighter to get better prices.

The CHAIRMAN. You would be a big target—if all of this surplus in the hands of the Government—for more or less fixing prices. If prices go up, you just put a little bit in the market, and then prices do down again. You remember the criticism that was lodged against you and other—and some of your predecessors.

Secretary FREEMAN. The bill has very sharp safeguards in connection with when we can sell under that.

The CHAIRMAN. I know.

Secretary FREEMAN. Which would prevent that same old ruckus from stirring up again.

Senator MILLER. Would the chairman yield at that point. I would like to ask why in this draft bill that I believe you sent over you have this provision—that

> The Secretary shall agree not to call the loans in such cases unless the prevailing marketing price for the commodity has reached the level at which Commodity Credit Corporation may sell such commodity for unrestricted domestic use under the pricing schedule provided in section 3 and the Secretary determines that the commodity is needed to meet a shortage which has arisen as a consequence of a natural disaster, adverse food production conditions for one or more years, military actions, or other causes.

Now, why the catch-all phrase "or other causes." I think we all understand military actions and natural disasters. But why that catch-all? It is just a provision like that which causes concern on the part of many people that there may be a repeat performance of the use of food bank, not to bolster farm prices, but to pull them down. And it is that kind of language that in my judgment does not represent the insulation from the commercial market which your statement indicates that you desire.

Now, I would feel much better about it if that were out of there, Mr. Secretary. Would you have any objection to having that taken out?

Secretary FREEMAN. No, I do not know how it got in there. Claude, do you know, you drafted it.

Mr. CLAUDE T. COFFMAN (Office of the General Counsel). Sounds like I put it in.

I think it started out, Senator, in the beginning language there, there had to be a national disaster.

Senator MILLER. Let me repeat the language: "* * * a shortage which has arisen as a consequence of a natural disaster, adverse food production conditions for one or more years, military actions, or other causes." That is the fourth. Why not delete "other causes," and let us go ahead on the others.

Secretary FREEMAN. All right, sir. Let us delete it. I do not see it serves any useful purpose.

Senator MILLER. I appreciate that response, because I think it serves a very bad purpose—at least it has promoted a very bad result, because people are wondering why that is in there. It looks like an escape hatch which could cause the very problem the chairman is talking about.

Secretary FREEMAN. I didn't draft it. I do not know why it got in there. It probably was a carryover from some earlier language, as often happens.

Senator MILLER. Thank you, Mr. Secretary.

The CHAIRMAN. Proceed.

Secretary FREEMAN. I think we have covered the food bank. May I come down to the middle of page 20, which is legislation to help the farmer bargaining succeed.

FARM BARGAINING

Nearly a year ago I called for a national dialog to examine and discuss this very important issue. At the same time in the USDA we began an intensive series of consultations with each of the national farm organizations and the representatives of a large number of individual commodities. We also have consulted extensively with economists, lawyers, individual farmers, and others—all to the end of examining and solving the many questions basic to a new initiative as far reaching as this one.

As a result there is now a bill before this committee which incorporates alternative procedures designed to strengthen farmers' bargaining power. In a few moments I will present my own recommendations with respect to this bill. But first, let me share with you some of the conclusions that we have reached as a product of a year of intensive study and review of this question.

WHY FARMER BARGAINING POWER

Farmer income is under severe pressure from the basic changes which are occurring in the type, cost, and value of inputs used by farmers. Increased use of purchased input, and in some cases, new laws, have contributed to higher farm labor costs. Increases in the cost of farm machinery, spare parts and inputs, and rising taxes mean that many food products must cost more when they leave the farm as well as when they are sold in the supermarket. Farmers are entitled to and must have a pricing mechanism for farm products which responds to changing costs, just as industry is able to pass on increased costs.

Farmers are also increasingly in need of price stability. They now spend 80 percent of their market receipts for purchased production supplies, hired labor, and interest on borrowed funds. All parts of the production process are being rapidly mechanized. Farmers require vastly increased amounts of operating capital. The traditional instability of agricultural prices makes it difficult, expensive, and risky to shift to modern, efficient, capital-intensive, commercial agriculture. Farmers want a pricing mechanism which gives greater price stability and enables more systematic financial planning.

Actual and expected prices have been the primary coordinating instruments in the agricultural production sector. Government programs coordinate the quantities produced of some storable products, but the bulk of farm production results from the individual decisions of million of producers in response to prices. This is generally a good coordinating system, but it sometimes does not guide the individual farmer adequately in producing a dependable supply of food products.

Farmers observe the price stability in markets where large firms are important. They note the organization, power, and stability of the large buyers or sellers with whom they deal. Often these outsiders in-

tegrate into farming and capture for themselves the benefit of improved organization and coordination. Farmers live in a disciplined world, but they have few means for disciplining themselves. They fear integration by firms outside of agriculture. They fear they are gradually losing control of their destiny. Farmers want a better method of coordinating their own productive capacity, thereby avoid integration by outside corporations.

As the distribution system for farm-produced products becomes more organized, many specifications in addition to price become important. These nonprice terms of trade include product quality, handling methods within the marketing process, timing of delivery, length of contracts, and many other items. Nonprice terms of trade may affect farmers' income substantially as well as the effectiveness of the marketing system. Variations in nonprice terms of sale may cause inequities and impair the farmers' ability to compare the offers of alternative buyers. Farmers individually are typically unable to establish precise nonprice terms of sale in advance or standardize the nonprice terms between buyers. Farmers want some method whereby they can collectively represent their needs concerning nonprice terms of sale.

Farmers find their destiny being shaped by forces over which they have little or no control. Both Government programs and private business initiative act upon farming with considerable power and organization. Farmers are increasingly frustrated at the lack of an opportunity collectively to represent themselves and their interests with a similar degree of organization and power. Farmers see group action, as representing special interests, growing in frequency and effectiveness. Farmers want the opportunity to represent their interests with disciplined group action.

BARGAIN OBJECTIVES

These then are the bargaining objectives that we see identified by farmers:

First, enhancement of prices over time. For this objective to be realized, some kind of powers to influence market supply have to be authorized.

Second, increased price stability that would follow more effective organization of farmers' marketing activities.

Third, improved coordination of marketing. This includes more comprehensive quality standards, terms of delivery, length of contracts, and several other nonprice matters. Often such terms are of real concern to producers; regularizing the terms would improve the efficiency of the market, make some contribution to higher producer incomes, and remove a source of irritation. This potential achievement is significant.

Finally, farmers desire more of a voice in their own affairs. They want to take part in marketing their products, as well as producing them.

LEGISLATIVE RECOMMENDATIONS

Our studies have led to the very clear conclusion that the capacity for producers of a particular commodity to set up a marketwide supply program for all producers of that commodity is crucial to the success

of bargaining. Producers must also have the opportunity to bargain for marketwide minimum prices and other nonprice terms of trade.

Senator MILLER. Could I ask a question at that point, Mr. Chairman?

The CHAIRMAN. Surely.

Senator MILLER. I recognize the need for all producers to be covered. Would you not agree, Mr. Secretary, that that should include imports as well? What I am getting at is if there is an arrangement whereby producers are covered; that is, domestic producers are covered but producers overseas are not covered, and the imports come in to undercut the market of our producers, it looks to me like we have left a gap there that could be quite fatal.

Secretary FREEMAN. No; I do not think so. I do not think what would be done under bargaining power would be any different than what is done under feed grains, under wheat, under dairy, under anything else. If we have an undue level of imports that is damaging to our domestic producers, under section 22—not section 22, but under the provisions of the current laws, in terms of a variety of actions that can be taken when damage is shown, that action can be taken. And I do not think it would be useful or constructive to add that on to bargaining power legislation.

Senator MILLER. Well, the point I am making is that there ought to be some coordination between the two. I do not need to point out to you the restlessness in the dairy industry as a result of considerably increased imports in 1965, 1966, and 1967 until the President put his order on last June. Many members of the industry were operating under marketing orders. But these orders were not effective in the face of the flood of imports coming in. My point is while there may be some mechanisms, it takes an awful long time to get them moving. For this bargaining power to be effective, to preclude it from being undercut during the time delay in putting those mechanisms into effect, it seems to me there ought to be some provision for coordinating the import picture—if we are going to cover all of our domestic producers at the same time.

Secretary FREEMAN. I would vigorously oppose that. I think the measures we have outside to correct that kind of thing can be used, as they were used in dairy, and I am quite sure if we wrote that into that law, we would start losing soybean sales, corn sales from Iowa, and wheat sales from North Dakota within 24 hours in foreign markets. I think the dangers involved would be much greater.

Senator MILLER. I would like to have you explain why you think that because we would provide, for example, that there would be a coordination between the imports of dairy products, that there is going to be a loss of soybean sales in Iowa.

Secretary FREEMAN. I was not talking about the dairy products, because we have already acted on the dairy products and because we did so under well-established and accepted procedures under section 22 which has been adopted in GATT. We were able to accomplish our goal without subjecting ourselves to retaliation.

Senator MILLER. I must tell you, Mr. Secretary, there are many dairy producers who feel that the action, while helpful, has by no means solved the problem. Because as I understand it, the import problem is still there, and it is still causing an aggravation to the dairy market.

Secretary FREEMAN. I would disagree with you. I do not think it is causing any perceptible aggravation to the dairy market at this point at all. It is down to where it has been during the past 10 years, and it is a level of less than 1 percent of our domestic consumption. I think it has almost no effect. To try to change it and pass a law would have a disastrous effect on the sales of farm commodities around the world. That is why I oppose it. I supported and vigorously advocated the action taken to cut back the flood of imports. It was done. It was needed. And I did it because we were being hurt, and it was necessary in the interests of our domestic producers. I try and apply in these cases of imports a very pragmatic standard. If as you take a look at it and get your pencil out, that it is not going to do you very much good, and it is not of overwhelming importance, and if it potentially will do you a lot of harm, costing you export markets, then it is not worth doing. And in this instance, I think it would not be worth doing. I think it is not necessary. I think it would be very harmful to farmers to monkey up the bargaining power legislation with a lot of protectionist devices.

Senator JORDAN. Mr. Secretary, are you aware that the cucumber growers' market in Mexico is growing as fast as they can plant the crops—strawberries, melons, tomatoes—down there. We have exported that market, and we are bringing it back in. No controls over it at all.

Secretary FREEMAN. I have just been in Mexico and reviewed some of this. I am well aware there has been an increase of imports from Mexico. By the same token, at least effort has been made to have a showing of harm to American producers under the prescribed procedures. That showing of harm has not been sufficient enough to result in action. Again you have the same problem. We do not sell Mexico very much. But I went down there to try to sell them some more cattle, beef cattle, dairy cattle, dairy equipment, and we have got several hundred million dollars favorable balance of trade with Mexico, and we do sell them almost a hundred million dollars' worth of agricultural commodities. So we need to take out a hard pencil. If we are getting really hurt we should squeal. But if we are not getting hurt, don't squeal, because we are going to lose some markets. All the countries in the world are watching this. I have been in four of them in the last 2 weeks. And they are just waiting to retaliate if we get out of line and it is not necessary. If it is necessary we have to do it and take our chances, but we better be pretty sure it is necessary and important, or else we are going to hurt ourselves. If anybody in the world ought to know it, it is the farmers who ought to be liberal traders, because we export for dollars almost $5½ billion worth of agricultural commodities. That is 1 out of every 4 acres in the United States. We better not monkey around with it, because if we get protectionist, farmers are going to get hurt more than anybody else.

Senator MILLER. Mr. Secretary, I would like to just make this point.

I think you know that the Iowa farmers as a whole are quite world-trade minded. They are not advocating a retaliatory situation. They look at the Common Market, which has already been labeled by one of our spokesman from the State Department as the most protectionist market in the world, and they see subsidies being given to canned hams, which I understand recently were negotiated downwards—but they were put on last November. And they begin to think maybe we are

on a one-way street on this free trade. The point I wanted to bring out is if we are going to have bargaining power, and we are going to control our own domestic producers, it is going to be necessary to have something to enable us to avoid the impact of imports which can undercut that.

Now, you say we have the mechanisms. Maybe they will be sufficient. But I want to have your recognition of the fact that the import situation can undercut whatever we do on bargaining power. And we have got to look at it that way, don't we?

Secretary FREEMAN. May I say, Senator Miller, certainly we do. And I would be the last to say otherwise. I was in the front rank on cutting back dairy imports.

Senator MILLER. We appreciate that.

Secretary FREEMAN. And I have been on some other commodities. I just say this. There is no specific recommendation before us at the moment anyhow. But I think that we would be well advised to look at the other machinery, to do this in the overall, perhaps rather than to get involved in this bill.

May I proceed, Mr. Chairman?

The CHAIRMAN. Yes.

Senator JORDAN. One more observation. I believe we are making a serious mistake in letting these commodities keep increasing. Finally we have to go in and say you can't bring in any more. Then our foreign neighbors who have been shipping their commodities in here will have to cut back on their acres because they will have lost a market they did not have until we created one for them. Then they are in a worse situation than they were before because of the expense of putting land into cultivation as well as the amount of money it takes to operate it. Every time you put an acre of tomatoes in Mexico and bring them over here and sell them, and you finally say you cannot bring any more tomatoes in here, you have an upheaval in Mexico, or anywhere else. And we cannot compete with 10- or 15-cents-an-hour labor, which they have down there. We cannot compete with that in this country. We might as well make up our minds that the American farmer has to be taken care of by keeping the imports out. Foreign countries are going to buy from us what they have to have anyhow. They are not all enthusiastic about helping out America as we might think they are.

The CHAIRMAN. Now, Mr. Secretary, I wish you would cover this point as we go along.

Are there any exceptions to the commodities that would be included in this bargaining power?

Secretary FREEMAN. I do comment on that.

The CHAIRMAN. The testimony that we have had so far is, as I recall it, insofar as corn, wheat, soybeans, crops that are grown generally throughout the country, that that should be left out of any bargaining. One of the main reasons offered is that if you fix the price high, it might affect our exportation of these commodities. I am very hopeful you will cover that.

Secretary FREEMAN. I do touch on that; yes, sir.

The CHAIRMAN. Very well.

Secretary FREEMAN. Title 2 of S. 2973 would amend the Agricultural Marketing Agreement Act to make available further tools to farmers for improving their bargaining position.

First, any agricultural commodity or product (except canned or frozen products), not now covered by the Marketing Agreement Act, would be made eligible for a marketing order if the Secretary, after a special preliminary referendum of affected producers, finds that a majority of those voting favor making that commodity or product eligible for such an order.

I understood the committee felt this was kind of fuzzy in general. We tried to prepare a chart here that would indicate the steps that would actually be taken under title 2 of the bill that has been pending. I have already referred to the first one, where if a group of producers, ex-producers out here, decided that they would like to have a marketing order, they can come to the Department of Agriculture, and if we feel this is reasonable, and there seems to be quite a number of them interested, you can just call for a referendum. If a majority say they would like to have an order, then we can proceed with the additional steps which I will touch on, and which we can expand on——

The CHAIRMAN. Are you referring now to title I?

Secretary FREEMAN. Title II, I am referring to now.

The CHAIRMAN. I see. You say if they want an order, they come to the Department—the same as the milk?

Secretary FREEMAN. The same as the milk.

The CHAIRMAN. It is really a copy of the——

Secretary FREEMAN. It is an amendment of the basic act, yes, sir.

Second, the proposed amendments to the Agricultural Marketing Agreement Act would provide authority to include in marketing orders provisions for establishing by collective bargaining, including provisions for the designation by election of committees of producer representatives to bargain with handlers or groups of handlers, minimum prices and other minimum terms and conditions under which handlers may acquire a regulated commodity or product thereof (other than milk and its products) from producers or associations of producers. The minimum prices and other terms prior to becoming effective would have to be agreed to by the handlers of 50 percent of the commodity and would be subject to approval by the Secretary.

In other words, some producers have come into the USDA and said, "We would like to have a marketing order." We take a look. If it seems to make sense, and there is enough of them that are serious, you have a referendum. If 50 percent vote for it, the next step would be to say, "All right, you want to have one, you go out and develop it." They would then go out, and they might consult with a variety of people, and develop a marketing order. Now, the terms of that marketing order, as you see on the right, might include any combination of the following.

Bargaining between elected producer committees and handlers and groups of handlers for minimum prices, and for other terms of sale binding on all the producers.

No. 2—various market supply programs ranging from grading standards to marketing allotments and binding on all producers and handlers. Three—pooling of sale proceeds where commodity is sold on use classification basis.

This they could do under the law.

So they would then develop such a marketing order incorporating whatever they wanted and they thought would work. They would then

proceed to have public hearings in connection with this order that they have prepared. And there would then be a tentative order prepared by the Department of Agriculture based on their hearings, based on their record. We just are putting it into technical shape. They are the ones that are deciding what they want.

And that point, then, there would be a producer referendum as to whether they wanted that order they developed. It would take a two-thirds vote to get that order then accepted and make it effective.

Senator YOUNG. Would you mind an interruption at this point?

Secretary FREEMAN. Yes, sir.

Senator YOUNG. You just got through reading this statement:

The minimum prices and other terms prior to becoming effective would have to be agreed to by the handlers of 50 percent of the commodity and would be subject to approval by the Secretary.

How would you ever get a farm marketing order where you have to have 50 percent of the handlers approve it?

Secretary FREEMAN. Well, there are many such. In this instance—if I may finish this, Senator Young—assume now this was accepted in the producer referendum, and the producers elected a bargaining committee—as you can see on the side here. And it is now in effect. So now they go ahead, and they begin to start the kind of bargaining they want. They can bargain on price terms. They can bargain on volume control. They can bargain on quality control. They decide what they want, and then they proceed to start bargaining with the handlers, and with the processors, and with the rest. And when 50 percent of that group agreed on this, on a bargaining basis, that this was the thing to do, that would then go into effect, and it would be binding on the balance of those handlers.

Senator YOUNG. You think 50 percent of the grain handlers would ever agree to a marketing order?

Secretary FREEMAN. I do not know. I think they might. I think in a number of areas we have had of course marketing orders already where 50 percent of the handlers and producers have agreed. The whole concept here is to find out if these farmers now are able, in their own, to develop their own market supply, so if they could control their own supply, they have some leverage in dealing with the handlers.

We are talking here about price bargaining.

Senator YOUNG. What does the term "handlers" constitute? Does this include the commission merchants as well as the processors?

Secretary FREEMAN. It would include both, yes.

Senator JORDAN. Would it include the big chainstores?

Secretary FREEMAN. Yes. It would include whomever they were moving it to.

Now, the farmers here, when they wanted to have volume control, or quality control, they want to do some of these things themselves, they would have some muscle in the marketplace in their own bargaining in doing this. They could not enforce price control—not price control, but a price agreement, unless somebody else was going to agree with it. That is the essence of the bargaining. But then, as they got people to sign up, so to speak, or agree with them, and they got up to 50 percent, then it would be binding on everyone who was purchasing that commodity, as it is now.

The CHAIRMAN. Well, would that result in fixing a minimum price for the goods or commodity?

Secretary FREEMAN. It would only if the producers and 50 percent of the handlers bargained and received that agreement. It would not mean price fixing in the sense that someone is imposing it from outside.

The CHAIRMAN. Now, can you visualize that being applied to a commodity that is grown in let's say 48 States?

Secretary FREEMAN. Frankly, I did not.

The CHAIRMAN. I don't either.

Secretary FREEMAN. Not the basic storable commodities we have today.

The CHAIRMAN. That is why I believe, with the evidence we have obtained so far, that we might exclude from this bargaining legislation producers of corn, wheat, and feed grains, and make it apply more or less to perishables—try it that way. Later on if it works, you can add the others to it.

Secretary FREEMAN. I would have no real objection to that. I am sure that no one has contemplated seriously extending this at this time. It would start, as the chairman says, I think, with commodities that are produced in more limited geographical areas. So if there is objection, I would have none. But by the same token, I do not really see any strong reason to exclude it in the event some day we would need it.

Senator YOUNG. Would you mind a question at this point. There are some grains like flax that are produced in a relatively small area. Durum wheat, and malting barley are in the same category.

The CHAIRMAN. That would be reasonable.

In regional areas, you could do that. Now, for instance, we have had a lot of complaint about the price of eggs going up and down. Now, I do not believe that you could get an order that would suit the egg producers from all of the 48 States. And you might do that on a regional basis.

Secretary FREEMAN. That might be.

Senator JORDAN. You could not work that, Mr. Secretary, unless you could say to the poultry producers you have to cut back your flock, because a hen lays or she does not lay. You either have to kill the hen or you are going to keep on getting eggs if you feed her. And what runs the price of eggs down is overproduction, like any other commodity.

The CHAIRMAN. That is something you cannot control.

Senator JORDAN. Unless you can say you cannot raise but so many chickens. The same thing with hatching eggs, broilers.

The CHAIRMAN. I recall we had hearings, I think it was in South or North Dakota, on one of these tours that the committee made, and I had some sweet-looking lady come to me and say, "Senator, I am in the poultry business. I think we ought to have price supports—broilers and chickens." Well, I said, "We have had price supports on commodities you can control, grown on acreage, you cannot cut out the number of acres, and then produce less, and it is workable. But I cannot see how you can do it in the case of chickens."

"Oh," she said, "I have a remedy. Kill off the roosters."

And do you know, we had a Senator from Kansas—I do not recall his name now—that advocated the same proposal in respect to cattle—kill off the heifers.

Senator Jordan. The lady has the thing wrong. The rooster does the crowing, and the hen lays the eggs.

The Chairman. I am talking about broilers now. But if we could—in connection with what I have said, if we could exclude crops that are generally grown throughout the country, like wheat, corn and other feed grains, and maybe soybeans, and start it off on a regional basis with perishables, and see how it works. And I think we might get somewhere with that.

Senator Jordan. Mr. Secretary—I want to get as much of this in my head as I can as we go along.

Tomatoes grown for canneries, and so forth—would this be for things like that? We just passed S. 109 that was supposed to remedy a great deal of that.

Secretary Freeman. S. 109 in my judgment is primarily protective in its nature, not positive in its results. It merely says that the processor or handler cannot take repressive action—if producers want to get together under current laws. This would give the producers who want to come togther a lot more muscle than they have currently, because once they passed this referendum, it would be like your tobacco program—then all the producers have to go along. The way it is now, you could get 80 percent that wanted to have a cooperative program of bargaining, and 20 percent could wreck it, because they would go in and take advantage of the higher prices and overproduce. It is the same thing we have in our cotton and tobacco program applied here, only on a voluntary basis, where this is truly a self-help program, and the Government's participation in it is very, very minimal.

Provision would be made for special pricing standards to be the statutory objective for such price bargaining purposes if the Secretary finds that the parity standard for a regulated commodity is not adequate. The alternative pricing standard would take into account factors such as production costs, prices to consumers, and other factors affecting supply and demand for the commodity, including any limitations on marketings that may otherwise be included in the marketing order.

In addition, these amendments authorize the pooling of proceeds of sale of a commodity other than milk when minimum prices are established on a use-classification basis. Also, if the Secretary found that pooling and producer marketing allotments were necessary, in conjunction with pricing provisions, to provide equitable distribution of returns and market opportunity among producers, he could require the use of such combined authority.

Third, these amendments authorize the establishment of minimum pricing for milk through a collective bargaining process.

Fourth, the amendments authorize the establishment of producer marketing allotments for any commodity including milk on the basis of (*a*) the amount produced or marketed by such producer or from the farm on which he is a producer in a representative prior period, subject to adjustment for abnormal conditions and other factors, or (*b*) the current quantities available for marketing by such producers, or (*c*) any combination of these that will result in the total allotment being apportioned equitably among producers. A minimum allotment could be fixed for producers whose production does not exceed that amount. An administrative procedure, with subsequent court review,

would be established for reviewing the lawfulness of a producer's allotment. This would be similar to the review procedure now in the 1937 act for handlers.

Fifth, a provision is added to authorize the establishment of a producer advisory committee for any commodity; this producer committee could provide advice on starting procedures to promulgate a new order, and could formulate specific hearing proposals.

Sixth, the amendments provide that orders containing price bargaining or producer allotment provisions would impose administrative assessments pro rata on producers, payable through handlers to the agency administering the order. Handlers would have the responsibility of collection from producers.

Finally, title II of S. 2973 makes it clear that the new authorities it provides shall not supersede the provisions of other statutes relating to marketing quotas, acreage allotments or limitations, or price support, and that no action taken or any provision of an order issued under this new act shall be inconsistent with such other statutes or actions taken by the Secretary thereunder.

These additional tools provided under title II will be exercised under the long-established and proven marketing orders program, where action is not initiated by the Government but rather by the concerned producers. The producers formulate the program they want, justify it at public hearings, must approve by a vote of two-thirds of their number, and then administer the program through their own representatives—resulting in a truly democratic producer program. The legislation is strictly permissive—to be used if producers want it, to be unused if they don't.

This National Agricultural Bargaining Act of 1968 puts into legislative language the conclusions that many of us have reached as to how to make bargaining power work for farmers.

Although purely voluntary organization of producers is by far the most acceptable means of operating a bargaining program, in practice there are serious limitations to such an approach. It is too easy for some producers to stay outside the association and receive price benefits at no cost while members bear all the costs and receive only part of the benefits. Moreover, any increase in price or betterment of nonprice terms to the voluntary group gained through bargaining will be quickly lost because of undercutters and free riders who are free to depart from the organization's group efforts. Undisciplined production increases stimulated by a bargained-for higher price may prove fatal to the holding of that price.

This has been the history of nearly every voluntary bargaining association we have examined. Persons more optimistic about voluntary bargaining point out that voluntary associations or cooperatives are now exercising bargaining power. But in practically all such cases, Government marketing orders create marketwide controls that are extremely important to the success of the bargaining.

Some sort of Government authority to enforce marketwide compliance with respect to supply and terms of trade, by all producers and buyers, is essential to effective sustained farmer bargaining power.

Such authority would be granted to self-help producer groups through the enabling legislation that I am recommending here today.

Producers of geographically limited commodities can—and many do—prosper under State statutes. But with respect to the many commodities produced over a multistate area the requirement of uniform coverage must be obtained through a Federal statute. If a substantial majority of the producers of a commodity want to enhance their bargaining strength and marketing ability, it is clear that they must have the power to control the supply of that commodity. Under the principle of farmer-control that is so crucial to bargaining power, this is entirely up to the producers. The Government will not impose it upon them.

(The document is as follows:)

1. Any group of commodity producers may *petition* the Department of Agriculture for the opportunity to decide by referendum whether or not that particular commodity should be *eligible* for a marketing order. A special Advisory Producer Committee may be established by the Secretary of Agriculture to help focus producers' efforts in this direction.

2. A producers *referendum* would then be held to decide if a particular commodity shall become eligible for a marketing order (majority of producers voting decide). Commodities already covered under the Marketing Agreement Act of 1937 do not require this initial referendum.

3. Producers *devise the various terms* of the marketing order. The Advisory Producer Committee may assist in this. A marketing order may contain terms implementing:

(*a*) Bargaining between elected producer committees, and handlers and groups of handlers, for minimum prices and other terms of sale. The producer bargaining committee would be elected at the time of the referendum on whether or not to *accept* the order.

(*b*) Various market supply control programs ranging from grading standards to marketing allotments, binding on all producers and handlers of the paticular commodity.

(*c*) Pooling of sale proceeds where the commodity is sold on a use-classification basis.

The marketing order may contain any *combination* of these terms that the producers so desire—e.g., price bargaining *and* quality control; only quality control; price bargaining *and* marketing allotments, etc.

4. Public *hearings* are then held on the proposed marketing order. Producer groups, processors, and any others having an interest in the order may participate.

5. A *tentative marketing order*, based on the hearing record, is issued by the Secretary of Agriculture.

6. Producers vote in a *referendum* whether or not to accept the order. The marketing order becomes effective if it is approved by ⅔ of the producers voting.

7. The various terms of the marketing order are then carried out, including bargaining over minimum price and other terms of sale, if that is part of the order. With respect to bargaining, agreements must be reached between the elected producer bargaining committee, and handlers or groups of handlers that represent at least 50% of the volume, before the minimum price and other terms become binding.

8. Marketing orders are enforceable against handlers by civil and criminal penalties, and against producers by only civil penalties.

Senator McGovern. Mr. Chairman—Mr. Secretary, in a sense, wouldn't the food bank proposal, or the strategic reserve, reinforce what you are trying to accomplish under the bargaining proposal? Don't those two pieces of legislation go hand in hand?

I quite agree with what you said here a while ago, that you can do a better job of programing acreage allotments and setting production targets if you were not up against the uncertainties of trying to estimate what you might need for some emergency situation, either at home or abroad. I also think—I put this in the form of a question—would not the food bank proposal increase the likelihood of bargaining becoming an effective device?

Secretary FREEMAN. It would mean—part of it provides for resale on the farm, under the bill as is now considered, as the Senator is well aware. This resale obviously increases the bargaining power that the farmers would have under their current loan program. To any extent that the Secretary is able to act more vigorously to short the market, increases the farmers' bargaining power in making his own sales, because he does not have to contend with overproduction.

Senator JORDAN. Well, would this permit a group of, say, cucumber growers—to get together, and they say to the canners or the picklers, "We are going to raise the crop $2 a bundle, that is what we want—we will just hold them off the market."

He says, "All right, you just keep the cucumbers." So he has the cucumbers, and that settles that part of it.

Secretary FREEMAN. That could happen. In that instance, it is going to be a test of wills as to in the economic marketplace of bargaining between two forces, just as it is when organized labor bargains with employers for a wage raise.

Senator JORDAN. Is there going to be any safeguard in here that a group can get control of a commodity—I am not arguing against the farmer getting a good price, I think he ought to. But that he prices his crop out of the market. It gets too high. Because you get any article above a certain price, they do not buy it—they move to something else in place of it.

Secretary FREEMAN. Well, that is a danger. If that happens, those farmers are going to vote that marketing order out in a hurry. They are going to elect a new marketing and bargaining committee that is not going to be so stupid.

Senator JORDAN. But they already lost a crop.

Secretary FREEMAN. That is a chance they have to take. They do not have to do it in the first place. Because they have to vote two-thirds for it. And there will surely be opposition. And the dangers you point out will be considered. If they want to take a chance and think this would be an improvement—it is the same as when they join a labor union and go on strike. Sometimes they lose them, and sometimes they vote out the union and vote in another one.

Senator MILLER. Could I ask a couple of questions on this minimum price.

First of all, if the minimum price, or if the collective bargaining power arrangement was established, would that mean that there would be no price supports by the Federal Government for that commodity?

Secretary FREEMAN. No. As the Chair stated a moment ago—I think it is extremely likely—I would not strongly object to excluding our basic storable commodities that are handled on a nationwide basis. So it would not really affect them. And I cannot—for the moment we do not know enough, and I cannot imagine anyone having the temerity or the capacity to encompass feed grains in a nationwide marketing order under this system. We might get to it some day. But as a practical matter I do not think it is very likely now.

The CHAIRMAN. I think you would have a better chance to enact legislation if you limit it to certain commodities, and try it out. But if you try to make it general and cover stable crops, I do not think you will get anywhere with it.

Senator MILLER. I agree with the chairman on that observation. The second point was—perhaps your answer has already satisfied it, but I would like to get your comment.

In connection with establishing minimum prices, suppose you had some farmers in the group who were receiving Government payments because they were in a program. And you had other farmers in this commodity group who were not receiving commodity payments because they were not in the program. What arrangement would be made to reconcile those differences in economic status, with respect to establishing a minimum price?

Secretary FREEMAN. I would not see there would be any effect on it at all, because none of the commodities that would be subject to bargaining would likely be those to get any Government payments. If the farmer had diversified production, and he raised some cotton and peaches too, and there was a bargaining program on peaches, and he went into that, that would not have any effect on the cotton or the cotton program, or the payments he might get under the cotton program. It seems to me that is completely independent.

Senator JORDAN. Would this envision any price support for commodities such as peaches or any other crop?

Secretary FREEMAN. No.

Senator JORDAN. In other words, he is on his own, he takes his own risk, if he wants to hold them off the market?

Secretary FREEMAN. Correct.

Senator JORDAN. If he wants to bury the pig, that is his pig.

Senator FREEMAN. That is his pig.

Senator JORDAN. I think he is losing his pigs, but that is none of my business. I learned a lot about that at one time, too.

The CHAIRMAN. Now, Mr. Secretary, I notice that you have referred to title II only. How about title I?

Secretary FREEMAN. On page 29. There is a concept here in the first paragraph that will be interesting:

"Supply control" does not necessarily mean production or acreage control. A bargaining association or cooperation, by varying minimum quality standards, diversion of production into secondary markets, storage, or other marketing devices, can and does affect the quantity going to the primary market. These marketing tools would be available under the proposed title II of S. 2973 in any combination, to any commodity group that wants to use them.

We have examined both of the bargaining titles of S. 2973. Both approaches provide the two basic tools of bargaining; provision for group bargaining over the various terms of trade, including price; and the authority for producers to set up and carry out a marketwide supply program.

However, title I is new and, based on the hearing record, is clearly more controversial. Title II, on the other hand, would expand an already tested producer-oriented statute which has the benefit of 30 years of court decisions and administrative precedents to guide its operation. It is of crucial importance that Congress act this year on farmer bargaining power. Time is of the essence. Therefore, in the interest of swift action, I recommend that this committee act favorably on title II. Looking to the future, it may well be that experience in

developing farmer bargaining power will call for some of the features of title I.

One point which I understand the committee has been considering is to what commodities would this proposed bargaining legislation apply. Specifically, would it apply to the basic program commodities—wheat, rice, feed grains, cotton, peanuts, and tobacco? As I have said many times, I see no alternative, if the problem of excess capacity with respect to these great field crops is to be handled at all, to dealing with these crops through current farm programs. Any bargaining program would be supplemental to existing Government programs and not an alternative to them.

The legislation which I am recommending contains a provision to the effect that it shall not be allowed to operate inconsistently with respect to other ongoing commodity programs. There will, of course, be potential problems of accommodating this bargaining approach to already existing statutes relating to marketing quotas, acreage allotments or limitations, or price support.

Yet any enabling legislation which is primarily of a self-help nature as I am recommending today should not exclude any particular commodity group from taking advantage of its provisions. I doubt if producers of the national program commodities—wheat, feed grains, cotton, and so forth—will seek to organize and operate under the proposed act at any time in the near future. But some day they might well want to develop such a program. They will have the opportunity to do so under provisions of S. 2973.

The CHAIRMAN. Any more questions?

We thank you very much, Mr. Secretary, for your presence.

Senator MILLER. May I ask one further question?

The CHAIRMAN. Surely.

Senator MILLER. Mr. Secretary, with respect to the continuation of the present program, I do not need to tell you that the sentiment is overwhelming in the Congress that we have a farm program of some kind. There is concern about the present program. My understanding is that Iowa State University is updating a very complete report that they made 3 years ago, in which they computerized out about 12 different types of farm programs, including this one, from the standpoint of costs to the Government, from the standpoint of net farm income. It will probably be some months before they will be able to update this. I take it that that could provide some good guidance for you, as to what variations might be made in this program. I believe you are open-minded on improvements.

Secretary FREEMAN. We surely are.

Senator MILLER. I think some study like this would help us to do that. But I do not think we are going to be able to have the results of that study—and I am sure they are going to bring in other agricultural economists on this—before the conclusion of this session of Congress. It would give us a pretty good basis for some quick action next year.

Secretary FREEMAN. Dr. Wilcox, are you familiar with this study?

Dr. WILCOX. I think they have already published a study of that kind. They may be continuing it.

Senator MILLER. They published it originally, Doctor, 3 years ago. They are currently updating it.

The CHAIRMAN. To include the present program?

Senator MILLER. Yes, sir.

Secretary FREEMAN. Mr. Chairman, I have with me the attorney from the Department who has worked very assiduously, in great detail, on the farm bargaining power thing—Bill Abbott, who is on my staff in connection with this. He has met with all the processor groups, and has worked up this bill, this legislation. If any of your officers want to inquire in depth about this, he would be available and delighted to come up and discuss it with you. It is a new initiative. It is of course really an amendment of a law we have operated under for a long time. But it has a new thrust, and one that you might want to have further details about.

Bill will be delighted to be at your service.

Senator JORDAN. I want to make one observation—it ties into what Senator Miller talked about—and that is about protecting the farmers' market from imports from abroad. You know for many many years, way before you became Secretary of Agriculture, before I came to the Senate, there was a limit put on the number of bales of cotton, or pounds, that could be brought into the United States—both long staple and sort staple. And that is still in effect. You cannot bring flour into this country—is that not correct? You cannot bring wheat in here. And there are certain other things.

Of course the State Department—I am crazy about them, you know that—they got around the imports of cotton from Mexico by letting them bring in the cloth. That put the manufacturer out of business, and still brought the cotton in, in greater quantities. But that shouldn't be if this is going to work. There is going to have to be some limitation on what can be imported on any crop or commodity.

Secretary FREEMAN. I think you and I disagree a little on the principles of furthering trade and economic well-being of the Nation.

Senator JORDAN. I know that. I know where our balance of payments is going, too.

The CHAIRMAN. Any further questions?

GENERAL

Senator MCGOVERN. I would just like to commend the Secretary on the statement that he issued yesterday in response to the Board of Inquiry into Hunger and Malnutrition in the United States. It is not quite on target what we are discussing here today. But I think he very properly recognized the dimensions of the malnutrition problem in the United States. I think he very properly and justifiably objected to making the Department of Agriculture, the American farmer and agriculture generally the goat of this problem, but I felt, Mr. Secretary, that your statement was a prudent and balanced and honest statement which recognized the overriding hunger problem and the fact while much has been done, much more is necessary.

Secretary FREEMAN. Thank you, Senator.

Senator MILLER. Mr. Chairman—we do not have an opportunity to ask the Secretary questions very often. I would like to ask him one that I am concerned about, and I know he shares my concern. And that is about our favorable balance of agricultural exports over agricultural imports. As I understand it, in 1967 for the first time in 4 years this

favorable balance fell below $2 billion, down to about $1.9 billion. And when one takes into account the fact that $1.6 billion of our exports consisted of these concessional sales, food for peace matters, that indicates we have about $300 million balance, favorable balance, of commercial sales.

What can we do to improve this? Is there some reason why there has been this slippage?

Secretary FREEMAN. Mostly because of the rapidly rising standard of living in the United States, and because of heavy imports, particularly of noncompetitive tropical items, which make up most of our agricultural imports, or better than half of them. And this is where there has been considerable growth.

Senator MILLER. There was some increase in imports, Mr. Secretary. But I think the decrease in our exports——

Secretary FREEMAN. No, I do not think so, Senator Miller. Our exports this year are $6,600 million, as compared to $6,700 million the year before. And of that, 5.2 billion are for dollars, and the balance is under Public Law 480. That may not be exactly right. But our exports were down a hundred million dollars, was all, between the 2 years, and moving forward.

Senator MILLER. The figure I have here—these are official figures—was $6.8 billion exports for 1966, $6.4 billion for 1967. There is a drop of about half a billion dollars in exports. Now, I know your people in the Foreign Agricultural Service are doing excellent work in trying to develop these markets. But I was wondering if this was just perhaps an odd year. Actually it was above 1965 last year—but it was still a drop of about half a billion dollars over 1966. I am wondering if there is any trend developing here, or if there is something that we can do to help you in improving the export picture.

Secretary FREEMAN. Dr. Wilcox just told me the current figures for the coming year are calculated to pick that up, that we have regained that level. We had something of a slump particularly in that big year when they had such enormous crops in Europe, and our sales of feed grains and wheat dipped a bit. We have recovered.

Senator MILLER. You think that is the case then because they had an unusually good crop year?

Secretary FREEMAN. Yes.

Senator MILLER. Possibly sunflower seed oil, and things like that.

Secretary FREEMAN. That is right.

Senator MILLER. So there is no defect we can cure in here?

Secretary FREEMAN. None that I know of. Except we appreciate your support in keeping up the morale, and keeping pounding away. I am thoroughly convinced, after having been in four countries in the last 3 weeks, that it is very important we continue to try to sell hard. Japan is going to increase their consumption of feed grains a million tons a year. We are either going to get it or somebody else it. Taiwan and Korea, and Japan, are beginning to move into animal industry, animal husbandry. And we can help them to do that, and we can get those markets for soybeans, for feed grains, and for what. But we are getting a lot of competition, and we are going to have to do some real good old Yankee sailing in order to get it, and this is what we are trying to do with our promotion and sales programs. If I seem a little bit touchy on these import questions, it is related di-

rectly to the export—that we be careful that we do not give the forces of protectionism in these countries, that are very real, very real—for example, in Japan and Mexico, when I was there, I worked them over real hard in both countries. Soybeans—no sense for there being any tariff on soybeans in Japan. They have lowered it some already. They do not produce any soybeans in Japan. I can give you countless instances where countries have historic traditional protective positions that serve no domestic useful purpose, and are potential markets we can serve. But if we in the meantime are setting up barriers ourselves that are not just bloody necessary, we will be inept, and won't even get into the front door.

Senator MILLER. Isn't there another side to the coin, and that is for us to be price-competitive in these world markets?

Secretary FREEMAN. That is right.

Senator MILLER. We are going to have to do something in our economy to hold down inflation and the increasing costs of production.

Secretary FREEMAN. This is certainly true. Of course that is what this basic farm program we have is designed to do, to keep us price-competitive—but it does not take into consideration inflationary pressures, of course—by moving the commodities at a price that will be competitive, making up the difference in payments. That is the whole philosophy.

The CHAIRMAN. Again, Mr. Secretary, I wish to thank you in behalf of the committee. You have always been helpful. Sometimes it is a little rough for you, but you can take it.

FARM BARGAINING

I have an article from the May 1968 issue of the Farm Journal on farm bargaining. Without objection part of the article will be placed in the record at this point.

[From the Farm Journal, May 1968]

HOW FARMERS VOTE TO USE BARGAINING POWER

Let's go. And let's bargain with as little Government interference as possible, say these 5,000 farmers. You'll find some surprises here

(By Claude W. Gifford)

It's no longer just a slogan—or an urge to "fight back," born out of farmers' frustrations.

Farmers are ready to get on with the hard choices that are necessary to make *bargaining power* work.

Here are the highlights from the farm bargaining poll which Farm Journal published in the March issue. These results are based on 5000 ballots processed by our Research Department at press time (12,479 had been received).

Farm voters want:

1. Nine out of 10 favor new laws to give farmers more power to bargain on their own.
2. 85% believe that farmers should then organize into bargaining associations that will bargain with processors and buyers over prices and other terms.
3. 85% want a fair-play "marketing rights" law—one that will penalize buyers who discriminate against those farmers who join a co-op or bargaining group.
4. 70% want broader market orders that permit organized commodity groups to study the market, set grade standards, inspect, and do research and promotion to expand markets.

5. 68% think that farmers should purposely hold products off the market to try to force processors to pay higher prices and sign long-term contracts (almost all of the National Farmers Organization voters favor this).

Farm voters don't want:

1. Nearly 8 out of 10 farmers say that when a bargaining group and processors agree on a price, the government should *not* be permitted to step in and veto the agreement. The government doesn't veto labor contracts between unions and industry, and farmers don't want it done in agriculture, either. At present, the Secretary of Agriculture *does* have authority to veto agreements reached by cooperatives.

2. 67% do not want farm prices and production set by a government board made up of representatives of farmers, processors and consumers. To do that would treat agriculture as if it were a "public utility" run for the convenience of the public—with a ceiling over all farmers.

3. 67% do not believe that it is right for members of a farm bargaining group to picket *other farmers* to try to get them to join or withhold their products. They think that should be a voluntary choice to be won by reason, persuasion and demonstrated results.

4. 61% do not want the government to hold elections choosing *which farm group* processors must bargain with in an area. A bill setting up such elections is now before the Senate Agriculture Committee.

There are some surprisingly "get tough" bargaining sentiments in the vote.

Nearly half of those who voted are willing to have farm bargaining groups negotiate to have handlers and haulers buy or handle *only the products of members who belong to the bargaining group.* This would be an exclusive contract, or a "closed shop" type of arrangement. Three our of four NFO members voted for this, compared with 43% of the Farm Bureau voters.

58% agree that when two-thirds of the producers belong to a bargaining group, and these members vote to have processors check off their dues, that the check-off should be made from *non-members* as well. This is a "union shop" type of arrangement. Three out of four NFO voters favored this, compared with 56% of the Farm Bureau voters.

55% are ready to make commodity check-offs for research and promotion compulsory *with no refunds* when two-thirds of the producers vote to do it.

And 52% would agree to have farm commodity groups set allotments and quotas on all producers anytime that two-thirds vote to do it. More Farmers Union members favored this than voters from other farm organizations.

Now for some other differences between farm groups (*the tables*[1] *here and on page 44*[1] *show the total percent that "agreed strongly" and "agreed slightly" and include one-half of those who were "neutral"*):

Among farm organizations, NFO voters believe more strongly than other groups in exclusive contracts, check-offs, holding products, and processor picketing. However, the majority of the NFO voters are still opposed to picketing other farmers.

The NFO and Farm Bureau voters are about equally opposed to having the government involved in farm bargaining. Farmers Union voters, while opposed to government intervention, are less strongly opposed than other farm groups.

It might be surprising that larger farmers favor compulsory checkoffs for research and promotion, while farmers with less than $5000 sales are opposed. Small farmers are also less willing to have bargaining groups restrain production.

Small and big farmers are about equally opposed to government intervention in bargaining activities.

Understandably, younger farmers are less likely to want allotment supply control. And they are even more opposed to government intervention than older farmers.

Surprisingly, no crop or livestock commodities are more "red hot" about bargaining than any other. They feel remarkably alike on the 19 farm bargaining choices.

(Whereupon, at 12:10 p.m., the committee was adjourned, to reconvene subject to the call of the Chair.)

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[1] In committee files.

INDEX

e Legislative History on: PL 559

AGRICULTURAL ACT OF 1968

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

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NINETIETH CONGRESS

SECOND SESSION

ON

S. 3590

A BILL TO EXTEND AND IMPROVE LEGISLATION FOR MAINTAINING FARM INCOME, STABILIZING PRICES AND ASSURING ADEQUATE SUPPLIES OF AGRICULTURAL COMMODITIES

JUNE 24, 25, AND 26, 1968

Printed for the use of the Committee on Agriculture and Forestry

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CONTENTS

AGRICULTURAL ACT OF 1968

MONDAY, JUNE 24, 1968

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to notice, at 10:05 a.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender, chairman, presiding.

Present: Senators Ellender (presiding), Holland, McGovern, Byrd of Virginia, Aiken, Young of North Dakota, and Miller.

The CHAIRMAN. The committee will please come to order.

We begin hearings today on S. 3590, the Agricultural Act of 1968.

This bill would extend the provisions of the Food and Agriculture Act of 1965 for 4 years, with amendments, except that the authority for class I milk base plans is made permanent and extensive amendments are proposed to the Agricultural Marketing Agreement Act of 1937, including provisions for collective bargaining.

Title I of the bill makes permanent the class I milk base plan without change, although I understand some changes will be recommended today.

Title II extends the current feed grain programs with minor amendments.

Title III extends the current one-price cotton program, including authority for transfer of allotments, with a number of amendments, none of which appears to be very controversial.

Title IV extends the current wheat program, with several amendments, one of which does appear to be controversial. That amendment would permit the cost of certification to processors to be increased above 75 cents by the amount by which the parity price increased above the parity price as of July 1, 1969.

Title V extends the National Wool Act without change.

Title VI extends the cropland adjustment program with two changes.

Title VII extends the provision requiring a rice diversion program whenever the national acreage allotment is less than that for 1965.

Title VIII contains miscellaneous provisions including authority to lease tobacco allotments; restricts the reduction in State or county projected yields from year to year to not more than 5 percent, and extends the current exemption of peanuts for boiling and marketing quotas.

Title IX makes a number of amendments in the marketing order law.

The principal amendments are—

(1) It would extend marketing order authority to any agricultural commodity or product thereof (except a canned or frozen product), and exempt any commodity or product from current exceptions and processor or other approval requirements, if the Secretary determines by referendum that a majority of the affected producers approve such extension;

(2) It would authorize orders for commodities other than milk providing for establishing by collective-bargaining minimum prices, terms, and conditions (including above-parity prices). Cotton, wheat, corn, grain sorghums, barley, rye, oats, rice, forest products, soybeans, tobacco, and peanuts, and their products are exempt from collective-bargaining provisions only.

(3) It would provide that where a milk-marketing order provides a "method for fixing" minimum prices, that method may be by collective bargaining;

(4) It would provide for regulation of commodities other than milk by "species, or other classification" as well as "grain, size, or quality."

In addition it would—

(5) provide for producer allotments;

(6) provide for producer advisory committees; and

(7) provide for assessments against producers in the case of orders providing for bargaining or producer allotments.

It is my hope that the testimony today will be sharply directed towards the provisions of S. 3590 so that the committee will have a clear direction as to the desires of our agricultural industry and can proceed expeditiously to mark up a bill in the very near future.

I wish to state, in addition to this, that at the hearings of this committee, held several weeks ago, that there appeared very little objection to the main portions of the bill. It will be recalled that Senator Mondale from Minnesota introduced a bill known as the farm bargaining bill. Title I of the bill was most obnoxious to practically all of the witnesses who appear before us. In drafting S. 3590 it was felt it was useless to include that provision. Therefore, we are only considering title II of the Mondale bill which adds commodities to the existing law and other purposes.

(S. 3590 and staff explanation thereof follow:)

[S. 3590, 90th Cong., second sess.]

A BILL To extend and improve legislation for maintaining farm income, stalblizing prices and assuring adequate supplies of agricultural commodities

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Act of 1968".

TITLE I—DAIRY

EXTENSION OF CLASS I—BASE PLAN AUTHORITY

SEC. 101. The class I dairymen's base plan is extended by striking out section 103 of the Food and Agriculture Act of 1965.

TITLE II—FEED GRAINS

EXTENSION OF CURRENT PROGRAM AUTHORITY

SEC. 201. The feed grain program is extended by striking out "1966 through 1969 crops" wherever it appears and substituting "1966 through 1973 crops" in the following provisions of law:

(1) Section 105(e) of the Agricultural Act of 1949, as amended.

(2) Section 16(i) of the Soil Conservation and Domestic Allotment Act, as amended.

AUTHORITY FOR PAYMENTS IN CASH OR KIND

SEC. 202. Effective beginning with the 1969 crop, section 105(e) of the Agricultural Act of 1949, as amended, is amended by adding at the end thereof the following: "Notwithstanding any other provision of this subsection and section 16(i) of the Soil Conservation and Domestic Allotment Act, as amended, price support payments and diversion payments may be made in cash or in kind for the 1969 through 1973 crops of feed grains. Payment-in-kind certificates which the Commodity Credit Corporation acquired under the price support and diversion programs for feed grains through the 1968 crop in assisting producers in the marketing of such certificates and which are still on hand on September 30, 1969, shall not be marketed and shall be canceled."

TITLE III—COTTON

EXTENSION OF AUTHORITY FOR ALLOTMENT TRANSFERS, EXPORT MARKET ACREAGE, AND DOMESTIC ALLOTMENT

SEC. 301. The Agricultural Adjustment Act of 1938, as amended, is amended—

(1) By striking out "1936, 1967, 1968, and 1969" in section 344a(a) and inserting "1966 through 1973".

(2) By striking out "the 1966, 1967, 1968, and 1969 crops" in the first sentence of subsection (e) of section 346 and substituting "the 1966 through 1973 crops".

(3) By striking out "the 1966, 1967, 1968, and 1969 crops" in section 350 and substituting "the 1966 through 1973 crop".

EXTENSION OF AUTHORITY FOR PRICE SUPPORT AND DIVERSION PAYMENTS, LEASE OF ACREAGE NOT DIVERTED, AND EXTENSION OF CCC RESALE PRICE PROVISION

SEC. 302. Effective beginning with the 1969 crop, the Agricultural Act of 1949, as amended, is amended—

(1) By amending paragraph (1) of section 103(d) by striking out "the 1966, 1967, 1968, and 1969 crops and substituting "the 1966 through 1973 crops".

(2) By striking out the first sentence in paragraph (6) of section 103(d) and substituting the following: "Where the farm operator elects to participate in the diversion program authorized in this subsection and no acreage is planted to cotton on the farm, diversion payments shall be made at the applicable rate or rates established under paragraph (4) on the quantity of cotton determined by multiplying that part of the farm acreage allotment diverted under the program by the projected farm yield, and the remainder of such allotment may be leased under the provision of section 344a of the Agricultural Adjustment Act of 1938, as amended, subject to the conditions of that section, or may be released under the provisions of section 344(m)(2) of such Act. Such lease or release shall not result in reduction of the acreage eligible for diversion under this paragraph."

(3) By striking out "July 31, 1970" in the next to last sentence of section 407 and substituting "July 31, 1974".

EXTENSION OF CURRENT DEFINITION OF COOPERATOR

SEC. 303. Section 402(b) of the Food and Agriculture Act of 1965 is amended by striking out "1966 through 1969 crops" and substituting "1966 through 1973 crops", and by striking out "1967, 1968, and 1969 crops" and substituting "1967 through 1973 crops".

EXPANSION OF ALLOTMENT TRANSFER AUTHORITY

SEC. 304. Section 344a of the Agricultural Adjustment Act of 1938, as amended, is amended—

(1) By striking out in subsection (a) the following: "(excluding that part of the allotment which the Secretary determines was apportioned to the farm from the national acreage reserve)".

(2) By striking out the last sentence in subsection (b).

EXPORT MARKET ACREAGE

SEC. 305. Section 346(e) of the Agricultural Adjustment Act of 1938, as amended, is amended—

(1) By striking out in the third sentence thereof "For each subsequent crop—" and substituting "For the 1967 and 1968 crops—".

(2) By inserting after the table in the third sentence thereof, the following: "For the 1969 through 1973 crops the national export market acreage reserve shall be an amount prescribed by the Secretary, not to exceed 250,000 acres."

(3) By striking out in the tenth sentence thereof "of all cotton produced on such farm for such year" and substituting "of a quantity of cotton equal to the quantity of all cotton produced on such farm for such year".

TITLE IV—WHEAT

EXTENSION OF CURRENT WHEAT PROGRAM

SEC. 401. The wheat program is extended—

(1) By striking out "the calendar years 1964 through 1969" in amendment (7) of section 202 of the Agricultural Act of 1964, as amended by amendment (1) of section 505 of the Food and Agriculture Act of 1965, and substituting "1964 through 1973 calendar years".

(2) By striking out "the calendar years 1965 through 1969" in amendment (13) of section 202 of the Agricultural Act of 1964, as amended by amendment (2) of section 505 of the Food and Agriculture Act of 1965, and substituting "1965 through 1973 calendar years".

(3) By striking out "the calendar years 1964 through 1969" in section 204 of the Agricultural Act of 1964, as amended by amendment (3) of section 505 of the Food and Agriculture Act of 1965, and substituting "1964 through 1973 calendar years".

(4) By striking out "the calendar years 1966 through 1969" in section 332(d) of the Agricultural Adjustment Act of 1938, as amended, and substituting "1966 through 1973 calendar years".

(5) By striking out "the calendar years 1964 through 1969" in section 339(b) of the Agricultural Adjustment Act of 1938, as amended, and substituting "1964 through 1973 calendar years".

(6) By striking out "the calendar years 1966 through 1969" wherever they appear in section 502 of the Food and Agriculture Act of 1965, and substituting "1966 through 1973 calendar years".

(7) By striking out "1966 through 1969 crops" in section 506 of the Food and Agriculture Act of 1965, and substituting "1966 through 1973 crops".

PROJECTED FARM YIELD COMPUTATION

SEC. 402. Effective beginning with the 1969 crop, section 301(b)(13)(K) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out "three calendar years" and substituting "five calendar years".

WHEAT ALLOTMENT COMPUTATION

SEC. 403. Effective beginning with the 1969 crop, section 332(b) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out "owned by the Commodity Credit Corporation" and substituting "on hand in the United States".

COST OF WHEAT MARKETING CERTIFICATES TO PROCESSORS

SEC. 404. The last sentence of section 379e of the Agricultural Adjustment Act of 1938, as amended, is amended, effective beginning with the 1970 crop,

to read as follows: "Notwithstanding any other provision of this Act, Commodity Credit Corporation shall sell marketing certificates for the marketing years for the 1970 through 1973 wheat crops to persons engaged in the processing of food products at the lower of (1) the face value thereof or (2) $0.75 per bushel plus the amount by which the parity price for wheat as of the beginning of the marketing year for such crop as estimated by the Secretary not earlier than May 1 preceding the beginning of such marketing year exceeds the parity price as of July 1, 1969."

DATE FOR DETERMINING WHEAT SUPPORT PRICE

SEC. 405. Effective beginning with the 1969 crop, section 107 of the Agricultural Act of 1949, as amended, is amended by inserting in paragraph (1)(a) after the words "100 per centum of the parity price" the following: "as of the beginning of the marketing year as estimated by the Secretary not earlier than May 1 preceding the beginning of such marketing year,".

TITLE V—WOOL

EXTENSION OF WOOL ACT

SEC. 501. Section 703 of the National Wool Act of 1954, as amended, is extended by striking out "December 31, 1969" and substituting "December 31, 1973".

TITLE VI—CROPLAND ADJUSTMENT

EXTENSION OF CROPLAND ADJUSTMENT PROGRAM

SEC. 601. Section 602 of the Food and Agriculture Act of 1965 is amended—

(1) By striking out "the calendar years 1965 through 1969" in subsection (a) and substituting "1965 through 1973 calendar years".

(2) By striking out "during any of the fiscal years ending June 30, 1966 through June 30, 1968 or during the period June 30, 1968 through December 31, 1969" in subsection (k) and substituting "during any of the fiscal years ending prior to July 1, 1972, or during the period July 1, 1972, through December 31, 1973".

ADVISORY COMMITTEE EXPENSES

SEC. 602. Section 602(p) of such Act is amended by striking out the last sentence thereof the words "or expenses" and inserting "other than transportation expenses and per diem as provided by section 5703(c) of title 5, United States Code".

TERMINATION OF AGREEMENTS

SEC. 603. Section 602 of such Act is amended by adding a new subsection (r) as follows: "(r) The Secretary may terminate agreements which are entered into with producers after the effective date of this subsection if he determines such action to be in the national interest and gives public notice in ample time to permit producers a reasonable opportunity to make arrangements to return their land to agricultural production."

TITLE VII—RICE

EXTENSION OF CONTINGENT RICE ACREAGE DIVERSION PROGRAM

SEC. 701. Section 353(c)(7) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out "1966, 1967, 1968, or 1969" and substituting "1966 or any succeeding year up to and including 1973".

TITLE VIII—MISCELLANEOUS

EXTENSION OF TOBACCO ALLOTMENT LEASE AUTHORITY

SEC. 801. Section 316(a) of the Agricultural Adjustment Act of 1938, as amended, is amended (i) by striking out of the first sentence thereof "1962 through 1969", and inserting "1962 through 1973" and (ii) by striking out of the last sentence thereof "1964 through 1969" and inserting "1964 through 1973".

RESTRICTION ON REDUCTION OF STATE AND COUNTY PROJECTED YIELDS

SEC. 802. Section 708 of the Food and Agriculture Act of 1965 is amended by adding at the end thereof the following: "The projected yield for any State or county for the 1969 and succeeding crops of any commodity shall not be less than 95 per centum of the yield established for such State or county for the preceding crop."

EXTENSION OF BOILED PEANUT EXEMPTION

SEC. 803. The last paragraph of the Act entitled "An Act to amend the peanut marketing quota provisions of the Agricultural Adjustment Act of 1938, as amended, and for other purposes," approved August 13, 1957 (7 U.S.C. 1359 note), is amended to read as follows: "This amendment shall be effective for the 1957 through 1973 crops of peanuts."

TITLE IX—MARKETING ORDERS

ADDITIONAL COMMODITIES SUBJECT TO MARKETING ORDERS

SEC. 901. Section 8c(2) of the Agricultural Adjustment Act of 1933, as amended, and as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is amended by inserting after the third sentence ending with the words "Southwest production area." the following: "Notwithstanding any of the commodity, product, area, or approval exceptions or limitations in the foregoing sentences hereof, any agricultural commodity or product (except canned or frozen products) thereof, or any regional or market classification thereof, shall be eligible for an order, exempt from any special approval required by the preceding sentences hereof, if after referendum of the affected producers of such commodity the Secretary finds that a majority of such producers voting in such referendum favor making such commodity or product thereof, or the regional or market classification thereof specified in the referendum, eligible for an order: *Provided, however,* That such referendum shall not be required for any commodity or product for which an order otherwise is authorized under the preceding sentences of this subsection (2) and for which no special approval or area limitation is specified therein."

ENFORCEMENT OF COLLECTIVE BARGAINING AS A PURPOSE OF THE ACT

SEC. 902. Section 2(3) of such Act is amended by inserting "such minimum prices and other terms and conditions for the acquisition of commodities by handlers as are provided for in section 8c(6)(J)," immediately after "establish and maintain".

COLLECTIVE BARGAINING FOR MILK PRICES

SEC. 903. Section 8c(5)(A) of such Act is amended by inserting "by collective bargaining in good faith (including provisions for the designation, by election of committees of producer representatives to bargain with handlers, or groups of handlers), or otherwise," after the phrase "method for fixing".

REGULATION OF SPECIES OR OTHER CLASSIFICATION

SEC. 904. Sections 8(c)(6) (A), (B), (C), (D), and (E) of such Act are amended by inserting ", species or other classification" after the words "grade, size, or quality" wherever the latter words appear.

COLLECTIVE BARGAINING FOR COMMODITIES OTHER THAN MILK

SEC. 905. Section 8c(6) of such Act is further amended by adding the following at the end thereof:

"(J) Except with respect to cotton, wheat, corn, grain sorghums, barley, rye, oats, rice, forest products, soybeans, tobacco, and peanuts, and their products, providing a method for establishing by collective bargaining in good faith between producers and handlers (including provision for the designation by election of committees of producer representatives to bargain with handlers or groups of handlers), the minimum price or prices and other minimum terms and conditions under which any such commodity or product, or any grade, size, quality, variety, species, container, pack, use, disposition, or volume thereof may

be acquired by handlers from producers or associations of producers: *Provided*, That no such minimum price or prices or other terms and conditions shall become effective unless agreed to by handlers who during the preceding marketing year acquired from producers at least 50 per centum of the commodity sold by producers which was produced in the production area subject to the order and unless thereafter approved by the Secretary of Agriculture: *Provided further*, That if the Secretary of Agriculture finds that the parity price of any such commodity, other than milk or its products, for which such minimum prices or other terms or conditions are to be established is not adequate in view of production costs, prices to consumers, and other economic conditions which affect market supply and demand for such commodity subject to such order (including any marketing limitation of the commodity otherwise provided by such order), the Secretary of Agriculture shall determine a price or prices for such commodity at such levels as he finds will insure a sufficient market supply of the commodity, reflect such factors, and be in the public interest, and such price or prices shall be used in lieu of the parity price for the purpose of section 2 of this title: *Provided further*, That the agency designated to administer provisions authorized under this subsection shall be a committee primarily composed of producers of the commodity: *And provided further*, That an order containing provisions authorized under this subsection shall also contain provisions authorized under section 8c(6)(K) or section 8c(7)(E), or both, if the Secretary of Agriculture finds that such combination of provisions is necessary to provide an equitable distribution of market opportunity and returns among producers.

"(K) With respect to orders providing for minimum prices on a classified use basis (i) providing for the payment to all producers or associations of producers of uniform minimum prices for the commodity or product marketed by them (within their allotments, if any), irrespective of the use or disposition thereof, subject, however, to adjustments specified by the order, including but not limited to adjustments for place of production or delivery, grade, condition, size, weight, quality, or maturity, or any other adjustments found to be appropriate to provide equity among producers, and (ii) providing a method for making adjustments in payments as among handlers (including producers who are also handlers), to the end that the total sums paid by each handler shall equal the value of the commodity or product purchased or acquired by him at the classified use minimum prices fixed pursuant to such order."

PRODUCER ALLOTMENTS

SEC. 906. Section 8c(7) of such Act is amended by adding the following at the end thereof:

"(E) Notwithstanding any other provisions of this title—

"(1) allotting, or providing methods for allotting, the quantity of such commodity or product or any grade, size, or quality thereof, which each producer may be permitted to market or dispose of in any or all markets or use classifications during any specified period or periods on the basis of (i) the amount produced or marketed by such producer or produced on or marketed from the farm on which he is a producer in such prior period as the Secretary of Agriculture determines to be representative, subject to such adjustment for abnormal conditions and other factors affecting production or marketing as the Secretary may determine, or (ii) the current quantities available for marketing by such producer, or (iii) any combination of (i) and (ii), to the end that the total allotment during any specified period or periods shall be apportioned equitably among producers. Allotments hereunder may be in terms of quantities or production from given acres or other production units. If the Secretary determines that such action will facilitate the administration of a marketing order hereunder and will not substantially impair the effective operation thereof he may fix, or provide a method for fixing, a minimum allotment applicable to producers and producers whose production does not exceed such minimum shall not be subject to the regulatory provisions of the order except as prescribed therein;

"(2) any producer for whom an allotment is established or refused under the authority of this subsection may obtain a review of the lawfulness of his allotment as prescribed by the order of the Secretary establishing the allotment and rules and regulations thereunder, which shall constitute the exclusive procedure for review thereof and section 8c(15)(A) of this title shall not apply thereto. Under such order, rules or regulations any officers or employees of the Department or any committees or boards created or

designated by the Secretary of Agriculture may be vested with authority to perform any or all functions in connection with such review proceedings including ruling thereon. Committees or boards created or designated for this purpose shall be deemed agencies of the Secretary within the meaning of subsection 8c(7)(C) and section 10 of this title. The ruling upon such review shall be final if in accordance with law. The producer may obtain a judicial review of such ruling in accordance with the provisions of section 8c(15)(B) of this title;

"(3) when allotments for producers are established under this subsection the order may contain provisions allotting or providing a method for allotting the quantity which any handler may handle so that any and all handlers will be limited as to any producer to the allotment established for such producer, and such allotment shall constitute an allotment fixed for each handler within the meaning of section 8a(5) of this title."

PRODUCER ADVISORY COMMITTEES

SEC. 907. Section 8c of such Act is amended by adding at the end thereof a new paragraph (20) as follows:

"(20) PRODUCER ADVISORY COMMITTEES.—The Secretary of Agriculture may establish a producer advisory committee with respect to any commodity, or group of commodities, for which a marketing order is potentially authorized. Such committee shall be composed of producers of the commodity or commodities for which the committee is established. Such committees may be called on by the Secretary of Agriculture to provide advice and counsel with respect to the initiation of proceedings for the promulgation of a marketing agreement or marketing order for such commodity or commodities and may also formulate specific proposals for purposes of a public hearing concerning such a proposed marketing agreement or marketing order. The establishment of such a committee shall, not, however, be deemed necessary to the initiation of any such proceeding to promulgate a marketing agreement or marketing order."

ASSESSMENTS AGAINST PRODUCERS

SEC. 908. Section 10(b)(2) of such Act is amended by adding at the end thereof a new subparagraph (iv) as follows:

"(iv) If the order contains provisions authorized by section 8(c)(6)(J) or section 8c(7)(E) it shall provide that the assessments payable by handlers under subsections (i) or (ii) shall initially be payable pro rata by the producers of the commodity to such handlers thereof, who shall be responsible for the collection thereof from producers and payment to the authority or agency established under such order."

NOT TO SUPERSEDE OTHER LAWS

SEC. 909. Nothing in this title shall supersede the provisions of other statutes relating to marketing quotas, acreage allotments or limitations, or price support, with respect to agricultural commodities and no action taken or provisions in an order issued under this title shall be inconsistent with the provisions of such other statutes or actions taken by the Secretary of Agriculture under such other statutes.

SENATE COMMITTEE ON AGRICULTURE AND FORESTRY: STAFF EXPLANATION OF S. 3590 (AGRICULTURAL ACT OF 1968)

SHORT EXPLANATION

This bill would—

(1) extend the authority for Class I milk base plans permanently;

(2) extend the other provisions of the Food and Agriculture Act of 1965 for four years, with minor amendments;

(3) amend the marketing order law in a number of respects, including provision for collective bargaining.

DEVELOPMENT OF BILL

The Committee held hearings on April 3, 4, 5, 8, 9, 10, and 24 on the Farm Program and Farm Bargaining. All witnesses who desired to be heard, including

the Department of Agriculture, were heard. All proposals were considered carefully and the proposed Agricultural Act of 1968 was developed from those which appeared to have general support and constitute substantial improvement of the program.

TITLE-BY-TITLE OUTLINE

Title I extends authority for Class I *milk* base plans without change.

Title II extends the current *feed grain* program; permits payments in cash, as well as kind, and provides for cancellation of payment in kind certificates held by Commodity Credit Corporation on September 30, 1968.

Title III extends the current cotton program (including authority for transfer of allotments), but amends it—

(1) to permit farms that participate in the diversion program but plant no cotton to divert up to 35 percent of their original allotments and lease the balance;

(2) to permit transfer of that part of the allotment apportioned to the farm from the national acreage reserve;

(3) to repeal the requirement for filing allotment transfers between June 1 and December 31;

(4) to give the Secretary discretion as to the amount of export market acreage within the 250,000 acre maximum (rather than have it fixed by statute in relation to carryover reduction); and

(5) to permit a producer having export market acreage to export other cotton in lieu of that grown on his farm.

Title IV extends the current *wheat* program with the following changes:

(1) To conform to the method of computing county projected yields, farm projected yields would be computed on a five-year (instead of three-year) base.

(2) The cost of certificates to processors could be increased above 75 cents by the amount by which the parity price increased over the parity price as of July 1, 1969.

(3) The support price announced as early as May 1 would not be subject to change because of difference between the actual July 1 parity price and that estimated by the Secretary.

Title V extends the National *Wool* Act of 1954 without change.

Title VI extends the *Cropland Adjustment Program* with changes—

(1) permitting payment of expenses to members of the Advisory Board on Wildlife; and

(2) permitting the Secretary unilaterally and after ample public notice to terminate future cropland adjustment contracts when such action is in the public interest.

Title VII extends the provision requiring a *rice* diversion program whenever the national acreage allotment is less than that for 1965.

Title VIII contains *miscellaneous* provisions—

(1) extending authority to lease tobacco allotments;

(2) restricting the reduction in State or county projected yields from year to year to not more than 5 percent; and

(3) extending the current exemption of peanuts for boiling from marketing quotas.

Title IX makes a number of *amendments of the marketing order law*. It is identical to title II of S. 2973, except for division into sections, insertion of section headings, and exception of cotton, wheat, corn, grain sorghums, barley, rye, oats, rice, forest products, soybeans, tobacco, and peanuts, and their products from collective bargaining provisions. It would—

(1) extend marketing order authority to any agricultural commodity or product thereof (except a canned or frozen product), and exempt any commodity or product from current exceptions and processor or other approval requirements, if the Secretary determines by referendum that a majority of the affected producers approve such extension;

(2) provide that where a milk marketing order provides a "method for fixing" minimum prices, that method will be by collective bargaining;

(3) provide for regulation of commodities other than milk by "species, or other classification" as well as "grade, size, or quality";

(4) authorize orders for commodities other than milk providing for establishing by collective bargaining minimum prices, terms and conditions (including above-parity prices);

(5) provide for producer allotments;
(6) provide for producer advisory committees; and
(7) provide for assessments against producers in the case of orders providing for bargaining or producer allotments.

Now, Mr. Secretary, we are not going to charge you with being late, but we hope you are going to give us a good statement and right to the point.

Let us go off the record.

(Discussion was had outside the record.)

The CHAIRMAN. You may proceed, Mr. Secretary.

Senator YOUNG. I have noted that the Poor Marchers have been pestering you at the Department of Agriculture for a long while. This is entirely unjustified. I do not know of anyone in Washington who would like to give away more farm surpluses than you. And I join you in that. They have been attacking the wrong person.

Senator AIKEN. I think that is discrimination—how would they know how to pick out these people who have tried to do the most in helping the poor people of the country? They must discriminate.

Secretary FREEMAN. I have never been more confused in appearing before this committee than at this moment.

Senator AIKEN. We just wanted to get you started right.

Senator YOUNG. I was thinking of making a speech concerning this on the Senate floor defending you. I do not always agree with you, but I do on this.

I might say for the record, Mr. Chairman, that nine counties in North Dakota were listed as being on the verge of starvation. I called the welfare secretary in most of these counties, and they could not find a single person who was short of food. A doctor in the western part of my State, a very devout Christian, who works from early morning until late at night in the general practice of medicine, offered $100 to any charity if they could find any one person in Golden Valley County, N. Dak., or Wibaux County, Mont., which is adjacent and is listed as a poverty county, who was short of either food or clothing. He has had no takers. I think this is true of all North Dakota, and I have told groups that have come here: "If you can find one person who is short of food, I wish that you would tell me and I will see that they get food."

Out there, people tell me that there are a few cases where the husband has been getting hold of the welfare check and buying liquor with it. In cases like this, the family does suffer, but they try and avoid this.

Secretary FREEMAN. Unfortunately, particularly in the Columbia Broadcasting System program—and this is in the record—why, there were repeatedly instances of misstatements of fact that Senator Young has referred to, and I think that this has been a great disservice to the Nation. I demanded of that station that I be allowed equal time to tell a factual story and to correct these misstated facts, and they refused to give me such time, and when they replayed the program it was without any effort to correct it. And it can only do harm. If you are not factual in telling the true state of affairs, the reaction is going to be negative, and the progress we have made in trying to build sensible feeding programs, to reach people who need them, can only be harmed by this irresponsibility.

The CHAIRMAN. In that connection, I am sure that a great deal of what is going on in Washington was brought about by the cheap sort

of advertising that is given to the people involved in radio and television. No doubt about that in my mind.

All right, you may proceed with the regular business.

STATEMENT OF HON. ORVILLE L. FREEMAN, SECRETARY OF AGRICULTURE

Secretary FREEMAN. Thank you, Mr. Chairman and members of the committee. My statement today is short. I did appear before this committee earlier this year, and my statement then is a matter of record. I have tried to outline the development of our farm program and American agriculture and place the current legislation in the context of the historical sweep of the progress of the development of agriculture in this Nation. Now, I am pleased to report on the bill which has been the product of those areas; that is, that the chairman and the members of the committee held on S. 3590.

Mr. Chairman and members of the committee. I appreciate this opportunity to appear before you in support of S. 3590, this committee's bill to extend the Food and Agriculture Act of 1965. If I may say so, the committee has done its work expeditiously and well:

First, in drafting a 4-year bill, you have recognized the difficulties that farmers faced under the old year-to-year approach of some previous farm legislation. With today's high land costs, massive capital inputs, and increasing reliance on commercial exports of farm products, S. 3590 would give some long-term assurance to farmers of conditions under which they will have to operate in the years ahead. In an industry beset by great natural uncertainties—of weather, insects, and plant diseases—you have eliminated one of the manmade uncertainties that marred previous attempts to meet the farmers' problems.

Second, you have built wisely on the solid foundation of time-tested programs developed during the sixties, programs that have proven their worth in meeting many of agriculture's basic and continuing problems. At the same time, you have recognized that changing conditions call for changing response, and you have included new approaches to further strengthen and extend the basic legislative package.

This basic package, which your committee has had such a large part in developing over the past 7 years, represents a unique departure over the past. It recognizes that overproduction is a continuing problem—not a temporary phenomenon. It recognizes that conservation of natural resources is part and parcel of any successful commodity program—and it makes provision to enhance these resources. And, finally, it recognizes that neither Government alone nor individual farmers alone can meet all the problems forced upon us by a rapidly changing world, and so our programs are administered through a unique partnership of government, farmers, and their organizations.

So today we have a wide range of programs woven tightly into a coordinated farm and food policy aimed at underpinning and strengthening America's family agriculture.

These programs—commodity, export, foreign aid, domestic food aid, resource development—interlock to form a total structure that is

greater than the sum of its parts. They operate as a team. Each program has its own function, but all mesh to enhance the final result.

Agricultural exports provide a good example. Last year we exported products equivalent to the harvest of 71 million acres. A vitally important factor in these exports is our commodity programs that keep us competitive in commercial world trade and, through certificates and direct payments help make up the difference between world prices and parity to farmers.

Another part of our export program is food for freedom, which moves about 4 percent of our production to developing countries, helping them over the worst of their existing food shortages and aiding them to build their economies so that they can eventually become dollar customers for our farm products.

Nothing in this world is static. So we have a dynamic program which enables us to shift production to meet changing circumstances each year and, at the same time, maintain farm income. Right now, for example, we are expanding cotton and rice production while holding down wheat and feed grain production, all under the same basic legislation. In conjunction with other programs we are able to maintain balanced abundance while adjusting our resources to growing needs for conservation, outdoor recreation, wildlife, and natural beauty.

Another important tool is section 32. With section 32 funds we will buy $173 million worth of food this year for distribution to children and needy people here at home—thus bolstering weak prices of overabundant crops and improving the diets of our people. With the food stamp program we will help feed nearly 3 million of the poor in the next year.

All these programs working as a team are helping to move our agriculture forward on the highway of progress.

But, of course, they are neither perfect, nor perfectly operated. I realize, far better than most, that not all our objectives have been met. We must improve them. We must coordinate them more closely with the activities of individual farmers and farm organizations. But this can be done and it is being done. Since I testified at length before this committee 2 months ago, I shall not take much of your time today. But I believe it is noteworthy that under the Food and Agriculture Act of 1965 and predecessor legislation we have—

Eliminated the surpluses that clogged our warehouses during the fifties, and have prevented the buildup of new surpluses;

Fed nearly 6 million of the needy at home through the food stamp and direct distribution programs, and are now rapidly improving and extending these programs;

That farm income—while still not high enough, by any means—is substantially higher than in the pre-1960 period, and roughly 50 percent higher than it would be in the absence of our commodity programs;

Have enabled American farmers to rapidly expand their exports for dollars, tapping a global market that now takes the harvest of 1 American acre in each 4;

Are about to move quickly in response to rapidly changing world weather and market conditions, as evidenced by recent changes in the cotton, wheat, rice, and feed grain programs, to namely only a few.

Now, let me cite a few specific examples:

The feed grain part of the act of 1965 has, among its basic objectives, attaining supply-demand balance and enabling our grain to move into world markets. It is also designed to mitigate the sharp up-and-down cycles of livestock production summed up in the old truism, "cheap feed means cheap livestock."

How well have these objectives been met?

1. Our feed grain stocks are estimated to be well within the desired carryover of from 40 to 50 million tons.

2. The flexibility in the program enabled us to adjust the acres removed from feed grain production and placed in conserving use from 20 to 34 million acres as the situation warranted.

3. Feed grain exports are expected to be more than 23 million tons this marketing year—82 percent greater than in the 1960–61 year. Within that total, corn exports are up 114 percent.

4. Livestock producers have been relieved of the sharp ups and downs of previous years.

Hog production is a good example. The December–May pig crop is about the same as last year—down just 1 percent. Producers have indicated their intention to have about the same number of sows farrowing between June and November as in the same period last year—actually about 2 percent more.

For the entire year of 1968, pig production is estimated to be just slightly larger than in 1967 and only a little larger than the average for 1961 through 1966; this in contrast to the sharp ups and downs when there were surpluses of feed grains with resultant low prices. Under those circumstances, the grain producer tries to make more money out of grain by feeding more hogs, and farmers primarily in the hog business are tempted to take a flyer on cheap feed. Everybody loses.

One reason we were able to avoid this is the Government-private-sector partnership upon which I touched earlier. Throughout this year and last, the Department has been in close, continuous touch with both hog and cattle producing organizations, as well as the general farm organizations. We have reviewed with them all aspects of feed grain-hog-cattle prospects. These organizations have encouraged their members not to overproduce, and I believe it is evident that this encouragement has paid off.

Next, let's look at wheat. Last week, after long study and consultation with Members of Congress, farm organizations, our advisory committees and individual wheat and grain producers, we announced (1) a 13-percent reduction in the 1969 wheat allotment, together with (2) additional diversion payment at the maximum acreage, and at the maximum rate of payment authorized by law. Our goal is a total reduction in wheat acreage of around 18 percent. We are able to do this because of the flexibility provided in this landmark 1965 legislation. It is well that we had this built-in flexibility. World wheat supplies have fluctuated sharply in the last 2 or 3 years. The program has responded rapidly to these changes, allowing us to avoid the twin spectors of worldwide glut or worldwide famine.

We now face larger world supplies and a buildup in total U.S. stocks, so that by next July we anticipate stocks to be somewhere between 600 and 700 million bushels. In response to these develop-

95-942—68——2

ments, last week's announcement should enable us to reduce stocks by some 100 million bushels in 1969.

Similarly, in cotton, the workability of the 1965 act has been thoroughly tested and has been found to be staisfactory. Our cotton stocks have dropped more rapidly than we anticipated because of 2 years of unprecedented bad weather. This year's cotton program is reacting to that fact. Acreage diversion has been reduced, incentives for quality production have been increased. Government stocks have been moved, export sales have been pushed, and, above all, cotton farm income has been protected and maintained through this difficult period, now entering its third successive crop failure. For many cotton farmers in the Southeast and Texas, the diversion and price support payments were literally a lifesaver when floods, drought, and early frost destroyed or greatly reduced their crops.

So in all, these voluntary adjustment programs, together with the longer term cropland adjustment program, have enabled American agriculture to maintain balance.

The CAP is a vital and necessary part of this total package. The agreements that remain in effect 5 to 10 years are beneficial to farmers and the public, and are necessary supplement to the annual adjustment programs. Older, part-time farmers are able to place their farms in conservation uses with assurance, allowing them to remain on the farm and enjoy the benefits of rural living.

And CAP helps meet the outdoor recreational needs of a growing U.S. population. Its public access features have opened up more than a million acres of privately owned farmland for public use in hunting, hiking, camping. At the same time, farmers' income is helped with a small per year additional payment. Greenspan has aided 137 communities to acquire eligible land and move it permanently from cropland to parks, playgrounds, picnic areas, and other outdoor recreation, desperately needed by many of our small communities.

The extension of this legislation along the lines embodied in this committee's bill, S. 3590, is urgently needed. Passage at this session of Congress will enable farmers, Government, Congress, and the citizens to plan ahead with the certainty that, at least for the next 4 years, there will be sound, workable basic farm legislation.

I also want to affirm my support for the package of amendments to the Agricultural Marketing Agreement Act of 1937 that are included in title IX, the farm bargaining portion of S. 3590. This would make available to farmers the same set of tools for improving their bargaining position as was included in title II of S. 2973, with certain exceptions.

In earlier testimony before this committee, on April 24, I stressed the need for new legislative authority to make farmer bargaining power an effective force through use of Government marketing orders to enforce marketwide compliance by farmers and buyers alike. That need still exists and I urge you to make these self-help devices available to producer groups.

The present bill would exclude a number of commodities covered by current farm programs from the bargaining provisions of title IX. It is true that producers of these commodities might not take advantage of bargaining programs at this time, even if available. However, we believe it would be advantageous to have bargaining available on

a standby basis for possible future use by producers of these basic commodities.

This self-help enabling legislation set forth in title IX is needed to supplement existing Government programs. The bargaining provisions authorized by S. 3590, combined with the basic commodity programs that are updated by this same bill, will give American agriculture a firm base for stabilizing prices, assuring adequate supplies of agricultural commodities, and maintaining adequate farm income.

Two months ago today, when last I had the privilege of appearing before this committee, I testified that—

> Farmers find their destiny being shaped by forces over which they have little or no control. Both Government programs and private business initiative act upon farming with considerable power and organization. Farmers are increasingly frustrated at the lack of an opportunity collectively to represent themselves and their interests with a similar degree of organization and power. Farmers see group action, as representing special interests, growing in frequency and effectiveness. Farmers want the opportunity to represent their interests with disciplined group action.

I would reiterate this statement today. A device for farmers to act in unison to further their interests is much needed and long overdue. This committee wisely recognizes that fact and has acted to extend to farmers many of the rights granted other segments of our economy many years ago. Your proposal has the potential for answering many of the problems now besetting agriculture, for those groups who wish to take advantage of it. It has my wholehearted support.

Thank you, Mr. Chairman, and members of this committee.

I will say, Mr. Chairman, again, that I do not for the moment say that we have all the answers or that we have met and conquered all of the problems, but I would want to emphasize that it is my considered judgment that the programs we have are beginning to work with increasing effectiveness, that they are demonstrating the capacity to accomplish multiple purposes; that they have within them, I believe, the final solution to what people have on occasion said there was no answer, the so-called farm problem. I do believe that we have a little leadtime here now by which we will be able to demonstrate that we do have as close to a final answer as can be had through workable programs to meet multiple goals. And I would certainly hope that the bill as presently before this committee will be carried forward and passed by this committee and by the Senate.

Again, I thank you.

The CHAIRMAN. Well, Mr. Secretary, I may say that during the hearings we had 2 months ago I sensed very little opposition to the bill, except from two groups. The complaint was that the money received by the farmer was a little short, and then there were those who said that the cost of the program was higher than was anticipated.

Now, are you surprised at the cost of this program, as to what you thought it would cost when we announced this bill in 1965?

Secretary FREEMAN. The program has cost more than we projected or estimated, and more than it will cost in the long run, but we have been subject to some unusual circumstances, with sharp fluctuations in regard to war production, that I think are beyond the norm. It bounced up and down, and in a very odd fashion.

And as I said, we have very short crops in cotton. We have had long crops here, not only here but around the world, in wheat. These are two examples.

We have had a run of exceptionally good weather for the production of feed grains.

So, I would say that I think that our estimates were on the lean side, but in the long run I think that these estimates will prove to be sound and in the long run the program will not cost as much as it has in the last 2 years.

The CHAIRMAN. Is there any provision in this bill that would further increase the cost of this program?

Secretary FREEMAN. No.

The CHAIRMAN. What about the provision in wheat, which we find some objection to, wherein the cost of certificates to millers could be raised whenever the parity price increases above parity as of July 1, 1969?

Secretary FREEMAN. This, of course, would tend to cost less, because this would mean financing directly through the processor rather than by the Government.

The CHAIRMAN. If you raise the certificate price, that would not have any effect upon the sale of wheat abroad?

Secretary FREEMAN. No, because the wheat would be priced as it is now in the market, with a loan rate which would permit the market to fluctuate. We do not anticipate it would be below the loan, and if the program is operated effectively, why, certainly, the market price should not fall below that loan rate.

The CHAIRMAN. Well, do you figure that that provision in the bill would assist in prices to the farmers?

Secretary FREEMAN. Frankly, now, the provision for the increase for the certificate to move up is placed there to make the program cost less, as a way of financing other than by the Government itself.

The CHAIRMAN. But it would assist the farmer, though, in getting a little more money?

Secretary FREEMAN. No, I do not believe it would, because the certificate value is the difference between the loan rate and parity—100 percent of parity. If parity moved up—if it does, why, of course, the value of the certificate will move up.

That cost under the provision now pending would be added to the cost now paid by the processor. It would not make any difference in the actual payment to the farmer.

The CHAIRMAN. But insofar as that provision is concerned, there seems to be objection to it. It will not help the farmer and would not cause more sales abroad, what is the purpose of having it on the bill?

Secretary FREEMAN. Mr. Chairman, if that were deleted from the bill, I would have no strong objection.

The CHAIRMAN. Another problem of the bill that is very contentious and one that we have had a little difficulty with, is that dealing with the bargaining, giving the farmer the right to bargain. Now, the views of many have been tempered by the fact that we excluded certain commodities, such as wheat and corn and other feed grains and to make it applicable more or less to commodities such as eggs and maybe milk and things of that kind.

Have you anything further you would like to add to what you have said about that provision?

Secretary FREEMAN. No; I see no objection at this time to extending it with the deletion that the chairman has indicated.

Certainly, if it would tend to build stronger support for it, because, as I have testified, I do not see much likelihood in the immediate future of using the bargaining system for these basic commodities which are nationwide in their production.

The CHAIRMAN. Well, I wonder if you could at this time or maybe later submit for the record a concise statement as to the procedure that would have to be gone through in order to obtain, let us say, bargaining on eggs, or whatever prices you think might be amenable to this provision.

Secretary FREEMAN. I would be happy to do that now, or to put it in the record later.

The CHAIRMAN. You might give it now, if you have it.

Secretary FREEMAN. Very quickly, the procedures to be followed are the same procedures followed in marketing orders now, and that which we have been following for 30 years.

And it would merely be, first of all, that there would be a group of farmers, producers, who indicated that there was enough interest and that there is a likelihood of support to get the program working. Then, this is new, because it is extended to commodities in which a referendum would be held, and if 50 percent of the producers indicated that they were seriously interested, we would then go to holding hearings on a proposed order; and the producers in question, who had voted—and the group that had been participating—would, with whatever help they want from the Department—this is on their own volition—develop a marketing order. That marketing order, once developed, is the product of hearings, with review and wide discussion and public attention and public participation which would then be submitted to a referendum. It would require a two-thirds vote in the referendum before the marketing order would go into effect.

Now, the makeup of the marketing order would depend upon what the producers wished. It would involve a whole host of things. First, there are many conditions in connection with marketing by the way of supply, by the way of standards, by the way of diversion, by the way of marketing conditions, a whole host of things.

Also, if the producers wish, it could involve some methods of production adjustment which would not necessarily mean acreage allotments, or it might. It could mean diversion programs of many kinds. It could mean agreements in some instances not to harvest, or whatever it might be.

And so once having developed this marketing order, the producers then would have the authority to carry forward this kind of an approach which they had mutually developed and voted in by two-thirds, and they could then open negotiations with the processors or with the handlers and seek to develop contracts and agreements just like any other contractual relationship. And they would be able then to carry forward their part of such an agreement by virtue of the fact that they had a marketing order to which they then were collectively committed to carry forward; and, when such an agreement was reached, it would be enforceable just like any other kind of a contractual in the marketplace.

So, this is a good example of free enterprise in complete operation of negotiating and development of contractual agreements between two parties.

The CHAIRMAN. At that point, will you be a little bit more specific as to the parties?

Secretary FREEMAN. The parties would depend, of course, upon the commodity; it would depend upon the producers. There would have to be a two-third producer vote before they would have the power to do anything, and then they would open negotiations.

Senator MILLER. You mean two-thirds of the members of the producers?

Secretary FREEMAN. Yes. In these negotiations, they would sit down with the processors and there would have to be 50 percent of the processors who have reached such an agreement with them before the contract would go into effect, and at the contract terms.

The CHAIRMAN. And to what extent would others be in this; retailers, for example?

Secretary FREEMAN. You mean the eventual retailers.

The CHAIRMAN. Yes.

Secretary FREEMAN. Others beyond that level? I do not think they would participate in the process, unless it was some kind of integrated processor-handler distribution system.

The CHAIRMAN. Would you say that the bargaining then would be between the producers on the one side——

Secretary FREEMAN. And the processors and the handlers on the other side.

The CHAIRMAN. And the handlers on the other side?

Secretary FREEMAN. Yes.

The CHAIRMAN. That is your conception?

Secretary FREEMAN. Yes.

Senator AIKEN. Would they participate in the decision?

Secretary FREEMAN. They would be the bargaining people, the two parties bargaining together.

Senator AIKEN. They would not participate?

Secretary FREEMAN. In the developing of the marketing order, itself; no.

Senator AIKEN. The processors and the handlers would not?

Secretary FREEMAN. That is right. They would not.

The CHAIRMAN. Now, you say that this might lead to a curtailment of production of a commodity by acreage controls. How would that be handled, compared with the method we now have with which we are all familiar?

Secretary FREEMAN. The law as it now stands would permit the development of a marketing order, which order could incorporate such things as allotments, as we use them now, based upon historic production—the very same factors that are being used in our basic farm commodities.

The CHAIRMAN. Can you envision under the provisions of this act that, under this title, there will be any acreage curtailment?

Secretary FREEMAN. I would doubt it. I would add that they could get together and decide how many acres. I think that this would be much more likely to be based on deciding in terms of amount and would say that certain amounts could be and would be sold; and they

would then kind of divide up the amounts and this would be up to the producers in relation to it. This is in most perishable commodities, and they would in all likelihood produce somewhat more and would hold back some, and then would have diversion programs for other uses, and they would have an amount on an acreage basis in terms of this supply management.

The CHAIRMAN. If that is curtailment in volume of amount rather than in acres, would that be done by producers on a voluntary basis?

Secretary FREEMAN. To the extent that the producers themselves have voted in a marketing order which provided there could be some limitation as to production, when two-thirds voted for it, why, then, whatever they voted for would be binding on the other one-third.

The CHAIRMAN. And that would be on a relative basis—the acreage that is taken out would be on a voluntary basis. There would be no pay for it?

Secretary FREEMAN. No; that is correct; yes.

The CHAIRMAN. That is all.

Senator Holland?

Senator HOLLAND. Senator Aiken has some questions.

Senator AIKEN. How many milk marketing orders are in the United States; 73?

Secretary FREEMAN. I think that is correct.

Senator AIKEN. There has been some consolidation, so the actual area has been expanded?

Secretary FREEMAN. Yes; others have been coming down.

Senator AIKEN. How many of those orders have adopted the base rating plan?

Secretary FREEMAN. I think just one.

Senator AIKEN. How does that work?

Secretary FREEMAN. Well, as far as I know I think it has worked quite satisfactorily in that area. They have indicated every hope to continue it.

Senator AIKEN. Do you know whether any production rights have been sold in that area?

Secretary FREEMAN. I do not know.

Senator AIKEN. I do not know, either. Could you find out for the record?

Senator FREEMAN. Yes, sir; I will.

(The information follows:)

TRANSFER OF CLASS I BASES UNDER PUGET SOUND MILK ORDER

Under the Puget Sound Milk order. Class I bases may be transferred under private control from the producer with a base to another baseholder or any other producer. Timely notice to the market administrator is required, and the transfer must be 100 pounds or more daily base. A producer who receives base by transfer may not transfer base within the following 12 months.

During the first six months after the plan became effective, 691 transfers of base by 477 producers, totaling 408,709 pounds of Class I base, were recorded with the market administrator. This represents 20.7 percent of the total pounds of Class I base issued originally to 2129 producers.

Unofficial information indicates that base transfers have been made at rates of from $7.00 to $13.00 per pound of daily base. These rates are not reported to the market administrator.

Senator AIKEN. I was just wondering as to the fact that one group out of 73 had availed itself of the base-rating plan, whether that was sufficient justification for making the plan permanent?

Secretary FREEMAN. Well, they operate under it, and they wish to continue it. We have had inquiries from a number of other areas as to its feasibility and application to that area. I do not think that any harm is done; possibly, some good.

Senator AIKEN. I do not know either. That is why I asked the question. I realize there are some areas where small producers are perhaps rapidly going out of production who feel that the right to sell their production rights would add to their return at least, but what that would do on the whole, I do not know.

I notice that you made particular reference to pig production. What year was it that hogs dropped 15 cents a pound?

Secretary FREEMAN. 15 cents a pound?

Senator AIKEN. It was about 15 years ago?

Secretary FREEMAN. Yes.

Secretary AIKEN. Was it not?

Secretary FREEMAN. Yes.

Senator AIKEN. It was predicted that it would go to 10 cents, but it went to 15 cents and stopped, I believe. The price has been rather constant since then, more or less?

Secretary FREEMAN. Up and down.

Senator AIKEN. It has been up and down, from 18 cents to 24 cents—it went up to 24 cents at one time.

Secretary FREEMAN. Since we have succeeded in stabilizing the corn supply, it is clearly on the record as having had an important impact on hog prices.

Senator AIKEN. And there is no direct control over hog production as such?

Secretary FREEMAN. No.

Senator AIKEN. It is not a matter of law; it is a matter of pretty good judgment.

Secretary FREEMAN. Of good judgment, and I think we have developed with hogs and with cattle a working relationship increasingly with the producers themselves, and they are getting a little more sophisticated, recognizing that runaway production can only hurt them, so that in both instances, why, I believe we are beginning to get some results.

Senator AIKEN. Has the Extension Service played any part in that voluntary control of hog production?

Secretary FREEMAN. Yes, there has been an educational program carried forward very conscientiously by the Extension Service, in seeking to reach the hog producers and cattle producers. For example, in urging them not to market overweight animals. This is one of the problems in either cattle or hogs. It is not efficient to do so. They lose out of pocket, and, of course, it floods the market with heavyweight animals and depresses the price.

Senator AIKEN. Do you not agree that the Extension Service has had its day and might be reduced or abolished?

Secretary FREEMAN. Certainly, I do not. I think that the Extensive Service has taken on many more functions and is rapidly adjusting to changing circumstances.

Senator AIKEN. It is becoming urban and suburban to a greater degree every year?

Secretary FREEMAN. In some places.

Senator AIKEN. You quoted from your statement last spring as follows:

"Farmers want the opportunity to represent their interests with disciplined group action."

What do you mean by "disciplined action"?

Secretary FREEMAN. I mean that they are able, once two-thirds of them have voted for marketing orders, that the other one-third will will have to go along with the two-thirds majority.

Senator AIKEN. From what I hear, the Department of Agriculture could use a little discipline around its doors and exits, and so forth. Perhaps, you might start planning that discipline right at home.

Secretary FREEMAN. I have heard that the people that you are speaking of are not much influenced by my discipline or any other.

Senator AIKEN. They have two-thirds majority, do they not?

Senator HOLLAND. Besides, they are not producers?

[Laughter.]

Senator AIKEN. I give up.

The CHAIRMAN. Just one more question about wheat certificates.

To what extent would the amendment affect the cost of wheat to the millers in the country?

Secretary FREEMAN. Well, as the bill now stands, costs to millers would increase. It would increase as parity increases. If parity were to go up 4 cents per bushel, the cost of certificates to millers would rise from 75 cents a bushel to 79 cents. A 4-cent increase would increase the millers cost, instead of the Government, by about $20 million.

The CHAIRMAN. I simply desire to bring out for the record any facts so that the opposition to that provision can be met.

Senator Holland?

Senator HOLLAND. Mr. Secretary, I note a statement filed by the Department showing the costs of the Commodity Credit Corporation program from 1961 to 1968, the last being an estimate and also including an estimate for 1969, is dated as of February 14, and I wonder if it is possible at this time to bring the estimate for 1968 forward so that we may know more accurately what the costs of the program have been in fiscal 1968?

Secretary FREEMAN. Surely.

Senator HOLLAND. Will you see that that is done for the record?

Secretary FREEMAN. Yes, I certainly will.

(The information follows:)

COMMODITY CREDIT CORPORATION

NET BUDGETARY EXPENDITURES—SUMMARY OF ALL COMMODITIES AND PROGRAMS, FISCAL YEAR 1968

[In millions of dollars]

	Preliminary through May	Revised, fiscal year 1968
Price-support and related programs:		
Acreage diversion, price support, and export payments	1,716.0	1,770.8
Loans and purchases, less loan repayments	1,550.1	1,534.1
Wheat certificates issued, less certificates sold	361.5	347.3
Storage and other outlays [1]	768.4	698.2
Total	4,396.0	4,350.4
Receipts:		
Sales proceeds	1,060.8	1,158.4
Other receipts	75.0	15.9
Total	1,135.8	1,274.3
Total net expenditures	3,260.2	3,076.1
Public Law 480	985.0	1,211.4
Bartered materials	24.1	25.3
Other	106.7	106.9
Total net expenditures	4,377.0	4,419.7

[1] Includes change in loans held by banks.

Senator Holland. You think we could bring it up, let us say, to the end of May, meaning just one more month to go on the program?

Secretary Freeman. Yes.

Senator Holland. If you can, I wish that you would do so.

Secretary Freeman. Yes.

Senator Holland. Certainly, I note here in your statement several things of great interest, at least to me. One is a statement on page 3, "Another important tool is section 32. With section 32 funds we will buy $173 million worth of food this year for distribution to children and needy people here at home."

Is that the estimated amount that you would spend on buying up surpluses, or does it take some other meaning?

Secretary Freeman. It means the items that are being purchased are in surplus supply, yes.

Senator Holland. This sum of $173 million is what you estimate would be spent to take surplus commodities during the year 1969?

Secretary Freeman. That is correct.

Senator Holland. You do not have any estimate for expenditures of section 32 funds other than the purchase of surplus?

Secretary Freeman. No, sir.

Senator Holland. Thank you.

I notice that with reference to surpluses, you state—and I think with much truth—that the working of the program has eliminated surpluses that clogged the warehouses during the fifties. Certainly, many of the surpluses have been eliminated. However, I want to discuss the impact of your newly recommended bill to have reserves of grains built up. How does that apply against your statement there that up to now, you have prevented the building up of new surpluses?

Would these reserves be new surpluses?

Secretary Freeman. No, they would not. They would be reserves that would be a part of the carryover that we feel is necessary in order

to have adequate reserves ourselves and by the added flexibility that would go with that, that we could move in to purchase at times when there was overproduction and lower prices and then have them to sell when the prices moved up to higher levels. It adds up to what I think is an additional and important tool in adjusting to changes that take place in the market.

Senator HOLLAND. Have you not the authority now to purchase when the price is too low?

Secretary FREEMAN. No, no. All we can do now, as far as the Commodity Credit Corporation is concerned, is to make a loan, or, when producers are unable to meet the storage requirements for a loan, to buy limited quantities.

Senator HOLLAND. I note that the various bills that have been offered that I am familiar with purport to build up reserves and that most of them provide that all purchases of the reserves shall remain in the possession of the producers and not be in the possession of the Government. Do you have any comment to make on that?

Secretary FREEMAN. No; this is a provision of reseal where the Government is in it. The only difference is that the grain in question is held by the producer, and, as such, the producer, under the terms as provided in that bill, can move it into the market or out, but it really is not any different from the Government owning it and having it in commercial storage. In this case, in most instances, either it would be stored on the farm or—otherwise—and both, I might say, would be within what we consider the necessary carryover in order to have adequate reserves.

Senator HOLLAND. The next thing I want to question you about is your point 2 near the bottom of page 4 of your statement in which you refer to the retirement of acreage and you say "The flexibility in the program enabled us to adjust the acres removed from feed grain production and placed in conserving use from 20 to 34 million acres as the situation warranted."

Secretary FREEMAN. That is right.

Senator HOLLAND. What is the amount in reserve now?

Secretary FREEMAN. The target is 34 million for this year, we have decided on.

Senator HOLLAND. That brings up the question as to whether or not you are counting upon funds—authorizations for the cropland adjustment program for this year to enable you to attain that target. You remember you were asked about that. The other body has refused to grant that request for funds.

Secretary FREEMAN. That is correct.

Senator HOLLAND. And the Senate bill does grant a portion of your request—perhaps all of it. And just what importance in your whole picture does this display as to your ability to retire additional acreage under the CAP program?

Secretary FREEMAN. The net is 34 million acres estimated, and it is estimated that there will be 2 million acres that will move out under the cropland adjustment program. In addition, the cropland adjustment program is important in the overall, because we know that there will be a need for substantial acreage to be diverted for some time to come.

The figures used here are 20 to 34, at least for the next 4 years, which this bill directs is the thing to do. In my considered judgment, there is no doubt but what we will have to keep out of production at least to the 20 million acre figure; certainly, I cannot foresee anything less than that, unless there were completely altered circumstances worldwide. Therefore, if some of that acreage, that 20 million, can move under the cropland adjustment program, it can do so more efficiently at a lower cost to the Government and at a higher utility to the landowner. And as such it is just another example of the multiple uses efficiently achieved with a minimum of public expenditure.

Senator HOLLAND. As I recall it, the acreage under the conservation reserve program is rapidly passing out of the reserve picture; is that correct?

Secretary FREEMAN. That is correct.

Senator HOLLAND. Is it not true that the last large block of acreage passes out this year?

Secretary FREEMAN. I think that is right.

Senator HOLLAND. Will you supply for the record the figures in that program?

Secretary FREEMAN. Yes, sir.

(The information follows:)

There will be 5.8 milion acres released from Conservation Reserve contracts at the end of calendar year 1968. This will leave 3.4 million acres under contracts, practically all of which will be released at the end of calendar year 1969.

Senator HOLLAND. Do you mean by your statement here that you now have 20 million acres out of production and that you may have to bring that to 34 million in this year ahead?

Secretary FREEMAN. I mean by that that we did have in 1967 20 million acres that were not in production. Now, with a larger crop last year than was expected, here and around the world, and with the forecast of a very good crop this year, we seek to move from last year's 20 million to this year's 34 million.

Senator HOLLAND. How much do you figure it will cost the Government to retire that added acreage, raising the total of retirement from 20 million to 34 million? Can you supply that figure for the record?

Secretary FREEMAN. If I may supply that for the record, I would appreciate doing that.

(The information follows:)

FEED GRAINS—COMPARISON OF DIVERTED ACREAGE AND LAND DIVERSION PAYMENTS UNDER 1967 AND 1968 PROGRAMS [1]

Item	Unit	1967 program	1968 program
Acreage diverted	Million acres	20.3	[2] 34.3
Land diversion payments	Million dollars	325	695
Price-support payments	do	542	633
Total payments	do	867	1,328
Average payment per acre diverted	Dollars per acre	42.71	[3] 41.50

[1] Corn and grain sorgum only.
[2] Intended diversion based on enrollment; actual diversion after dropout expected to total about 32,000,000 acres.
[3] Based on estimated actual diversion of about 32,000,000 acres.

Senator HOLLAND. One more question with reference to the amount of marketing orders that you testified about in some detail in your earlier testimony.

As I understand it, what you are working toward now so far as a change in the law is concerned, is to make these marketing orders marketwide rather than to affect just certain parts of a group of commodity producers. For instance, the marketing order in Florida for citrus covers only the citrus producers there, and the State marketing agreement on oranges in California covers only the citrus producers there, and the same situation is true in certain vegetables. There are marketing agreements and orders that cover only regional or areawide areas, rather than marketwide areas. Are you now hoping to make these agreements marketwide? Is that your objective?

Secretary FREEMAN. I want to check that. I am not sure that I can answer that question as sharply and precisely as I would like to.

Let me say that I think that under marketing orders now for the commodities mentioned that they could cover a wider area under the current law. I do not think that is a change. This is a practical question: When producers want to come together, as to how big an area should be as a practical area to be encompassed in order to be effective? I do not think that is a matter of law. I think that is a matter of practical determination.

What this new additional amendment would do is: (a) It would have many more commodities that today could not have a marketing order. They are not provided by law. (b) It would provide a wider area of potential action within the marketing order than would be possible under the marketing orders that now exist.

Senator HOLLAND. The reason I accented this marketwide prospect is that I noticed that you used these words in your statement—let me read the statement: "I stressed the need for new legislative authority to make farmer bargaining power an effective force through use of Government marketing orders to enforce marketwide compliance by farmers and buyers alike."

It would seem to me that you were accentuating your objective as one that intends to operate marketwide.

Secretary FREEMAN. I think that any marketing order has to operate marketwide to be successful. It certainly has to encompass a large enough area to include enough producers in order to be effective. I did not mean by the use of those words any wider area than could be followed under the current law which I think is as wide an area as needs to be and that producers will come together under it, and as a practical matter it is a workable size. So, I do not think that this would make a change.

Senator HOLLAND. It would permit nationwide marketing orders, the present law would permit it, there is no doubt, but every effort the Department has made toward that end has been defeated. First was the citrus marketing order which was to be nationwide. Various efforts have been made for nationwide marketing orders and orders for potatoes, and so far as I know, there has been no effort to accomplish nationwide, marketwide controls which have been approved. It is difficult enough to get the producers to support the local ones. It was not able to get the producer support that was necessary for the other.

You are trying now to accomplish for the first time nationwide—meaning marketwide—support because the products of these various regions that are marketed nationwide—anything could be marketwide—it would have to be nationwide—there is no such thing as providing for that, because Florida citrus fruit comes in competition with Texas, Arizona, and California. There is no such thing as having Irish potatoes produced in one part of the Nation not coming in competition with Irish potatoes produced elsewhere, and yet there has been very strong producer opposition to attempting a nationwide control for obvious reasons. The period of of production is different, the quality of the product in many cases is different, and there are various reasons for that position.

What I am trying to find out is: Are you really trying to get nationwide control of commodities that are produced in our Nation?

Secretary FREEMAN. I could say flatly, "No." By no means, as the Senator has properly pointed out, there is no difference under this proposed amendment and under the Agricultural Marketing Act as it now stands.

I do not know what efforts have been made in connection with nationwide programs, except there have been none made while I have been Secretary of Agriculture and the marketing orders, I am informed, have not been published by the Department as such. These are self-help programs that producers wish to develop themselves, and they come to the Department for technical help and assistance which we give, but we are not in the business of selling these programs.

None of them, as Senator Holland points out, will go forward unless the producers want them and the producers vote for them. And the question of how wide an area is a very practical pragmatic judgment in terms of the producers, as to what is an effective and how large an area is necessary to make it workable.

Senator HOLLAND. Then, may I close by asking this question as to your use of the word "marketwide" on line 2, page 8. Does that indicate at all that in your judgment you are seeking to change the present judicial practice by which marketing agreements and orders have never been made nationwide, but if the market is nationwide instead they are confined to areas producing a commodity which is not only alike but generally identical, practically so, to what is produced in other parts of the area?

There is no attempt to go to a nationwide marketing order in any commodity?

Secretary FREEMAN. No.

Senator HOLLAND. Thank you.

The CHAIRMAN. Senator Young?

Senator YOUNG. Mr. Secretary, I note in the bill—and this is only a tentative draft—but flaxseed is included as a possible crop to come under bargaining arrangement and marketing orders or agreements, and that soybeans are let out.

Could you effectively have a marketing order agreement for one oil crop, such as flaxseed and not soybeans where both of them are widely used as a base for making paints and for livestock feed and other uses?

Secretary FREEMAN. I do not know. Your question indicates there would be very grave problems where you have interchangeable com-

modities. Why, obviously, you are going to run into those problems when you try and strengthen your producer base.

Senator YOUNG. Mr. Secretary, I do not know if you have any figures with you, but would you provide for the record, data on the amount of money that the Department of Agriculture has spent for the school lunch, food stamp, school milk programs and so on?

Secretary FREEMAN. Yes.

Senator YOUNG. I understand that it is in excess of $700 million.

Also would you provide an estimate as to the amount of money that you will have available for the same purposes for fiscal year 1969?

Secretary FREEMAN. Yes, sir, I will be happy to do that.

(The information follows:)

CONSUMER FOOD PROGRAMS

	Fiscal year 1968 estimate	Fiscal year 1969 budget
Special milk	$104,000,000	$104,000,000
School lunch	222,202,000	248,768,000
Food stamp	184,945,000	245,000,000
Sec. 32	176,052,000	179,767,000
Total	687,199,000	777,535,000

Senator YOUNG. With respect to the change in the wheat certificate payment, I understand that this would only be effective if you increased the price support level for wheat.

Secretary FREEMAN. No, the provision to which I think you direct attention is as to the processor's share in funding the certificate. That amount would vary with parity, because parity has been going up, as you know, since a year ago. As such, that would mean an increase in the certificate value and that increase, additional cost, would, under the bill as it is now pending, be assessed, so to speak, to the millers and the processors.

Senator YOUNG. Under the present law, the processor pays 75 cents a bushel or one-half the difference between the price support and parity?

Secretary FREEMAN. Yes.

Senator YOUNG. Is it one-half or 75 cents?

Secretary FREEMAN. Mr. Jaenke reminds me that it is the difference between the loan rate and $2 which is currently 75 cents.

Senator YOUNG. I see. If parity went up 5 cents a bushel in the next 2 years, and that would be about as much as you could expect, the amount of additional money that the processors and consumers would be paying would be very little?

Secretary FREEMAN. It would be very little, yes.

Senator YOUNG. With respect to the wheat acreage, I notice at the bottom of page 5 and the top of page 6, you make reference to diversion payments under the wheat program for next year.

Secretary FREEMAN. Yes, sir.

Senator YOUNG. I understand there have been no diversion payments for wheat in this crop year?

Secretary FREEMAN. None, this crop year.

Senator YOUNG. Would these be the same as for corn—I mean, diversion acreage payments.

Secretary FREEMAN. We are planning to have, as we have in feed grains, the mandatory amount that would come in, and there would be no payments for that. There would then be an additional amount that would come in where there would be diversion payments which is exactly as we have under the freed grain program.

Senator YOUNG. Would the producer reduce his acreage more than the required amount in that case?

Secretary FREEMAN. Yes.

Senator YOUNG. Was that available to wheat producers in the present crop year?

Secretary FREEMAN. No, because—

Senator YOUNG. I did not think so.

Secretary FREEMAN. There was very little cutback in production and very little we thought that was needed; and, therefore, this provision was not used. We did cut back diversion on the corn program when we were seeking to increase the production, so rather than to move it down—

Senator YOUNG. Mr. Secretary, I like your statement in which you aprove of the 4-year extension. That is my objective, too. I would rather go higher on the blended price supports on wheat. Maybe I am in the minority.

Thank you.

The CHAIRMAN. Mr. Secretary, further with respect to the questions you have been asked by Senator Holland about this bargaining provision, as I understand it, you exercise no power except that which may result from a producer stating that 50 percent of the producers want the program?

Secretary FREEMAN. That is correct.

The CHAIRMAN. And then you have two-thirds vote of the producers?

Secretary FREEMAN. That is right.

The CHAIRMAN. You have no power at all other than that?

Secretary FREEMAN. No power at all, except to approve their agreement with handlers.

The CHAIRMAN. Are there any further questions?

Senator HOLLAND. Mr. Chairman, it is true that that permission has to be given by two-thirds vote of the producers, and more than 50 percent of the processors, but after the orders become effective—the orders first have to be approved by them, and they emanate from the Secretary of Agriculture thereafter.

The CHAIRMAN. But there must be an accord on it.

Senator HOLLAND. What he thinks is in accord with the agreement. They must be in accord with that, as he thinks. But as in the case of our citrus marketing agreement in Florida, which has been very successful and has been in longer than any of the marketing agreements, you find that various secretaries have frequently differed with the judgment of the control committees and have either declined to grant them along certain lines and have insisted if it be granted along that line that it be modified and have expressed that recommendations be modified. After all, the authority under the order of the legislation is in the Secretary of Agriculture. That is correct, is it not?

Secretary FREEMAN. Technically, it is correct; but there are some instances, of course, that Senator Holland relates, but I do not think that in the 8 years I have been Secretary of Agriculture there has been more than once or twice that a controversy has really risen that would take judgment as between the management committee and the Department.

These programs that are administered by the management committee, when they come to me, usually, it is when there is a battle between the producers themselves as to what the order means. And a minority group is protesting a majority group decision. There is a struggle within the group as to what can be done under that order. Otherwise, well, the Department plays, really, a service role; we provide technical services. The people administer the program itself.

The Senator is right in the last analysis that the Secretary is held responsible, but I think that is a practical matter, and, historically, it has to be to a point where there would be serious abuse. It just did not make any sense at all if someone got off on cloud 9, why, then, the Secretary could act. It is true that the order is issued, legally issued, as an order of the Secretary of Agriculture, but as a practical matter, it is really a producer program.

The CHAIRMAN. That is what I wanted to emphasize.

Senator McGovern?

Senator McGOVERN. In terms of the practical workings of the program, do you have any feeling as to which commodities are most likely to lend themselves to the kind of collective bargaining authority that is in this bill?

Secretary FREEMAN. I would say the one, perhaps, that is most interested at the moment to move on it, the one that we have had a lot of discussion on would be eggs. Broilers is another. The turkey people have an interest in this. But those are the ones. This is a problem within the industry. The egg people have problems.

You have a situation where you can turn production on and off like a water faucet in some industries.

Senator McGOVERN. I have been mildly disappointed with the number of farmers who do not seem to include the certificate payment as a part of their income in their thinking. They talk about wheat being $1.40 or $1.45, and they have to be reminded that they are getting a rather substantial payment in the form of the certificate. Have you encountered that?

Secretary FREEMAN. I have had the same experience. There is this tendency to feel that the certificate payment is not related to the price and they tuck it away. They look at the price and say that the prices are lower than they have ever been. This is a very real problem. The farmers do not realize that the real price is not $1.40 but that the real price includes the 47-cent certificate, which is a total of $1.87 for every bushel. We have to hammer away at it. That has been one of the reasons that I have not been very enthusiastic about advance payments. I think we would be better off if we would have the payments as close as you can to the time when he sells, so that he will realize that. Many farmers are mislead into thinking that we do not have a program.

And, so, in the politics of it, why, there is a natural inclination to ignore that in some places, as to these programs. It is a very difficult educational program.

Senator McGovern. What is the blend price on wheat, the average?

Secretary Freeman. If I were asked what the average wheat price would be, I would say probably $1.40 a bushel, and the certificate payment would be 47 cents a bushel. That would mean for the current year that there would be a blend price of $1.87 for wheat.

Senator McGovern. On all that is produced?

Secretary Freeman. All that is produced.

Senator McGovern. I realize that there are certain problems here that may make it impossible, or make it unlikely, for you to support this, but would there be any reasons other than fiscal why it would not be a good idea to have a small export certificate on wheat—would that complicate our international position, laying aside our fiscal problems here?

Secretary Freeman. The fiscal problem, the cost problem, and related political problems are a problem. Under this program, as you are well aware, wheat and other grains, too, move in the market at a market price which is based on supply and demand and the usual market practices, and we are thereby able to remain competitive. We use some export subsidies in certain areas where it is necessary, but it has been relatively nominal compared to the hundreds of millions of dollars spent in the old program. The export certificate would be an income function directed to the farmer, and, primarily a cost proposition.

Senator Holland. The certificate on export wheat would not be in accord with the arrangement which we have just confirmed, amounting to an international treaty for the sale of wheat, would it?

Secretary Freeman. I do not think that in this instance it would be. You see, this would be a domestic export payment to the producers as such, and I do not think that would conflict with the international wheat arrangement. It would be purely a domestic matter for us to resolve.

Senator McGovern. Just one other question: Did I understand you to say that the Department feels that the strategic or commodity reserve legislation in some form would materially improve the workings of the major parts of the program?

Secretary Freeman. I think that the strategic reserve bill would be a very important tool in this whole package that we are learning how to operate efficiently, to get the end results, and by being able to buy at certain times and to sell at other times, we could have an effect on the marketing of the product and its price that would be quite helpful.

Senator McGovern. That authority is not in the omnibus bill?

Secretary Freeman. No.

Senator McGovern. That would require——

Secretary Freeman. That would require separate legislation.

Senator McGovern. Thank you very much.

The Chairman. Senator Miller?

Senator Miller. What would be the size, Mr. Secretary, in your program, on wheat, let us say, of carryover?

Secretary Freeman. The same as we have now, roughly 400 million to 600 million. When we get up to 600 million, we would start cut-

ting back the production; if we get below 400 million we would try to encourage more production.

Senator MILLER. I notice that the Department has estimated around 545 million bushels up to the period July 1.

Secretary FREEMAN. I think, no, that is low. The current best estimate is about 180 million bushels more than that. I beg your pardon. That was at the end of the current crop year, July 1, 1968, which is on target. What I am talking about would be at the end of the next crop year, as to what our estimate would be, in regard to that period, July 1, 1969, which would run about 150 million bushels more, and over that level we would consider we would be moving into an unusually unnecessary heavy carryover.

Senator MILLER. My point would be that, if, as of July 1 this year, 545 million were the target, and a year from now it is 645 million, we are in range right now without any reserve bill.

Secretary FREEMAN. That is correct, but we are also in a period where we have prices lower than we wish they were. With a reserve bill and with the ability to buy and carry these stocks, we would be able to affect the market price without any cost, because once we got started we would not be buying and selling. Also it would have a good healthy effect, because we do have a supply that I identified as being in Government hands.

I am surprised to find that a number of our big markets abroad, particularly the Japanese, are quite sensitive to this business of adequate supply. Understandably so, because they are dependent upon outside—world—supply of food. And when we did get kind of tied back in 1966 and went below that 400 million figure, and when we are quite currently tight on cotton, this results in some uncertainty, and, therefore, for dual purposes, to have a clearly marked, identified supplier which assures our foreign customers, to have this ability to move in and out and to effect the price specifically in the market, to that extent it will help the producers. I think that this is a very practical and sensible piece of legislation.

Senator MILLER. Of course, the point is aggravated by the unusual requirements for food, especially in India. Our production does not indicate anything like that.

Secretary FREEMAN. That is correct.

Senator MILLER. My point is as to the urgency for this reserve bill which does not seem to be anywhere what it might have been a couple of years ago, especially taking into consideration the programs for India, Pakistan, and some of the other countries and also that we are going to have an estimated 645 million bushel reserve next year.

Secretary FREEMAN. What you are saying is a concern about a short supply under this legislation—if that is it, I would agree. We are now in this cycle, in this period, where a worldwide emergency supply is not on the lean side—we are in strong supply. Therefore, this would be the time when we could move in, and, using this power to purchase, strengthen those prices, and then if we move into the other low cycle that we were in several years ago, why, then, we would move that out and sell it, and we keep this in a flexible situation with a flexible tool that helps.

Senator MILLER. Could you provide for the record a little analysis of how that would work out?

The fact that it is there, even though it may be in Government—some of it—it would seem to me it would have a pretty important bearing on the market. I am not sure how much of a material impact on prices it would have in the long run, over a period of years, to have some of these Government purchases, to put some of this in Government hands, to have it transferred from private stocks on the farm into the Government insulated reserve stocks. If you give us an analysis on that, I would appreciate it.

Secretary FREEMAN. I will be happy to do that.

(The information follows:)

Stocks would be accumulated into the Government portion of the reserve during periods such as this past and the present year—when total output of grain exceeds total utilization, and when the overall level of reserve stocks are below desirable levels. Proposed strategic reserve legislation calls for part of these reserve stocks to be held by farmers and part to be held by government. If the portion of the reserve held in government hands is below that stated in the legislative goals (as was the case last fall and is today), the strategic reserve legislation would authorize the government to purchase limited amounts of grain in the open market at above-loan-level prices to place in the insulated reserve.

At present, if the weather is favorable and farmers harvest an unusually large crop, the only way the government can add these extra supplies to its stocks is to allow the market price to fall below the loan level—in other words, the market price now must be depressed to or below the loan level in order for the government to rebuild its reserves even in the limited amounts prescribed by the proposed strategic reserve legislation.

Had this purchase authority been available to the Department last summer and fall, Department purchases could have added as much as 7 cents per bushel to the market prices of wheat, corn and grain sorghums to the prices that actually prevailed.

Secretary FREEMAN. As long as it is locked up in clearly measurable terms under which it could be sold, I do not think that it would have any effect on farm prices. Obviously, when you purchase up to the limit, and your prices were lower than that, you are not going anywhere with it; but when you have these swings, why, then, you can use it for useful purpose on both ends, in my judgment.

Senator MILLER. If you could give us some analysis on that, it would be helpful.

Secretary FREEMAN. Yes.

Senator MILLER. I was frankly a little surprised—maybe I should not have been; but I understood that this bill was going to be drafted maybe on the basis of a 1-year extension of the current program. Now. I find we have it for 4 years.

The CHAIRMAN. Where did you get that impression?

Senator MILLER. From comments.

The CHAIRMAN. That might have been in the House, but I do not think that we ever intended to make it a 1-year extension here. I never heard anybody express such a thought.

Senator MILLER. Be that as it may, rigidly or wrongly, I felt very much like the chairman did at the original time that we were going into this, that since it is a year and a half before the present program will expire, that there was no great urgency in taking any action before early next year. Then, I did run into the problem—and I think that Senator Young and others have indicated that problem—that in the case of the wheat farmers they need this time for planning and it would be helpful if they knew if there was going to be a continuation of

the act. So, I can understand that a continuation of 1 year such as what the House passed might be helpful; but do you say that there is any urgency, Mr. Secretary, for more than a 1-year extension of this?

Secretary FREEMAN. Yes, I think that there is an urgency. I think that we—as I tried to say in the prepared statement—are developing the machinery and the cooperative relationship and the confidence to operate these programs effective and to get the results we all want, we need it. We now need it. If we were to back off and say "No, let us wait; let us not have any leadtime; let us go back to year-by-year legislation," I think that would be a setback. This is no time, I think, to become such, to back off from what has been done and what is showing real promise, to go back again to uncertainties that would permeate the whole field of agriculture if this is extended on a very short-range basis or not extended at all.

Senator MILLER. I would agree with much of what you say. But I do not think it is quite responsive to my question. I agree that when we have farm programs, it is a good idea to have them over a rather long period of time—3, 4, or 5 years—but here we are with a program that still has a year and a half before its expiration, and we do not have full data for the year 1968, and the Secretary himself has expressed he is for improvement in what we have. My own Iowa State University—and I know you have a high regard for it—is currently engaged in an in-depth research and computerization of alternative-type programs, and they are not going to have this job done until maybe the end of the summer. And my position on this is that when we do legislate another 4- or 5-year program, I would like to have the benefit of that study. I can understand discussion to take care of a problem that is still a few years in the future, but why the urgency of a 4-year program at this time escapes me. I am interested, just like you are, in improving what we have, because I think that it does need to be improved. But I would like to have the benefit of the intense research capabilities of a school like Iowa State University which takes in other agricultural universities in these studies.

Secretary FREEMAN. As you say, nothing is perfect and we want to learn as we go along and improve, but in this instance, of course, that can always be done. Congress can always ask, and then it can be changed. I do not think that contradicts the fact that we can have some firm direction over a limited period of time. A 1-year extension in this instance, I think, would represent in the minds of producers of agricultural products generally a very serious reservation as to a continuation of the programs we have developed. I think that will adversely affect agriculture and the producers and I think that the programs that have been developed and are being carried forward have shown very real progress and that this is no time to drop them—this is the time to carry them forward to fruition.

Senator MILLER. That concern expresses the clear intention of the chairman of this committee and others of this committee that we would legislate on the program early next year.

The CHAIRMAN. I wish to say this, Senator Miller, that I was of the impression at the time on this, that we could hold hearings and then prepare a bill based on those hearings.

Now, that was my opinion up to a couple of weeks or 3 weeks ago, but many committee members—my good friend from South Dakota

and others—asked me to let them present it to the committee now. I think that Senator Young stated it at that time.

Senator YOUNG. I am for a 40-year extension instead of 4 years.

The CHAIRMAN. The point is that I don't think that I have the reputation of sitting on anybody's bill, and I want to do what the majority of this committee desires to do. I do not want to be aribtrary about it. So, some time ago we submitted the question to the committee, and there were only two or three, I think, that maintained the views that they had expressed.

Senator MILLER. The chairman is absolutely right. I think that was the opinion of the majority of the committee. My point is that there is no disagreement on the part of any of the committee or from any source that I know of, about a follow-on farm program that would be enacted, at the latest, early next year; and any suggestion that there may not be a follow-on farm program would only be for the purpose of making a press release, all contrary to the policy expressed by this committee and the sentiment, I think, of everybody on this committee.

You said that the blended price would apply to all wheat produced?

Secretary FREEMAN. Yes.

Senator MILLER. It is estimated that there will be 1.3 billion bushels production for 1969?

Secretary FREEMAN. That is correct.

Senator MILLER. And the $1.87 would apply to every single one of those bushels?

Secretary FREEMAN. For those who participated in the program.

Senator YOUNG. That is not the blended price support. You have reference to the cash price plus certificates received this year. It is not the blended price support.

Secretary FREEMAN. First of all, those farmers who did not see fit to participate in the program get no certificate payments.

Senator MILLER. That was my understanding. So that, when you said, "all produced"——

Secretary FREEMAN. I meant on all wheat produced by those who participated in the program.

Senator MILLER. That would be produced by those entitled to the payment?

Secretary FREEMAN. Those who are entitled to it.

Senator MILLER. Yes, sir.

Secretary FREEMAN. What is the percentage there?

It is 90 percent of the acreage in the program, so that 90 percent of 1.5 billion bushels would be about 1.35 billion bushels probably.

Senator MILLER. And the acreage production is roughly the same, so that you just take 90 or 95 percent of that?

Secretary FREEMAN. Yes; 1.5 billion, the total production.

Senator MILLER. As I understood it, your target is 1.3 billion bushels for 1969?

Secretary FREEMAN. That is correct.

Senator MILLER. And you would take 90 or 95 percent of that and that would give us the total of the $1.87 wheat prodDutcion; is that right?

Senator YOUNG. You are talking about two different things—if you will yield?

The Secretary, a while ago, in answer to a question he was asked regarding the blended cash price received this year said it was $1.87—the cash price of $1.40 plus the wheat certificate payment. But you are now talking about blended price support rather than the blended cash price which might be expected. There is quite a difference between the blended price support and the blended cash price.

If I may say one thing further, this year the Secretary said the blended price received by the producers was $1.40 plus the wheat certificate, which made it about $1.87?

Secretary FREEMAN. Right.

Senator YOUNG. It would be hard to figure what that would be next year, because you do not know what the cash price will be next year. All you can talk about right now is what the blended price support would be.

I think that figures out to about $1.80 per bushel. It would be the price support plus the wheat certificate payment.

Secretary FREEMAN. The loan rate.

Senator YOUNG. The loan rate; yes.

Secretary FREEMAN. But there would be no reason to believe—Let me back up and put it this way: Given the program and the cutback in production of about 100 million bushels, the price ought to be stronger, not weaker, than $1.40; so, the blend price ought to be as good or hopefully better for the coming crop year than for the past year. We hope it will be more than $2 a bushel.

Senator MILLER. I understand that. I understand further it is estimated that the target of 18 percent reduction in wheat reduction would be such; is that correct?

Secretary FREEMAN. That is correct.

Senator MILLER. What will this do with the over-all wheat farmers' income; do you have any estimate on that?

Secretary FREEMAN. I think we have it. I do not have it with me right now.

Senator MILLER. Will you supply that for the record?

Secretary FREEMAN. It would depend upon other factors, but we think that the total figures will be better.

Senator MILLER. In other words, you think that even with the 18-percent reduction in wheat acreage in 1968——

Secretary FREEMAN. It will be better.

Senator MILLER (continuing). The overall net income for the wheat farmer will be better than in 1968?

Secretary FREEMAN. Yes.

Senator MILLER. Will you provide some figures on that?

Secretary FREEMAN. All right. We will do that.

(The information follows:)

The 1969 blend price for wheat (crop value plus value of certificates) should be about 20 cents a bushel above the $1.83 per bushel estimated for 1968.

Total wheat income for 1969, including diversion payments and after adjustment for cost savings (seed, fertilizer and other production costs) for planing about 10 million fewer acres, would be about the same or slightly higher than the total annual wheat income in 1966, 1967 and 1968 of $2.8 billion.

Senator MILLER. Now, on page 13 of this bill, if I can refer to that, under "collective bargaining for commodities other than milk," et cetera, the first thing that we encountered, apparently, are the types of

crops that will not be covered by this collective bargaining commodity arrangement—cotton, wheat, soybeans, et cetera. Those are the exceptions from this marketing order approach; is that correct?

Secretary FREEMAN. Yes.

Senator MILLER. I noticed that livestock is not included. Why could that not be included?

Secretary FREEMAN. You mean not excepted?

Senator MILLER. Not excepted; yes. Why could it not be just the same as cotton and wheat?

Secretary FREEMAN. The only reason is that under the commodities down here, generally, they are those for which there is a farm program, called "the basic commodities," and as such, we felt that it would not be likely that bargaining power would be applied in those nationwide for the time being. There was no reason for including livestock. Of course, again, there would not be any program unless the livestock and hog people wished one.

Senator MILLER. You have no objection to including livestock in the excepted categories?

Secretary FREEMAN. Well, I think I would hesitate to want to see the list of commodities expanded further, really, beyond those for which we have basic commodity programs. I do not see any reason for it.

Senator MILLER. For having livestock?

Secretary FREEMAN. I do not see any reason for excluding livestock. Why should we discriminate against livestock?

Why should not livestock people be permitted to do this?

Senator MILLER. We are discriminating, if you want to use the word as such, against cotton and wheat and grain sorghum, and the like.

The CHAIRMAN. We have programs for those commodities.

Senator MCGOVERN. Those are the commodities now in the program.

Senator MILLER. That is right, but as I understood the rationale of the marketing order approach, we were seeking those types of crops and commodities which were not of a national character but were subject to the regional approach, such as you were discussing with Senator Holland, and I believe that livestock was frequently mentioned during our earlier go-round of these hearings, and I do not recall any intention to have livestock producers organized along this line any more than there was an intention to have wheat and corn. That is the reason I raise the question: Why should not livestock be excepted?

Secretary FREEMAN. Well, I do not feel terrible strongly about it, because I do not think that there is any likelihood in the immediate future that the cattle people are interested in trying to use this kind of authority, this kind of new tool.

Senator MILLER. I do not think so, either.

Secretary FREEMAN. I think that they would express themselves to that effect, and if they had it is not something that I would wish to shed any blood in any controversy, to try to make available to farmers some more tools.

If these farmers and producers do not want it, why so be it. Those who do, ought not to be deprived. The hog people have not spoken out on this as strongly. I think there has been some serious consideration, that the hog people might want to move into this direction.

Senator MILLER. I just felt that the consensus indicated that we were going to drop this for the non-regional-type crops—that is for the national-type crops—and livestock certainly falls in that category.

Secretary FREEMAN. I want to back off. I do not accept that as categorization, necessarily. As Senator Holland has said—who is an expert, as he has well stated it—it does not preclude national marketing orders, that is, the present act. It is a matter of practicality. As a practical matter, it has not proven feasible to have national marketing orders. If, under current commodities that have such orders, circumstances change and it is feasible and producers want to have it, why, they may. I do not think that it was contemplated that we were going to restrict the discretion that producers currently have in the law that has been on the books for 30 years in the process of adding any kind of authority.

Senator MILLER. No, it was national. But the thought was definitely expressed here on several occasions that the types of crops that would be covered by this extension of the marketing order approach would be the regional type and not the national.

Secretary FREEMAN. As a practical matter, that is the way it has worked out and it is likely to work out again.

Senator MILLER. That is why we have cotton and wheat and others listed in here with the excepted group, and I cannot understand why livestock is not in there. And by "livestock", I am talking about your red meat animals. I am not talking about poultry and turkeys. That is in maybe a different category.

You have indicated that you do not care to shed any blood on whether it is in or out.

Secretary FREEMAN. That is right.

Senator MILLER. A little further down in that section there is a proviso, "That no such minimum price or prices or other terms and conditions shall become effective unless agreed to by handlers who during the preceding marketing year acquired from producers at least 50 per centum of the commodity sold by producers." By "handlers", do we mean processors?

Secretary FREEMAN. I think that processors would be included within that term.

Senator MILLER. Would it include commission firms and brokers? I think that it is important to get information on this. I think that when this legislation was initially discussed, we were talking about those who put the product into an end item, such as the potato canner or the tomato canner or the fruit processor, and we were not talking about commission firms and brokers, for example, although they are frequently referred to as handlers, as you know.

Secretary FREEMAN. I think you have answered your own question rather well. It is a very logical answer, that it would include those who are primarily the processors, those who handle and ship and prepare the commodity for marketing rather than those who are involved in the retailing and the distribution side of it. I think that Senator Holland made that point earlier today as well.

Senator MILLER. Would this include the cooperatives who are processors?

Secretary FREEMAN. Yes.

Senator MILLER. And the cooperative members who are producers would also be involved in the referendum, that is, amounting to 50 percent—I mean, two-thirds—of the producers?

Secretary FREEMAN. Yes.

Senator MILLER. On page 15, we have section 906 relating to the producer allotments. Nowhere in that section do I find the categories of products which occur in section 905. Is that an oversight, or is it intended that the excepted categories in section 905 also will be excepted in section 906?

Secretary FREEMAN. It is my understanding that they would be. However, I did not draft this bill and, therefore, would prefer to have our general counsel check this carefully.

[The general counsel advises that the categories of products in question are not excepted from the provision of section 906.]

Senator MILLER. You have no objection if it is necessary to have the excepted categories carried on to section 906?

Secretary FREEMAN. Not at all, if the committee determines that the producers of these commodities would neither have interest in or be benefited by having this authority available.

Senator MILLER. All right, on page 18 of the bill, Mr. Secretary, starting at the bottom of page 17, you have a provision for producer advisory committees which provides:

> The Secretary of Agriculture may establish a producer advisory committee with respect to any commodity, or group of commodities, for which a marketing order is potentially authorized.

Would it be the purpose of the Secretary, if this is enacted, to establish such an advisory committee of representative groups of producers—and by "representative" I mean possibly even those who are against as well as for potential authorization?

Secretary FREEMAN. Yes.

Senator MILLER. Would it perhaps be exclusively made up of those from a particular region rather than national? Suppose there is a particular region interested in a particular authorization of a marketing order relating to a certain type of orange. Would it be the purpose of the Secretary to set up such an advisory committee of producers in that particular region, in that particular area, rather than to bring in producers of those oranges in some other area?

Secretary FREEMAN. I think that the whole thrust is to provide that the machinery here would help the producers who were seeking to explore the feasibility of a marketing order for their commodity.

Senator MILLER. In a particular area?

Secretary FREEMAN. In the area that it is practical to operate in.

Senator MILLER. That is right.

Secretary FREEMAN. In the area that it is practical to operate in.

Senator MILLER. I can see where there would be two kinds of necessary committees. One would be the national citrus producers in Texas, California, and Florida, and I can also see, which I would hope would be your purpose, one confined to the area of primary interest.

Secretary FREEMAN. This is what this is directed to: It is directed to a group who advises work with it on a marketing order for a commodity in an area in which it is practical, one might think, to develop.

The CHAIRMAN. You will remember that when you discussed exclusion of cotton, corn, and other feed grains it was related to the

fact that they were grown all over the country and it may not be practical, and we put this in so that it could be carried on a more or less regional basis. That was my conception of it.

Senator MILLER. Yes, sir; but I wanted to make sure that the producer advisory committee that the Secretary could appoint here would be confined to that area, rather than a national type of thing.

The CHAIRMAN. It would be, because it would be the producers of the area that would apply for the release.

Senator MILLER. The proposed legislative language does not make that clear. I think that the Secretary has made it clear.

In connection with this representative group, Mr. Secretary, I presume that you would also appoint members of the associations? For example, if we had a regional honey proposal for representatives of a certain honey association in that area, they would certainly be given membership on that producer advisory committee, would they not?

Secretary FREEMAN. I would seek to appoint representatives as experts on the committee that would be useful to the producers who are interested in exploring the possibility of a marketing order, such as I could possibly get together.

Senator MILLER. I had a question come up recently. Your statement on page 7, at the top, relates to it. It has been touched on briefly, but I do not think it has been answered to my satisfaction. How about the CAP participators whose contracts are expiring this year; are those going to be renewed? Is it your intention to renew them?

Secretary FREEMAN. I do not think that there are any CAP contracts expiring this year. That is a very good program.

Senator HOLLAND. The conservation reserves program; how about that?

Secretary FREEMAN. The conservation reserve is running out.

Senator MILLER. What are you going to do about those contracts that are expiring where the participants want them renewed?

Secretary FREEMAN. Where they have a base, why, they can come in under the feed grain program or the wheat program and if the conservation adjustment program is funded, as the Senators have indicated they would support fundings, we would hope then that we would go in and extend again for the period ahead.

Senator MILLER. This is a question that I had from a couple of individuals who do not know whether they are going to start growing corn or whether they are going to keep their cornland fallow under the program. They do not know whether the contracts will be renewed.

Do you have a budget or a funding problem?

Secretary FREEMAN. We do. The House did not appropriate funds for the signup under the conservation program.

Senator YOUNG. Will you yield for a minute?

Senator MILLER. Yes.

Senator YOUNG. The conservation reserve law expired. You could not extend it under the conservation program.

Secretary FREEMAN. That is right. We could not do that under the conservation program. That law has expired.

Senator HOLLAND. Before the Appropriations Committee, if I understand the testimony on this matter, the fact is that the conservation reserve program was expiring, which brought about the greatest need,

and the Department has expressed to us its desire to have available some potentiality to bring some of those lands under the CAP for this forthcoming calendar year and for the 4 years to come, and they pointed out, it is my recollection, that there would otherwise be 5.8 million acres available to come back into production in 1969.

That is right, is it not, Mr. Jaenke?

Mr. EDWIN A. JAENKE (U.S. Department of Agriculture). Yes, sir.

Senator HOLLAND. Much of that is available for the production of crops that have programs in effect, and they very much wanted to have the right to make obligations under a new CAP program for this coming calendar year. The Senate committee was very strongly in favor of that position to have it renewed, but the House committee and the House action had struck out this program.

Would you still need the amount of money requested, or is it lessened or gerater since your earlier testimony with reference to the needed authority for 1969 CAP funds?

Secretary FREEMAN. I think that we need the amounts that were recommended to the committee.

Senator HOLLAND. In the beginning?

Secretary FREEMAN. Yes, sir.

Senator HOLLAND. And without that, do you feel that there is a real risk of some of the 5,800,000 acres which will go out in December of this year, at the end of December, to come back into active production?

Secretary FREEMAN. Yes, that is right.

Senator MILLER. I would like to reinforce that by saying that these two people who contacted me have several friends who are in the program and they are all planning to start producing, but they prefer to continue in the conservation reserve program.

Senator HOLLAND. I think that the record should also show what I understand to be the fact, that the CAP program was decidedly less expensive than the old conservation program per year per acre. Am I correct on that, Mr. Secretary?

Secretary FREEMAN. That is right.

Senator MILLER. Just two additional points, Mr. Secretary: One is your statement that the feed grain experts estimate that they expect to have more than 22 million tons this marketing year. My analysis indicates that for 1967, for the first time in about 4 years, our favorable balance of agricultural exports over agricultural imports fell below $2 billion, which is quite a slippage. As I recall it, about 4 years ago, the favorable balance was nearly $4 billion, and this would be quite a slippage, say, from that of 4 years ago. I know that you are doing all you can to improve these exports, but this is cause for alarm to me and to others as well. I wonder if you would furnish for the record a picture of the agricultural export situation, say, starting with the year 1963 and running through the year 1967—the agricultural imports during that same period of time, showing the slippage in the balance and what action, if any, you are proposing to take—what legislation, if any, do you think might be helpful in reversing that trend?

I might also ask one further thing, and that is to have included the portion of agricultural exports which are commercial and those which are Public Law 480. Would you be good enough to do that for us?

Secretary FREEMAN. I will be happy to do so. I might say that we

are running into a real tough competitive situation, because of very favorable crop years in Western Europe and in Russia and around the world, but we have maintained our agricultural exports surprisingly well in the light of that. A good bit of the change in the relative favorable balance-of-trade position relates to our own imports. We are also of high domestic prosperity. We have a lot of consuming purchasing power, and there has been an increase in imports, mostly those things that are not competitive. In connection with the favorable balance, it has two sides. We will be happy to submit the figures.

Senator McGOVERN. What did you ask for?

Senator MILLER. I asked the Secretary to furnish for the record a picture from 1963 to 1967 showing our agriculture exports, broken down by commercial and Public Law 480 or food-for-peace categories, and then the figures for agriculture imports for the same period of time and then the net amount of favorable balance which would show a definite decline along with his ideas of what administratively he can do to reverse the trend which has been downward on the favorable balance and what legislation, if any, would be helpful.

Senator McGOVERN. Would you mind modifying that to get the figures from 1960 on through?

Senator MILLER. I will be glad to do so.

(The information follows:)

The agricultural trade balance of the United States has been highly favorable during the past five years ending in 1967. In that year it equaled $1,929 million—23 percent larger than in 1963. Further, the agricultural trade balance for the two most recent years of 1966 and 1967 averaging $2,160 million was 13 percent larger than the 1963–64 average.

A major factor in the improvement of the U.S. agricultural trade balance was the significant growth of U.S. agricultural exports, principally commercial sales for dollars. The latter development reflected substantial progress in U.S. market development efforts during this period. The growth in U.S. agricultural exports outpaced gains in agricultural imports thereby contributing to the gain in the favorable trade balance.

U.S. AGRICULTURAL EXPORTS, AGRICULTURAL IMPORTS, AND TRADE BALANCE, 1963-67

[In millions of dollars]

Calendar year	Agricultural exports			Agricultural import	Agricultural trade balance [1]
	Total	Commercial	Government program		
1963	5,584	4,026	1,558	4,011	1,573
1964	6,348	4,618	1,730	4,082	2,266
1965	6,229	4,693	1,536	4,087	2,142
1966	6,881	5,317	1,564	4,491	2,390
1967	6,383	4,846	1,537	4,454	1,929

[1] Total agricultural exports minus total agricultural imports.

Source: Compiled from Bureau of Census and U.S. Department of Agriculture data.

Agriculture's Contribution to the U.S. Balance of Payments

Agriculture's contribution to the U.S. balance of payments since 1961, when this Administration took office, has been rising fairly sharply. Our commercial dollar earnings have grown from $3,756 million in 1961 to $5,443 million in 1967, an increase of 46 percent. During the same period agricultural imports have grown from $3,756 million to $4,455 million, an increase of only 19 percent.

By 1967 agriculture's contribution to the U.S. balance of payments had grown to $988 million. We have every reason to believe that the upward trend of past years will continue.

Specifically, what are we doing to maintain and expand agriculture's positive contribution to the U.S. balance of payments?

Trade Liberalization

We are continuing and intensifying our efforts to improve access for American farm products to foreign markets. An important illustration of these efforts was the Kennedy Round which was concluded about this time last year. In these negotiations American agriculture received concessions on more than $860 million worth of such important export dollar earners as variety meats, tallow, tobacco, fruits and vegetables, and soybeans. Most countries including our major dollar markets—EEC, UK, EFTA, and Japan—will begin implementing these concessions on July 1, of this year, cutting duties by 2/5 of the amount of the full Kennedy Round reduction. This should improve opportunities for expanded exports.

We are pressing hard both bilaterally and multilaterally for the removal of foreign non-tariff barriers. This includes consultations with the European Community on developments in the Common Agricultural Policy—particularly the variable levy system—as they effect present and future agricultural trade. It includes discussions with a number of other countries including Japan and Switzerland regarding removal of various types of trade restrictions.

As a result of these efforts Switzerland recently removed a long-standing prohibition on imports of poultry parts.

Multilaterally we are participating in GATT consultations on urgent trade problems—such as restricted access to poultry markets and market disruption resulting from the heavy use of export subsidies by certain countries—and in long-run studies in the GATT Agricultural Committee to lay the framework for meaningful negotiation of agricultural trade problems.

Market Development and Promotion

Today the Department of Agriculture is doing a market promotion job in some 70 countries, working in close cooperation with U.S. and foreign trade groups. American goods have been shown in over 200 trade fair and trade center shows. The largest of these was staged in Tokyo early in April, where in addition to many booths sponsored by States and trade groups, 135 commercial firms, a supermarket, and 8 cooperating Japanese stores sold American food products to the Japanese public. On the spot sales alone totaled over $2 million.

Other exhibits are planned this year for Madrid, Belfast, Cremona, Stockholm, Munich, Beirut, Paris, London, Tokyo, Bangkok, and Seoul—our first in South Korea.

A new market development tool we have been using effectively in recent months is the trade mission. This type of team, fully representative of our production and marketing system is helping us get a closeup appraisal of a particular market and also is helping us contact the foreign government and private trade officials who call the trade shots with respect to the products we are trying to sell. Trade missions in recent months have promoted U.S. wheat, feed grains, soybeans, soybean oil, and cotton. The areas covered have been Europe, the Mediterranean and Middle East, the Far East, and Latin America.

Export Subsidies

We are concerned about the way subsidized products are taking away traditional foreign markets of our farmers. The European Community uses subsidies, or is contemplating their use, for just about every product the area exports—grains, flour, dairy products, meats, poultry, lard, and others. But the Community isn't alone. Denmark, for example, subsidizes exports of poultry and dairy products. Australia subsidizes shipments of canned fruit.

We are taking a stand on this matter. We continue to believe in the GATT principle that subsidies should not be used to obtain more than a fair share of the world market.

Holding these views, we patiently and repeatedly sought under the GATT a solution to the problem of subsidies on poultry. Since these discussions have not been fruitful, the Department of Agriculture is resuming its subsidies on poultry exports to Switzerland. This action is a first step in a new drive to regain a fair share of the world market for U.S. poultry.

East-West Trade

We are continuing to review our policies toward East-West trade. Our trade in agricultural products with Eastern Europe and the Soviet Union is small at the moment. But consumer income and demand in these countries continue to rise. The potential is there. We have sent a special trade mission there to explore this potential.

Legislation

The legislation which would be most useful to this Administration in expanding export opportunities is the legislation now being considered—the extension of the Food and Agriculture Act of 1965. One of the beneficial features of this legislation is that it is designed to keep U.S. farm products competitive in world markets, which is the most efficient and direct way to stimulate exports.

AGRICULTURE'S CONTRIBUTION TO THE U.S. BALANCE OF PAYMENTS, 1960–67

[In millions of U.S. dollars]

Item	1960	1961	1962	1963	1964	1965	1966	1967
Commercial agricultural exports	3,459	3,569	3,614	4,046	4,720	4,881	5,475	5,115
Plus realized returns and savings on noncommercial agricultural exports	161	187	180	163	214	199	169	328
Total	3,620	3,756	3,794	4,209	4,934	5,080	5,644	5,443
Less agricultural imports	3,894	3,756	3,898	4,044	4,090	4,087	4,491	4,455
Agricultural net contribution to U.S. balance of payments	−274	----------	−104	165	844	993	1,153	988
U.S. balance of payments (deficits)	−3,901	−2,370	−2,203	−2,671	−2,800	−1,335	−1,357	−3,575

Source: U.S. agriculture and the balance of payments, 1960–67; ERS Foreign 224, Apr. 1, 1968, ERS, USDA.

Senator AIKEN. In speaking of exports and imports, has the Tariff Commission set any date for the hearing on the subject of imported dairy products which was directed by the President? I think that he used the word "immediate."

Secretary FREEMAN. I do not know whether they have or not. I will check and tell you.

Senator AIKEN. I think it is a rather urgent matter.

Secretary FREEMAN. They should go on with it; I agree.

Senator MILLER. The last point is in your statement that farm income is still not high enough by any means. I would appreciate it if you would have your people prepare a table to be furnished for the record showing, let us say, the net farm income for 1958, 1959, and 1960, and then the net farm income for 1967 and 1968, and then reducing the 1967–68 net farm income by the amount of inflation that is in the dollar to get it back to the equivalent dollar for 1958, 1959, and 1960, so that we may have a picture of what I would like to refer to as the real net farm income.

Secretary FREEMAN. I will be happy to do that.

(The information follows:)

[Dollar amounts in millions]

Calendar year	Realized net farm income		Purchasing power in 1957–59 dollars of realized net farm income
	Realized net farm income	Price paid by farmers, family living items (1957–59=100)	
1958	$12,675	100	$12,675
1959	11,362	101	11,250
1960	11,673	102	11,444
1966 [1]	16,420	110	14,927
1967 [1]	14,491	112	12,938

[1] Preliminary.

Note: Present forcasts indicate that realized net farm income for calendar year 1968 may be around 5 percent higher than in 1967.

Senator MILLER. It is always a pleasure to have you here, Mr. Secretary.

Secretary FREEMAN. Thank you.

The CHAIRMAN. Senator Byrd, do you have any questions?

Senator BYRD. I do not think I have any questions at the present time. I may want to submit some to the Secretary which he can answer for the record.

Secretary FREEMAN. Fine.

The CHAIRMAN. Thank you very much, Mr. Secretary.

Secretary FREEMAN. Thank you very much, Mr. Chairman and gentlemen.

The CHAIRMAN. All right, we will next hear from Mr. Heinkel.

STATEMENT OF FRED V. HEINKEL, PRESIDENT, MIDCONTINENT FARMERS ASSOCIATION, COLUMBIA, MO.

Mr. HEINKEL. Mr. Chairman and members of the committee, my name is Fred V. Heinkel, and I am president of the Midcontinent Farmers Association, with headquarters at Columbia, Mo. Unfortunately, the little testimony I have in prepared form was prepared in transit, and I would just like to submit it for the record, if that is permissible.

The CHAIRMAN. Without objection, that may be done in the record at this point.

(The prepared statement of Mr. Heinkel follows:)

Mr. Chairman and members of the Committee, my name is Fred Heinkel, and I am President of the Midcontinent Farmers Association with headquarters at Columbia, Missouri. Midcontinent Farmers Association has a membership of more than 157,000, with a substantial portion of the membership in Illinois, Iowa, Missouri, Nebraska, Kansas, Arkansas and neighboring States.

Mr. Chairman, we of Midcontinent would like to express our appreciation to you for your action in introducing Senate Bill 3590 extending the Agriculture Act of 1965, and to the members of this Committee, for their interest and support of this very vital legislation.

We appreciate this opportunity to appear before you in support of this legislation because we feel that it has not only amply demonstrated its value to the farmers it was designed to serve, but has also been of inestimable value to both consumers and the public in terms of maintaining abundance, price stability and security, as well as assuring greater resource conservation.

Mr. Chairman, we are deeply concerned about the future of the American farmer. And because the family farm and food production are so terribly important to all of us here in America and throughout the world in these critical times, I would like to speak briefly of the past because I firmly believe that the past is but a prologue to the future.

Many of you will recall the boom period before and during World War I—and the disaster that hit the Nation's farmers in 1920 as those wartime markets suddenly began to disappear.

Our production plant was still geared to the abnormal demand of the war and postwar years, while farmers were saddled with a high margin of debt carried over from the wartime land boom.

As a result, in just 12 months of 1920 and 1921, the average of farm commodity prices dropped by one-half while the cost of the things farmers bought remained at high levels.

Throughout the twenties, surpluses and low farm prices were the number one farm issues. While the business boom continued and employment levels stayed high, farmers were constantly plagued by surplus production and attendant low prices.

While new and better farming methods enabled farmers to grow more—for less—debts were piling up, and the soil was eroding and washing away.

Then came Black Friday in 1929, prelude to the worst depression we have ever known.

By 1932, agriculture with a fourth of the national population had only about one-twentieth of the national income. The average farmer, after paying his costs of production, interest, and taxes, had only about $290 left to live on.

Again, up went production as farmers battled to make ends meet—and the surplus simply hastened the financial disaster that came with 25 cent wheat, 5 cent cotton, 3 cent hogs and 4 cent beef.

Then came 1933—and within three months a concerned—and willing—Congress had drafted and approved the emergency Agricultural Adjustment Act of 1933.

That Act was aimed at providing immediate help to farmers by correcting a basic imbalance between agriculture and the rest of the economy. Adjustment was the keyword—adjustment in income, credit, in production, and in land use.

There was other major farm legislation during the thirties, perhaps the most important of which was the Soil Conservation and Domestic Allotment Act of 1936, and the Agricultural Adjustment Act of 1938.

This was important legislation, important because it provided much of the foundation for the progress that has been made in American agriculture—and in farm programs—in the past 30 years.

During the 1940's agriculture again geared itself to meet the staggering food demands of World War II and the postward period of world adjustment.

And then once again history began to repeat itself as production outran demand and with price supports on unlimited production (particularly on feed grains) we swelled our national surplus of food.

The culmination of these programs was the bulging stocks of 1961, with 85 million tons of feed grain and ¼ billion bushels of wheat, stocks that were costing the Government over one million dollars a day in storage and handling costs.

Net farm income went down under these programs—from $14.1 billion in 1952 to $11.7 billion in 1960, a drop to 17 percent.

Since 1961, the Congress has led the way in reversing this trend, first by enactment in record time of the Emergency Feed Grain Program of 1961, followed by the Agricultural Acts of 1961 through 1964 which established programs for wheat, feed grains, and cotton, and extended the wool programs and special milk programs.

Then came the Agricultural Act of 1965 which provided a continuation of realistic programs for the major crops for four years through 1969.

Mr. Chairman, with the help of these programs, the American farmes have made good progress. Not as much as you and I would like—but we have made substantial gains.

Realized net farm income in 1967, even though it was below the unusual levels of 1966, was $14.5 billion, about 25 percent higher than in 1960, and with one exception higher than any year since 1951.

For all practical purposes, our surpluses are gone. The Commodity Credit Corporation investment is down to $3.4 billion. The inventory of commodities owned by CCC has dropped from $6.1 billion in 1960 to below $1 billion, the lowest since 1952.

Gross farm income for 1968 is expected to be nearly $51 billion, about $2 billion higher than last year. Realized net farm income will probably pass $15 billion, some 5 percent above the 1967 level.

Our total agricultural exports have risen from $4.5 billion in fiscal year 1960 to a new record of $6.8 billion in fiscal year 1967. Between 1960 and 1967, exports for dollars climbed from $3.2 billion to $5.2 billion, a gain of over 60 percent.

Mr. Chairman, under the programs of the past seven years we have made good progress. Yet much remains to be done.

Many of our Nation's farmers have lived through the ups and downs, the economic turbulence, that has beset agriculture since the twenties, and they are concerned that once again history will repeat itself.

They see the constant effort that is being made to erode or eliminate programs that have proved their value, programs that have helped them to work together to tailor agricultural production to meet the needs of the marketplace and improve income.

If the commodity programs provided for in Senate Bill 3590 are not continued we will lose the relative stability that now exists on our farms. That loss would create conditions that would result in an increased movement of people from farms to urban areas, a movement that would bring more untrained and

bewildered people to cities that already are faced with difficult employment, housing and social problems.

Farmers are well aware of what happened to farm prices in 1967 when a minor increase in domestic production ran headlong into larger supplies in the world market.

And they are painfully aware of the cost-price squeeze, and the fact that while they have made constant gains in their effort to catch up with the nonfarm sector, a substantial number of farmers are still far from achieving anything like a parity of income.

We think that farmers, by their continued willingness to take part in the voluntary programs provided by the Agriculture Act of 1965, have thoroughly demonstrated their support of the principles and goals these programs embody.

I am sure you are familiar with the results of studies that have been made comparing present commodity price levels with those that would prevail in the event current programs are not extended.

All of these studies clearly indicate that farm prices and income would drop sharply if it were not for our present programs. A study made by Iowa State University economists for the National Advisory Commission on Food and Fiber, a group of which I was a member, indicated that in the absence of programs corn prices would fall to 75 cents a bushel, wheat to $1.27, soybeans to $1.23, and cotton to 17 cents a pound—and that these prices would continue at those levels for 10 to 15 years.

Economists also point out that even though livestock prices are not supported, lack of an effective program for grains would cut livestock prices as well, since experience indicates that a 10 percent drop in feed prices leads to a 1.5 percent increase in total livestock production—and in turn results in a 5 to 6 percent drop in livestock prices.

Mr. Chairman, these are some of the reasons Midcontinent Farmers Association endorses Senate Bill 3590.

Extension of the commodity provisions of the Food and Agriculture Act of 1965 through 1973 will continue to make possible a working balance between supply and all demands for several major farm products. It will serve to keep farm prices at as high a level as is consistent with remaining competition in world markets. And it will help to assure American consumers a continuing supply of food at fair and reasonable prices.

Mr. Chairman, I cannot urge too strongly the importance of enacting this legislation—now—in order that farmers may continue to make long-range financial, production, and marketing plans.

Since the founding of this country, farmers have never failed to recognize and fulfill their responsibilities to its people. In return, the Nation has a tremendous stake in the agricultural economy and a responsibility to help keep it strong. We feel that early extension of the Agricultural Act of 1965 is an important step in meeting this responsibility.

Thank you very much for the opportunity to appear here today.

Mr. Heinkel. And then I would like to give a few extemporaneous statements for the sake of saving time.

We appreciate your introduction of this bill, S. 3590.

We support it in the main.

I have not gone into its technicalities. I have not had time, and the prepared statement does not attempt to address itself to the technical features of the bill. We endorse S. 3590 with the exception of title IX about which our people have some distinct reservations.

Our general counsel and vice president will be here tomorrow and will be available for questions if you desire to ask some.

The question with which we deal, as I see it, in this bill, S. 3590, is an old one. It is not a new one. It is that of trying to balance our production to the needs of the market at prices that will permit the farmer to pay his expenses and have a little somthing left for himself and his family. While the bill enacted in 1965 is not perfect, we think it is a move in the right direction. In fact, the feed grains program and the wheat program and the various programs, we think have made some progress in the right direction.

As I recall it, in 1952 our net farm income was $14.1 billion, and in 1960, it was down to $11.7 billion, and in 1967 it was back up to $14.7 billion, and it is estimated to be about $15.2 billion this year. That is not a fantastic gain, but certainly it is some progress and in the right direction.

While we have been doing this, we have worked out these real burdensome surpluses above what might be considered a proper reserve. We have stabilized prices. We have assured the consumers of an adequate supply, and we have accomplished considerable conservation so far as the land resources of the country are concerned. All of this, it seems to us, is good and in the right direction.

On the matter of the extension of the bill, I feel—and I know that in my contact with these thousands of farmers, and we do have 157,000 members in Missouri and in the surrounding States—there is much interest in the extension of the act as there is in the features of the act itself, because not to extend it this year—and they are all highly in favor of the 4-year extension. I think, Senator, they would go along with you on the 40-year extension, but they would settle for the 4-year extension. They think that is much preferable to a 1-year extension. While in Japan recently on a trade mission trip, I made some observations that I think worth throwing in. We heard comments such as this: "Maybe you will not have a farm program after 1969," and then hinted that they might be able to buy our grains cheaper. I think that if we go into the year 1969—especially if we come up close, up to the wheat harvest of 1969 without having extended these programs, it will have a depressing effect upon the market price and the income of farmers. That is aside from having the extension of the act for 4 years, so that farmers can do some long-range planning, and 4 years is not very long, at that.

So, I say that this matter of exports and what those people may do to us on prices is quite important.

I do think that we have made a lot of progress in these agricultural acts beginning in 1961 when I would say that we made some rather basic changes, changing price supports in line with world prices so that the products could move into the export markets.

Of course, that world price is a little low, and that is why we have certificate programs, why we have parity payments, to try to hold up the income to the farmers, the farmers who participate in these programs, and I think it should be geared to the ones that participate in the programs. That is the feeling also of all farmers.

So, from every angle, we approach the extension of the act now in 1968 is most important, and it is most important that it be for more than 1 year.

Mr. Chairman, it has been a pleasure to be here and to make these few comments.

The CHAIRMAN. Thank you.

Senator Young?

Senator YOUNG. I am glad to see you here.

Would you not consider this Farm Act about as basic as the Agricultural Act of 1938?

It is a new concept of price support, and has just as much right to have some permanency as the Agricultral Act of 1938?

Mr. HEINKEL. I certainly would agree with that, Senator Young. If you will pardon this reference: As a member of the President's Commission on Food and Fiber, there were other people there who had the same viewpoint that I have, and then there were some people on that Commission who wanted to wipe out all farm programs, and they alleged that there had been no change, and we argued strenuously that there had been some real substantial changes; in fact, basic changes. So, I am thoroughly in accord with your observation.

Senator YOUNG. I do not know of anybody in the United States, Mr. Chairman, who speaks for the average farmer better than Fred Heinkel. He is a long way removed from North Dakota, but if all other farm leaders paid as much attention to the actual farmers' thinking as he does, we would all be better off. I do not wish you any bad luck. You are my friend, but if there was a vacancy in the Secretary of Agriculture's position, you would be my first choice.

Mr. HEINKEL. Thank you for all the fine comments, Senator Young, but I observed some figures a few days ago on farm expenses, and they seem to indicate that out of every dollar that the farmer takes in he spent about 80 cents in 1967 for production expenses, and you are right in line in North Dakota with the average for the Nation. Some States are below, but that does not leave much margin for error. It does not leave much margin for living expenses and medical bills, et cetera. I think that we are running about as close as we ought to be required to run in discharging our responsibility, in feeding and clothing the people of this Nation.

Senator YOUNG. With all of the weaknesses of the present programs they are certainly far better than nothing at all.

Mr. HEINKEL. Absolutely. And as has been indicated, the act can be amended. As I recall, in 1966 we encountered a situation where the cotton farmers lost their crops; they had all of the expense of planting and the expense of cultivation, fertilizing, and the expense of the seed, and due to the weather conditions they lost their crops. You people amended the bill so that they could plant the acreage where the crop was lost to soybeans. So, it is always possible under emergency conditions that may develop to amend the act. So, I would say that, again, we ought to extend it for 4 years.

Thank you.

The CHAIRMAN. Thank you.

Next is Mr. Reuben Johnson of the Farmers Union. Mr. Johnson, as we all know, is director of the Legislative Services, National Farmers Union, and will make the presentation on behalf of Tony Dechant, president, National Farmers Union.

STATEMENT OF REUBEN L. JOHNSON, DIRECTOR, LEGISLATIVE SERVICES, NATIONAL FARMERS UNION, ON BEHALF OF TONY T. DECHANT, PRESIDENT, NATIONAL FARMERS UNION

Mr. JOHNSON. I am grateful for this opportunity, Mr. Chairman and members of the committee, to appear before you at this time.

I am going to highlight my statement, and I would request that the parts that I omit be included in the record in sequence.

The CHAIRMAN. Without objection, your entire statement will be made a part of the record at this point.

(The prepared statement submitted by Mr. Johnson is as follows:)

Mr. Chairman and members of the committee, I am Reuben L. Johnson, Director of Legislative Services, National Farmers Union.

I appreciate this opportunity to appear here before the Committee to present the view of Farmers Union concerning S. 3590.

I am appearing here today in behalf of Farmers Union President Tony T. Dechant, who had hoped to present our testimony but is unable to do so because of previous commitments.

Members of the Committee will recall that on April 3 President Dechant led the Farmers Union team of witnesses made up of Mr. Edwin Christianson, Vice President of Farmers Union, who testified in regard to dairy policy; Mr. Ed Smith, Chairman of the Executive Committee, who testified in regard to wheat and feed grain policies; Mr. Jay I. Naman, President of the Texas Farmers Union, who testified in regard to cotton and rice policies; Mr. Elton Berck, President of Nebraska Farmers Union, who testified in regard to livestock policy; Mr. Ray Watson, President of the Illinois Farmers Union, who testified in regard to soybean policy; Mr. Joe Fichter, Director of Organization, Ohio Farmers Union, who testified in regard to poultry policy; Mr. Jack Hall, President of the Virginia Farmers Union, who testified in regard to peanut policy; Mr. Gordon Twedt, President of Montana Farmers Union, who testified in regard to commodity reserve; and Mr. Ben Radcliffe, President of the South Dakota Farmers Union, who testified in regard to protection and promotion of the family farm.

The comprehensive testimony presented by our team of witnesses begins on page 1 of the Committee hearings on Extension of the 1965 Act and ends on page 57. We invite those interested in a fuller view of our policies than I shall present today to refer to this testimony.

Under your guidance and leadership, Mr. Chairman, and that of other members of the Committee S. 3590 has been drafted and introduced in the Senate.

It shall be my purpose today to inform the Committee in as brief a manner as possible of Farmers Union's recommendations. I will be happy to respond to questions during the testimony, Mr. Chairman, if that is your wish.

TITLE I—DAIRY

We fully support extension of authority to establish Class I Base plans in connection with milk market orders.

We urge that the Committee amend S. 3590 to provide that when increased utilization occurs that production bases of existing producers reflect such increases. We support the amendment which we understand Secretary Freeman proposed in this connection.

TITLE II—FEED GRAINS

We are in accord with the provisions of Title II and recommend Committee's approval.

TITLE III—COTTON

We support the extension of the cotton program without change. We therefore recommend to the Committee that language in the Title be deleted which authorizes the five changes spelled out in the staff explanation of S. 3590.

TITLE IV—WHEAT

Mr. Chairman, we are most grateful for your leadership and support in connection with Senate ratification of the International Grains Arrangement.

We are in general support of the provisions of Title IV and suggest the following amendments:

(1) We urge the Committee to authorize the Secretary of Agriculture to provide a special export certificate. In this connection price of wheat moving into export is currently from 13 to 15 cents per bushel below the minimum established by the International Grains Arrangement. A so-called "inverse payment" can result. We are convinced that farmers are entitled to any funds that the government may receive from exporters in this manner. We continue to maintain also that an export certificate of 65 cents per bushel as proposed by Senator George McGovern is justified. We, therefore, urge that the Committee amend S. 3590 to provide for such a certificate. At the very minimum, however, Title IV should be amended to authorize the Secretary to return to farmers any

funds that the Commodity Credit Corporation may receive as a result of differential between domestic and IGA prices.

(2) We urge the Committee to amend this title to provide that one-half of the wheat certificate payment be made at time of sign-up and finally.

(3) We doubt the advisability of attempts at this time to change the value of certificates reflecting changes in parity price levels; therefore, we recommend deletion of Sec. 404 of Title IV.

TITLE V—WOOL

We are in full support of extension of the National Wool Act and urge the committee to approve Title V.

TITLE VI—CROPLAND ADJUSTMENT

We recommend the Committee's approval of Title VI.

TITLE VII—RICE

We recommend Committee's approval of Title VII.

TITLE VIII

Sec. 801 would extend the authority to lease tobacco allotments.

The record should show that the delegates at our recent convention are against sale and lease of marketing quotas and acreage allotments. This practice is depleting rural communities of farm families and is contributing to the problems of cities. We strongly oppose the effort of the Department of Agriculture to extend such authority. The traditional role of ASCS Committees has been to administer such transfers and their role in this matter should not be weakened.

We recommend deletion of Sec. 801 in this title and the record should show that we oppose extension of sale and lease authority to other commodities.

TITLE IX—MARKETING ORDERS

As matter of basic principle, we urge that Title IX not except any commodity from either market order nor bargaining provisions of this Title. In this connection, we respectfully request that the commodity excepted from bargaining provisions of the Title (Sec. J, Line 7, Page 13) be deleted and language substituted which would cover all commodities.

We want to be very clear, however, Mr. Chairman, that we do not look upon Title IX as a replacement or substitute for any program authorized in Titles I through VII. Rather we look upon this Title as providing a supplementary procedure in a similar manner to that additional bargaining power extended to workers when the Wagner Act was passed to supplement other labor legislation.

Additionally, when our witnesses appeared before the Committee on April 3 we urged incorporation of the provisions of S. 2973, introduced by a member of this Committee, Senator Walter Mondale, into any legislation approved by this Committee this year. We continue to hold to the belief that Title I of Senator Mondale's bill is needed also along with the language of Title IX to give farmers the full margin of bargaining authority they need to win economic equity in the market place. We fully support the language of Title IX (Title II of Senator Mondale's bill). But we urge the Committee to give further attention to the fuller and broader bargaining power that Title I of S. 2973 provides.

PROTECTION AND SUPPORT FOR FAMILY FARMS

Mr. Chairman, in closing, our delegates adopted a resolution in March in support of family farms as follows:

"We strongly recommend adequate family farm protection with upper limits on government payments so that city oriented larger than family farms will no longer compete unfairly with families to make a living on the land."

Our delegates also urged the Secretary of Agriculture to make a study directed toward defining family farms on a county-by-county basis in order that differences between agricultural areas of the Nation might be taken into account. The continuing efforts of farm program critics to put a limitation on government programs dictates in our judgment an urgent need to identify positively commercial family farms in order to establish such a criteria. We must make sure that any limitation approved by Congress is fully consistent with the objective of protecting and supporting family farms.

Mr. JOHNSON. When we appeared before the committee earlier we, too, felt that a permanent program was justified. Certainly, we would hope that the committee would follow the provisions of S. 3590 and extend the program 4 years. We will do everything we can, if the House should pass a 1-year bill, to get approval in conference of that provision of S. 3590.

We fully support the extension of authority to establish class I base plans in connection with milk marketing orders.

Mr. Chairman, in this connection, I understand that there is some problem in market orders with a class I base plan, reflecting increase in utilization back to bases of established producers in the order. I do not recall the Secretary having mentioned this, but the Department of Agriculture has given some attention to it. I understand that they do have an amendment which is available to the committee, and we should like to support that amendment to title I.

Title II; we are in accord with the provisions.

Title III; we support the extension of the cotton program. But, Mr. Chairman, we have unable to determine how the proposed changes improve the program. We would simply like to see the amendments that you have in S. 3590 deleted and the program extended as it currently operates without change.

I was in the gallery the day that you made a statement, Mr. Chairman, on the International Grains Arrangement. I thought you were most eloquent in your defense of the arrangement; and, of course, it is a part of our own domestic program for wheat, as one relates to the other. I want to commend Senator Young also for his fine efforts.

In connection with wheat, we are currently in a situation that is unique in the United States, a situation in which the exporters of wheat are actually making a payment back to the Commodity Credit Corporation, reflecting the difference between a lower domestic price for wheat and that which we are trying to reach under the International Grains Arrangement. I just asked the Secretary in the hall what this amounted to, and it seems to vary as between classes of wheat. It runs about 8 to 18 cents a bushel.

We in the Farmers Union are convinced that the wheat farmers are entitled to that special support certificate which would put this money in their pockets, and we would like for this committee to give some thought as to how that might be done. Of course, I would like to make it clear that we would like to see more money in export certificates. We have supported the bill that Senator McGovern introduced earlier which provided 65 cents. Certainly, producers should have some claim on the amount of money that is being returned to the Treasury for wheat produced. We could justify an export certificate to return the money in some equitable manner to the producers of wheat.

Mr. Chairman, we support the wool program and title V.

We have no problem with title VI—the cropland adjustment title.

We support the provisions of title VII.

And in regard to title VIII, let me say that we continue to feel that these allotments are depleting the numbers of families in rural areas. We are opposed therefore, to the extension of sale and lease authority to any commodity. We are opposed to it as it relates to tobacco in title VIII.

Mr. Chairman, on title IX, marketing orders, as a matter of basic principle, we would urge that title IX not except any commodity. Whether we are talking about provisions relating to marketing orders or relating to bargaining, we think that there should be no exclusion, no exception. Once you open up the door to exclusions as has been demonstrated in the hearing here today, all of those who have traditionally been opposed to any farm program come in and get their foot in the door trying to get out. Because these vested nonfarmer interests do not generally represent interests of producers, we urge you to ignore their opposition to title IX.

We do not know what the future holds; we do not know whether we are forever going to be able to keep the programs we have. We feel that it is a comfort to have as a backstop such market order coverage as found in title IX. Certainly, I can see no outlook ahead for a marketing order for cotton or some of the other commodities. But, as a matter of basic principle, we would hope that you would not exclude anything so that if in the future some commodity producers, whoever they may be, decided to develop a marketing order, they would be able to do so.

Mr. Chairman, in closing, I would like to refer back to the testimony which our group presented in regard to family farms. Farmers Union delegates said in March:

> We strongly recommend adequate family farm protection with upper limits on Government payments so that city-oriented larger than family farms will no longer compete unfairly with families to make a living on the land.

Our delegates also urged the Secretary of Agriculture to make a study directed toward defining family farms on a county-by-county basis in order that differences between agricultural areas of the Nation might be taken into account. The continuing efforts of farm program critics to put a limitation on Government programs dictates in our judgment an urgent need to identify positively commercial family farms in order to establish such a criteria. We must make sure that any limitation approved by Congress is fully consistent with the objective of protecting and supporting family farms.

We think that in the next few weeks ahead of us we face another attempt in the House to amend the farm bill, assuming that they will get the bill to the floor—another attempt to amend it, to put some kind of limitation on payments. We want to continue with a look at the problem to see if we cannot provide some way to make the payment programs work better for the sector of agriculture that we, in the Farmers' Union, are vitally interested in—the family farm sector. I thank you.

The CHAIRMAN. Thank you. In respect to your opposition to excluding commodities, quite a few members of the committee felt that in order to get a start with such a bill as that, to put in some commodities, that we could deal with them and later on try to add the others. In other words, it is being done for that purpose.

Mr. JOHNSON. My good friend, Harry Graham, has probably a suggestion for you in this regard. But we would like to take a closer look at this and see whether we can fix it so that we will have a fallback to the title IX kind of program in the event that we should lose the programs we have now.

Thank you, again.

The CHAIRMAN. All right. Thank you again.
Mr. Graham.

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE REPRESENTATIVE, NATIONAL GRANGE

Mr. GRAHAM. Mr. Chairman and members of the committee, I will file my statement and then make some comments on it.

The CHAIRMAN. Without objection, your statement will be made a part of the record at this point.

(The prepared statement submitted by Mr. Graham is as follows:)

I am Harry L. Graham, Legislative Representative of the National Grange.

The Grange is pleased at the work of the Committee and the staff which is evident in the legislation which we are considering before this distinguished Committee today. We commend you for the study that you have made, for the presentation that you have also made and for the faithfulness with which you have observed the recommendations of the majority of the witnesses which appeared before this Committee earlier in the year.

We would say at the beginning of this testimony that, although we will suggest some changes which we shall point out, nevertheless, we are convinced that this is a good bill in the interest of agriculture and we will support it, even if the Committee may not decide to make any changes from the present format.

We would have been pleased had the Committee and the staff seen fit to exclude the termination dates from the Act but the language extending the Act for four years makes it adequate for our purposes, especially if the legislation is enacted this year.

TITLE I—DAIRY

We are pleased that the termination date has been removed from Title I which is the Class I—Base Plan Authority. This not only gives permanence to legislation but solves a rather sticky question as to what happens when a base plan has been adopted and then the authority for such a base plan expires with the law. This provision which you have made is a proper answer to that new question. We would still suggest that language be used in this section of the Act which would permit producers to retain some of the market growth, the remainder given to new producers. New producers can acquire bases by purchase or transfer under the present law. However, it seems unfair to permit only *new* producers to be *given* bases while not granting to old producers *any* part of market growth, a part of which may have come as a result of self-assessment for funds for advertising and other market development.

TITLE II—FEED GRAINS

We would approve without change Title II concerning feed grains.

TITLE III—COTTON

We support the extension of the cotton program for 4 years. We think the suggestions for housekeeping changes have merit, but we would agree to delay the consideration of these and other desirable changes until next year.

TITLE IV—WHEAT

We would approve without change under Title IV which deals with wheat, Sections 401, 402, 403 and Section 405.

We would raise a question about the advisability of Section 404 and especially in terms of opening up what could be a kind of "Pandora's Box" and we would suggest that you strike this section.

We are pleased that the International Grains Arrangement has been ratified by the Senate and has been implemented by the Department of Agriculture so rapidly and, this action, coupled with the announced wheat program for the 1969 crop year gives us an assurance that there would be some improvement in the market price, although not as much as we would hope with the projected heavy yields around the world during this crop year.

We continue to believe that the wheat which goes into P.L. 480 use should be eligible for market certificates, all of them from the general fund, to provide for 100% parity for that part of the crop which is used by the Federal Government in its foreign policy program when it is found to be in the national interest. We believe that the selling of this commodity for soft currencies at prices which are far below that which should be reasonably expected and at many instances at prices below the cost of production, is asking the American farmers to subsidize the foreign policy of the United States. I don't think there is any question as to the patriotism of the farmers in their desire to do what they can to help with our foreign policy, but there is a question as to their ability and as to the economic wisdom of having these producers of the nation's wealth carry such a heavy load—a load that is disproportionate to the rest of the economy.

We believe the legislation is deficient in its failure to provide for our strategic reserve for wheat and feed grains as well as for soybeans, and also that something should be done to alleviate some of the inequities that come as a result of basing the parity level on a Kansas City price backed off to the farm, reducing the support price by the amount of frieight from the farms to Kansas City. This, in our judgment, is a false assumption based primarily on the assumption that all wheat is marketed in Kansas City. It is not so and there should be some kind of adjustment made which would permit the adjustment upward of those parity prices for wheat which is considerable distance from this primary market point, especially when considerable amounts of the wheat are consumed in areas closer to the production than Kansas City is.

We also want to restate our desire to permit the establishment of a strategic or security reserve for wheat, feed grains, and soybeans.

We would urge the Committee to include these in its final bill but, if you do fail to do this, we shall support the bill with the understanding that we will be back before the Committee next year for revisions in this legislation and for perfecting amendments which will make it more acceptable to the wheat producers of the country.

TITLE V—WOOL

We are in agreement with Title V concerning the extension of the current wool program.

TITLE VI—CAP

Title VI which relates to cropland adjustments has our support. We are pleased that the Committee saw fit to include some of the expenses which are consistent with the payment which is made to other advisory committees, and which we believe will bring better representation into Washington when this advisory committee meets.

We would be pleased if in the legislative history of the Act, that the Committee would state its intentions in terms of section 603 when it speaks of "ample time to permit producers a reasonable opportunity to make arrangements to return their land to agriculture production." We believe that some definition of ample time would avoid confusion and misunderstanding in the future. We would suggest that this not be less than 6 months.

TITLE VII—RICE

We support Title VII which extends the rice program up to and including 1973.

TITLE VIII—MISCELLANEOUS

We support Section 801 as it is written which extends the tobacco allotment lease authority through 1973.

Section 802 has our support because it prevents an unnecessarily harsh cut which might result from adverse weather conditions.

TITLE IX—MARKETING ORDERS

We have carefully considered the language of Title IX which expands and amends the marketing order legislation to permit collective bargaining. We believe this is consistent with the desires expressed by the Grange in previous testimony and will therefore support this part of the legislation.

We suggest that language be substituted for Section 905, Sec. 8c(6)(J) beginning on Line 7 which will except any commodity for which there are marketing quotas or voluntary adjustment programs which are in effect. This would accomplish the same purpose as the listing of individual commodities, but it will also permit collective bargaining if the programs are terminated. This seems to be a prudent consideration.

We have some concern that the failure to provide more exact language to clarify the role of cooperatives which are also processors leaves the part of the bill in parentheses beginning on line 11 of page 13 open to considerable misunderstanding and possible litigation. We would support efforts to clarify this language.

The Grange thanks the Committee for developing this proposed legislation. We believe it will serve the urgent needs of agriculture and the national interest; even though we have made suggestions for consideration of the Committee in certain sections of the Bill.

The early passage of this (or a comparable) legislation will add much to market confidence and stability. These are urgent requirements now.

On behalf of the Grange, I, therefore, pledge the support of our organization and assure this Committee that we will exert every reasonable and proper effort to assist in its enactment in present, or such modified form as this Committee may or is likely to report out.

Mr. Graham. In doing this, it might make more efficient use of your time.

First of all, the way that this bill has come from the committee and from the staff, we want to compliment both you and the staff on the work you have done. We would have preferred that it be made a more permanent bill, but 4 years certainly makes it adequate for our purposes. We are not inclined to argue with the point.

The 4 years gives us time to make the item-by-item improvements that are necessary in the various fields of commodity products; and in talking of the problems of wheat, some are housekeeping, and some are substantial problems. They are all the way down the line. This gives us time to attack them and to have sufficient time for collaboration to do a good job on them, and this seems to be an excellent approach that you are making, so that we want to commend you for it.

We have some suggestions that are not just going to be contentious. As the Secretary said, we are not shedding any blood on these—the class I base plan, in title I, we think that making this permanent is extremely important, because the failure to do so, I think, is keeping some marketing orders out of this.

There is another section in here. We understand that it did not originally come in as a part of the administration's program, that it got lost, as they say in the paper, in the shuffle, a part which would permit the producers to retain some of the market growth. The present legislation is very unwise at that point, in that it requires all new production to be given to new producers. It mitigates against market developments, and this is the main reason for that.

Title II, we would support without change.

Title III, we would support without change. There may be some housekeeping problems that will have to be dealt with, but we are satisfied with it as it is.

Title IV, in wheat, we would support with the exception of section 404 which deals with the passing of some of the certificate costs over to the consumer and the processor, and we think this is an argument that we fought as vigorously as we could, and we lost it.

The Chairman. The Secretary of Agriculture said it would not do much good to anybody, that it would penalize the consumer.

Mr. GRAHAM. And it would make a lot of people mad. I do not see anything to be gained by it. We think it is unnecessary.

The CHAIRMAN. We will get Senator Young to work on it further.

Mr. GRAHAM. I think probably he had a different concept as to the way it would work before today, and even before that.

In terms of a marketing certificate, these again are changes that we do not think we will have to have this year, but we still think that the wheat negotiations under Public Law 480, at least as to the Government share of the certificates should be eligible, and obviously will be eligible for the domestic market. There is no way of assessing that, but for the others we are still doing a pretty good job of subsidizing foreign policy through agriculture, and this kind of splits the difference on it.

In terms of export certificates, the inverse subsidy, as we understand it today, the announcement that came out immediately after the International Grains Arrangement was passed by the Senate and ratified—and we were very pleased that they implemented it the same day and did not let any grass grow under their feet. Within 2 hours, they had implemented it, which requires an inverse subsidy, as they call it, from 18 to 24 cents, depending on the kind of red wheat, but there is an export subsidy still required to get some of the wheat onto the market, and we think that the law and the Department have cognizance of this. The law as presently written would require that if there is an excess of money from the inverse subsidy received during the year over that which was spent in the direct subsidy, to increase the exports, that the money will be forthcoming to the producers in the form of a certificate, a bonus certificate, at the end of the year. So, at that point, we do not need export certificate legislation to accomplish that purpose. In our judgment, it is that in the law right now.

Because the question was raised, I wanted to make a comment on it.

You know our position on strategic reserves, one that you and I do not always agree on. I will not press this one now. I will just say it is in the record.

We agree with the wool program.

The CAP program, title VI, we are in agreement with. We would like a little definition, maybe in the legislative history as to what a reasonable opportunity to make arrangements to return their land to agricultural production means. That is section 602. What is a reasonable time? We think it should probably be 6 months or payments in lieu thereof. But this is a matter of clarification and not anything substantive.

Title VII, on rice, is completely within our support.

As to miscellaneous, we would support section 801 and section 802. Section 802 we think has real merit, and it prevents unnecessary harsh cuts which might result from adverse weather areas, and this is a good protection.

Market orders, title IX, we are in agreement with the thrust of what the committee and the staff has tried to do. We think this might be helped, because this question has come up of exceptions. To think of it, from the other side of the question, that is, the exception being made on the basis of definition of what situation that crop has in relationship to programs. The real problem would be, in our judgment, to have bar-

gaining legislation that would permit some kind of crop limitation on top of the limitations of production that we have in those commodities that are under marketing quotas or voluntary adjustment programs. We get two types of legislation to do the same thing. We are simply doubling up. There is no great problem in our judgment about having some bargaining available for those crops that are only support crops, because we have found in milk that we have had to do some bargaining on top of the marketing order. So, in general, it seems to us that if we could get language to say what the exception would be for those commodities that were under mandatory marketing quotas or voluntary adjustment programs, we have about covered the problem.

And if some of these go out of one program they automatically become eligible for the other. We do not have to have specific legislation every time a change is made. This becomes a sort of a kind of automatic thing. It seems to me that it would simplify the whole thing a great deal, and it becomes self-defining and self-operating, because we might drop the cotton program, for instance, or the wheat program by legislation—you know, legislation could do away with wheat and feed grains. This would automatically make them eligible for another program without having to come back to the committee and say "We need specific legislation to do something for specific crops for a specific period of time." And then it would have to go through the regular process. This is a matter of definition. It seems to us that this definition would meet the intent of the committee and still leave the flexibility which, I think, also is of interest.

We are a little concerned with the plans about necessity of clarifying the language in the parentheses in title IX in the line beginning on line 11 of page 13, where the question comes up as to whether these cooperatives are producers or processors, and there they are neither fish nor fowl or maybe they are both. Apparently, it is one that is troubling a good many people, and if we could find some way of getting more specific language to remove some doubts, so that there is more definiteness, we think it would improve it.

These are not substantial changes. We are getting down to the nit-picking stage now, because you have done such a good job, but there seemed to be areas in which some slight improvements of language can be made without changing the intent and the purpose and the very excellent thrust of the legislation that has been presented to us from the committee.

I thank you.

The CHAIRMAN. We are glad to have had you with us.

Without objection, Mr. Robert N. Hampton's statement for the National Council of Farmer Cooperatives will be made a part of the record at this point.

(The statement referred to follows:)

WASHINGTON, D.C.,
June 27, 1968.

Hon. ALLEN J. ELLENDER,
Chairman, Senate Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

DEAR SENATOR ELLENDER: The National Council of Farmer Cooperatives wishes to reaffirm its support for the principle of broadened eligibility for marketing order programs for farm commodities, as proposed by Section 901, Title IX of S. 3590.

As we said in our testimony on S. 2973 earlier this year, we believe farm groups should have this standby authority to decide whether they might want to vote on a marketing order without undue delays if future circumstances so dictate. This omnibus enabling legislation provides another option for farmers to take steps to help themselves, and might prove to be valuable insurance even for our basic crops if their present programs were to be terminated or if other emergencies should develop.

While farmers obviously need greater bargaining power, through farm programs, through cooperaitves, or through some other group bargaining approach such as that proposed in Section 905 of S. 3590, we must again express our concern that these Section 905 proposals for producer bargaining committee activity do not clarify the appropriate role for existing marketing cooperatives. Without clear definition of their position under provisions of this bill, cooperatives are faced with the dilemma of acting two roles—that of a producer's representative, and that of the handler. Nor is it clear what practical steps might be taken by a producer bargaining committee toward price negotiations with "groups of handlers"—but unless such steps were possible, Section 905 might prove to be a very ineffectual approach to farmer bargaining power.

This organization's policy and our position on other aspects of Title IX of S. 3950 has been set forth in my statement of April 5, 1968 before this Committee.

We commend the Committee for its prompt and searching approach to this important matter of more bargaining power for farmers. Farmers, as well as legislators and educators, need broader airing of the issues and possible courses of action involved. Farmers' own group action is obviously the only major alternatives to massive permanent government assistance. We urge not only the support this Committee for broadening of marketing order opportunities for self-help, but intensification of farmers' own cooperative marketing efforts which can fully exploit the potential of the marketing order mechanism.

We would appreciate the inclusion of this letter as part of the hearings record on S. 3590.

Sincerely,

Robert N. Hampton,
Director of Marketing and International Trade, National Council of Farmer Cooperatives.

The Chairman. And in addition, I would like to place in the record without objection a statement by Senator Burdick.

(The statement referred to follows:)

Statement of Hon. Quentin Burdick, a U.S. Senator From the State of North Dakota

Mr. Chairman and Members of the Committee: I appreciate the opportunity to appear before this Committee in support of extension and improvement of the Agricultural Act of 1965. I am pleased that Senator Ellender has introduced S. 3590.

Favorable action on this legislation is of extreme importance to the people of North Dakota, a State which received a higher percentage of its income from agriculture than any other in the Union.

I can say with confidence that the great majority of North Dakota farmers are in general agreement with the basics of the 1965 Farm Act. I believe that after three years of operating under the authorized programs North Dakota farmers are in concurrence with the voluntary approach Congress and the Administration took in 1965 on wheat and feed grain programs. The flexibility that these programs offer fit well into the type of farming operations in North Dakota, and they have great appeal. Most notable is the popularity of the substitution clauses on wheat and feed grains and the built-income insurance features of the wheat certificate program.

At the same time, of course, I am sure we are all aware that these programs were more popular about two years ago than they are now. The price skids since 1966 have put the programs to a severe test.

But I think the programs will survive the test; that with experience gathered in running the programs plus strengthening amendments these programs will result in strengthened farm prices.

The wheat section of the legislation is, of cuorse, of the greatest consequence to North Dakotans. Our State is second only to Kansas in the production of wheat, a crop which brings to North Dakota farmers about one-third of their

total cash receipts from farming. Indicative of the support for the wheat program in North Dakota is the fact that about 95 percent of our wheat acreage allotment is enrolled in the voluntary program this year.

Wheat certificate payments also have a big impact on North Dakota's economy, bringing in nearly $100 million each year to the State.

North Dakota farmers are also aware that the adoption of the wheat certificate program paved the way for the significant increase in their wheat exports.

The design of the basic farm legislation to make U.S. wheat competitive on the world market plus price protection to the producer in the form of wheat certificate payments has helped greatly to boost export sales and thereby add to the gross income of North Dakota farmers.

I believe the wheat certificate program, in the years that it has been in operation, has proven to be beneficial not only to the producer but also to the consumer both at home and abroad. It should be extended and strengthened by the proposed amendments.

Compared to some of the other states, North Dakota is not a large producer of feed grains. Nevertheless, extension of the feed grain program is vitally important to our State not only for feed grain producers but also for the several thousand farmers who substitute wheat for feed grains.

Last year more than 30,000 North Dakota farms were enrolled in the feed grain program for which farmers received more than $8 million in price support and diversion payments. This has had a considerable impact in adding to income of farmers. And of course better farm income also means better business conditions.

In my testimony today I have only mentioned two of the sections of the bill—the wheat and feed grain sections—the two sections which are most important to North Dakota farmers.

But this does not mean that other sections are any less important to the Nation as a whole.

North Dakotans have a long and consistent history of supporting farm programs. Our farmers are fully aware that their productive capacity—and that of other farmers in the Nation—is such that without farm programs they would be faced with excessively high production and ruinous prices.

Farmers in North Dakota and elsewhere need farm programs now to help them tailor supply to demand. And they will need them for some time to come.

I believe the 1965 Agricultural Act has worked well in combatting excess production capacity problems. It does need strengthening amendments such as a strategic reserve section, farm bargaining provisions and an export certificate section. But, I believe in all events the present law on the books should stand as the basic legislative framework upon which a total farm program can be built.

Therefore, I urge reenactment of our basic farm legislation.

The CHAIRMAN. I would also like to insert in the record a letter addressed to me under date of June 19, 1968, from the National Cotton Council of America, without objection.

(The letter referred to follows:)

MEMPHIS, TENN.,
June 19, 1968.

Hon. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

DEAR SENATOR ELLENDER: As you know, I was privileged to appear before the Senate Committee on Agriculture and Forestry for the National Cotton Council on April 9. At that time we presented fully the views of the cotton industry on extension of the 1965 Food and Agriculture Act. The purpose of this letter is to supplement those views in the light of subsequent developments, including the bill (S. 3590) you introduced a few days ago.

You will recall that the Council recommended a number of modifications in the present program, but emphasized the importance of extending the competitive one-price system on a *continuing* basis. After all, there was no termination date in the 1938 Act, the 1948 Act, the 1949 Act, the 1956 Act, and the 1958 Act. In other areas of our economy, legislation is generally passed on a continuing basis, and our feeling is that cotton should be accorded the same treatment. The very essence of our testimony was the recommendation for a *long-range* program to rebuild confidence in cotton.

Since the April hearings before the Senate Committee, the various cotton producer groups across the Belt—most of which supported the Council recommendations and some of which had additional recommendations of their own—have begun to realize the extreme difficulty of getting even minor modifications in the law enacted in the weeks remaining of this session of the Congress. In fact, there has developed a broadly based view that the overriding consideration should be to get a one-year extension to carry the present law through the 1970 crops.

Obviously the new Congress that convenes next January will need time to organize. We will have a new Administration with a desire to develop its own plans. Under these conditions, and without an extension of one year, the new Congress would be faced with an almost impossible time situation, which couldn't help but be reflected in uncertainty and result in real hardship throughout much of agriculture, and certainly would not provide conditions favorable for the development of a sound, long-range farm program. A one-year extension now would give the new Administration and the new Congress a part of next year and early 1970 to appraise the present program and the changes needed in it.

It is quite clear that this is the sentiment that is crystallizing in the cotton industry. While it isn't a position that has been adopted officially by the governing body of the Cotton Council, we felt it should be reported to our agricultural leaders in the Congress.

We will appreciate your placing this letter in the record in lieu of oral testimony. A copy is going to each member of your committee.

Respectfully,

CHARLES R. SAYRE,
Chairman, Committee on Industry Practices and Policies, National Cotton Council of America.

The CHAIRMAN. The remaining witness is Mr. E. M. Norton, secretary of the National Milk Producers Federation.

We will be glad to hear from you.

STATEMENT OF E. M. NORTON, SECRETARY, NATIONAL MILK PRODUCERS FEDERATION

Mr. NORTON. Mr. Chairman, my name is E. M. Norton, and I am secretary of the National Milk Producers Federation.

I would like to comment on two things in my statement and ask that the entire statement be made a part of the record.

The CHAIRMAN. Without objection, that will be done at this point.

(The prepared statement of Mr. Norton follows:)

Mr. Chairman and Members of the Committee: My name is E. M. Norton, and I am Secretary of the National Milk Producers Federation.

The Federation, with offices at 30 F Street, N.W., Washington, D.C., is composed entirely of dairy cooperative associations which are owned and operated by dairy farmers. We have members in all of the states of continental United States, and our members handle and market a complete line of milk and dairy products for their farmer members.

I. CLASS I BASE PROVISIONS

Title I of S. 3590 provides for the extension of the Class I base plan authority in the Food and Agriculture Act of 1965, on a permanent basis.

As some of you will recall, the Federation worked diligently to persuade the Congress to authorize the Class I base plan.

However, as the Class I base plan authority was enacted, it contained language which has been interpreted by the Department of Agriculture in a manner that makes it very difficult to operate such a plan equitably, effectively, and to best serve the interests of the fluid milk producers and markets.

We think this fully explains why only one Class I base plan has, so far, been put into effect. We know of several markets that have developed Class I base plans, and no doubt will move to have them effectuated as soon as the legislation is perfected and the authority is extended.

We endorse the proposal in S. 3590 that the Class I base plan authority be made permanent; but we think it highly desirable, and in fact imperative, that it be amended on the basis of experience.

While we testified in connection with this matter, and others, at the general hearings held by this Committee in early April, the matter is so urgent that we wish to reiterate and elaborate upon the amendments the Federation desires be made to the Class I base authority, as set forth in detail in S. 3432 introduced by Senator McGovern, and the reasons therefor as follows:

(1) As noted, we agree that the authority should be made permanent. Thus, Title I does recognize that a termination date of authority for provisions of Federal milk marketing orders is impractical. Present procedures, such as the detailed work involved in developing the plan for a market, holding public hearings, and otherwise abiding by the administrative procedures necessary to make an order or a base plan effective, are very slow and cumbersome. Hence, a termination date markedly inhibits the development of such important programs as Class I base plans.

(2) The proposal would authorize use of marketings of milk during a representative period, not limited to one year, and not restricted to a single period of time.

The 1965 Act, as interpreted by the Department of Agriculture, requires the use of a single representative period of time to establish a permanent history of marketing by a dairy farmer.

If a farmer does not initially establish such history of marketings during the representative period, he is destined to participate in the market as a new producer, unless he obtains a history of marketings by transfer or purchase from another dairy farmer.

Furthermore, as interpreted, a producer cannot earn additional base under any circumstances. He can only increase base by purchase. This type of provision is too rigid.

(3) The amendments would authorize use of allocations of fluid milk utilization among dairy farmers on the basis of their respective histories of marketings, which allocations also would be subject to adjustment from time to time.

The 1965 Act, as interpreted by the Department of Agriculture, allocates fluid milk utilization among dairy farmers on the basis of their histories of marketings and for the same period of time as was used in establishing such histories of marketings. Under these conditions, all market growth each month is set aside for allocation to new producers (new dairy farmers) and for the alleviation of hardship and inequities among dairy farmers before any can accrue to the month by month benefit, if any, of established producers. Thus, for any given month, new producers or hardship producers can receive allocations and average prices which are higher than those obtainable by established producers.

In fairness to dairy farmers who have supplied the market, their allocations should be at least as high, on the average, as allocations to new producers, or allocations made in the interest of equity among producers.

Also, under the provision as now interpreted, a new producer can never *earn* a base. The only "base" he would have would be that assigned from month to month, and may range from zero to his total deliveries, depending upon the relationship between market growth, if any, the number of new producers and adjustments for hardship.

(4) The proposed new authority would enable the Secretary of Agriculture to provide methods of establishing histories of marketings and allocations of utilization for new producers so that they, in time, can earn a base comparable to old producers, and to make adjustments to alleviate hardship and inequity among producers, but these should not necessary be contingent on market growth.

(5) The proposed new authority should not preclude reduction of histories of marketings for farmers who do not deliver their allocations of the fluid milk requirements of the market. If a farmer delivers less than his allocation of the fluid milk requirements of the market, his history of marketings should be subject to reduction if provided in the order.

(6) The proposed amendments would provide specific authorization for making seasonal variations in prices paid producers (dairy farmers) without regard to seasonal variations in prices charged handlers for milk in each use classification. This would be an alternative to base plans.

Cows naturally produce more milk in the spring and early summer months than at other times of the year, but requirements of consumers for fluid milk do not vary from season to season in a similar manner. Dairy farmers can be encour-

aged to improve herd management to result in milk production more nearly in accordance with the needs of consumers. This encouragement can be made through a price adjustment—increasing prices during the fall and winter months of the year and decreasing prices during the spring and early summer months.

For other reasons, it is desirable to maintain prices to handlers at the same level from month to month throughout the year. Under the proposed amendment, money would be accumulated during those months when milk production was at its highest level and disbursed as a means of increasing prices to farmers during months when milk is more urgently needed. Several of the orders now contain such plans under Sec. 8c(7)(D) of the Act, and we think it desirable to provide more specific authorization for such plans.

(7) The proposed amendment would provide individual voting by dairy farmers on referenda on base plans which allocate fluid milk utilization among producers (dairy farmers), but would provide representative voting by cooperative associations on behalf of their members with respect to other base plans and on all other matters.

II. SECTION 903 OF TITLE IX OF S. 3590

Currently, Section 8c(5)(A) provides authority for "(A) classifying milk in accordance with the form in which or the purpose for which it is used, and fixing, or providing a method for fixing, minimum prices which handlers shall pay . . ."

As it is proposed to be amended, Section 8c(5)(A), the relevant portion would read "(A) classifying milk in accordance with the form in which or the purpose for which it is used, and fixing, or providing a method for fixing, 'by collective bargaining in good faith (including provisions for the designation, by election of committees of producer representatives to bargain with handlers, or groups of handlers), or otherwise,' minimum prices which handlers shall pay. . . ."

We are not in favor of this proposed amendment, for the reasons that:

(1) The current methods of fixing or providing methods for fixing prices by the Secretary have been adjudicated by the courts. We see no reason to disturb or in any way change the currently clear-cut authority, particularly when the language proposed seems to be overriding, or at least could be so interpreted.

(2) In most fluid milk markets, cooperative associations represent the greater majority of milk producers, not only in price bargaining, but in performing other services for them. There would appear to be little reason for the separate provision for producer committees, particularly in view of the fact that in the hearing procedure, all types of producers—cooperative and non-cooperative—can be heard as a matter of right.

As a matter of fact, I am sure that there is not a single Federal milk order in existence that was not developed by cooperatives in the market, and in which they did not take the major part in promulgation, and later, amendatory proceedings. The system has worked very well. Why change it?

III. FEDERATION PROPOSALS FOR ADDITIONAL AMENDMENTS TO THE AGRICULTURAL MARKETING AGREEMENT ACT OF 1937

With your permission, I would like to set forth, very briefly, certain additional proposals to amend the Agricultural Marketing Agreement Act of 1937, as follows:

(1) *Advertising.*—For some years, dairy farmers and their cooperative associations have supported efforts to increase sales of dairy products through educational and promotional organizations established for this purpose, but in many areas of the country, there is a lack of participation, particularly in some of the larger fluid milk markets.

It was for the purpose of requiring participation among all farmers supplying a Federal milk order market, if approved by two-thirds of the producers in a referendum, that the Federation adopted a policy seeking amendment to the Agricultural Marketing Agreement Act of 1937 to authorize the use of producer funds for marketing research, advertising, sales promotion, and other programs designed to improve or promote the consumption of milk and its products. Senator McGovern has introduced a bill, S. 3433, which would give effect to our resolution. We urge that S. 3433 be adopted.

(2) *Administrative Review Procedures for Producers.*—Section 8c(15)(A) of the Agricultural Marketing Agreement Act of 1937, establishes an administrative procedure which handlers are required to use before they are privileged to seek redress in Federal courts. This review procedure has worked well.

Heretofore, no such procedure has been provided for producer complaints. The Act should be amended to authorize the same procedure for judicial review by the Department of Agriculture of complaints of producers and cooperative associations as is now provided for handlers, before such complaints may be subject to review by the Federal courts.

(3) *Reimbursement for Services Performed by Cooperative Associations.*—Cooperative associations marketing milk under Federal orders perform many services which benefit all producers, as well as handlers and consumers, among these being such services as balancing supplies among handlers, providing a market for milk which is in addition to the requirements of handlers, maintaining milk plants to manufacture the reserve supplies, and the like. Oftentimes, the cost of rendering such services, beneficial to all producers and to the market generally, cannot be recovered by the cooperative. Consequently, the Federation recommends that the Agricultural Marketing Agreement Act of 1937 be amended to authorize the use of pool funds, as provided by order provisions developed by the Secretary of Agriculture through hearings, to reimburse cooperatives for services performed on behalf of all producers.

IV. GENERAL COMMENTS AND LEGISLATIVE RECOMMENDATIONS

Dairy Cooperatives have a long and successful history of representing the interest of dairy farmers in price negotiations and in marketing activities.

The Federation believes that farmers need additional bargaining strength. Insofar as milk is concerned, however, such bargaining power should be achieved by strengthening cooperative marketing associations rather than through committees. The Federation believes, therefore, that any bargaining for dairy farmers under any provision of S. 3590 or the Agricultural Marketing Agreement Act of 1937 as it may be amended, should be through producer-owned and controlled cooperative marketing associations.

Furthermore, the Federation opposes any legislation under which marketing allotments could be applied to milk.

Dairy Import Controls.—We again urge you to enact S. 612, the Dairy Import Act of 1967, for the following reasons:

(a) Only about a year after the President issued quotas on butterfat-sugar mixtures and other products, we are going into another Tariff Commission hearing to consider tightening up on the quotas and placing quotas on commodities not currently under quota, such as chocolate crumb, condensed and evaporated milk.

(b) Evasion of quotas and subterfuge is rewarded by granting quotas on the products used to evade our quotas.

(c) Foreign countries are heavily subsidizing butter, nonfat dry milk, and evaporated and condensed milk. The Netherlands is exporting butter for as low as 15 cents per pound, compared to a price of 72 cents inside the Netherlands. France is selling butter in export for from 13–16 cents per pound (storage) to 29.5 cents per pound (fresh), with an internal price of 80 cents per pound. Nonfat dry milk is being sold by exporting countries as low as 10–12 cents per pound. Export subsidies on sweetened condensed and evaporated milk range $2.00 per case or more.

(d) Our unneeded dairy imports add substantially to the cost of the price support program and to the dollar drain in our foreign trade.

Butter Plant Payments.—We continue to urge passage of the butter plant payment program as a means of increasing the demand for butter, and thus helping to solve our chronic problem of under consumption of butterfat, both in butter and in fluid milk.

Thank you for this opportunity to state our views.

SUPPLEMENTARY STATEMENT OF MR. NORTON

In our discussions of the meaning of S. 3432 among our staff and with other interested persons, a number of questions have arisen. This supplementary

statement is designed to give brief, precise answers to such questions and thus to make clear what we hope S. 3432 will accomplish.

(1) Clause (d) is a restatement of clause (d) as it appeared in the Act prior to the 1965 amendment, with two exceptions:

a. Clause (d) provides authority for *base plans not adjusted to reflect Class I utilization*, but it is not necessary to establish such bases each year as was required under the law prevailing prior to 1965, as interpreted by the Department of Agriculture.

b. Beginning on line four (4) of page two (2), there is authority for *adjusting prices to producers seasonally* as a means of encouraging milk production during those times of the year when milk is normally in short supply and discouraging production during those times of the year when milk production is normally in excess. This seasonal adjustment is an *alternative to a base plan*. Similar plans are currently in operation in many orders, under the general authority in Sec. 8c(7)(D), but they are not specifically authorized by the Act; and we think it desirable to remove any possible legal doubt concerning them. The provisions of orders that would be authorized by *clause (d) in S. 3432 would be subject to representative voting by cooperatives for their producer members.*

(2) Clause (e) is a revision of clause (d) as contained in the 1965 amendment. It provides *permanent authority for the Class I base plan.* It differs from the 1965 law in the following respects:

a. *The representative period* of time for establishing bases may be *either a fixed period* as provided by the 1965 law *or it may be adjusted through the use of a moving average determined from deliveries over a period of time* such as one, two, three, or five years.

b. *Bases* for producers *may be subject to adjustment for failure to deliver base milk.* This would allow for the reallocation of unused bases among producers, both established producers and new producers in the process of earning a base.

c. There is authority for establishment under an order of reasonable rules under which new producers could earn a base under which adjustments could be made to alleviate hardship and inequity. *Provisions for new producers and hardship, however, would not be dependent upon market growth* as provided by the 1965 amendments.

The provisions are necessary so that old producers may share in market growth. There has been a great deal of criticism over the 1965 amendment because old producers could not benefit from market growth. Such criticism is easily understood when it is recalled that producers are spending millions of dollars per year to increase sales through advertising and education.

The provisions are necessary in order that new producers may, over time, acquire the same rights as a producer as those supplying the market at the time the base was first made effective. Without such provisions, there will be, over time, sufficient new producers without market rights to guarantee defeat in any referendum of any attempt to update the base plan through an amendment proceeding which would require approval of two-thirds of all producers.

The Class I base plan as provided by clause (e) *would be subject to individual producer approval* as in the 1965 amendment.

Mr. Norton. We have in the statement requested you to consider some changes in the class I base program due to the interpretation that the Department has been putting on the present program, and after conversations with a good many people we have tried to explain it in a supplemental statement, and if it is not clear we would like to still discuss it with the staff to clear the points we have in mind.

The Chairman. Very well.

Mr. Norton. And the second point that I would like to comment on is the advertising section of the bill. It is contained in S. 3433 that Senator McGovern introduced. We would hope that you would give serious consideration to including this in the omnibus bill. All of our people are infavor of this. It is their money that they would like to put into the promotion and advertising program, and we hope very much that you will consider that.

I thank you.

The CHAIRMAN. What about the rest of the bill?

Mr. NORTON. We are, generally, in favor of all of the rest of the bill, sir. We are not in favor, of course, of milk marketing quotas.

The CHAIRMAN. I want you to understand that all of the suggestions made by you, and other witnesses of course, will be carefully studied by our staff and also the Department of Agriculture, and if we need your services, why, we will call on you.

Mr. NORTON. Thank you, sir.

The CHAIRMAN. All right.

Is there anybody else who desires to be heard?

If not, the committee will stand in recess until 10 o'clock tomorrow morning, except that the committee as a whole will meet at 9:30 o'clock to consider H.R. 10673.

(Whereup, at 12:30 p.m., a recess was taken until 10 a.m., Tuesday, June 25, 1968.)

AGRICULTURAL ACT OF 1968

TUESDAY, JUNE 25, 1968

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10:15 a.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Holland, Jordan of North Carolina, McGovern, Byrd of Virginia, Hollings, Aiken, Young of North Dakota, Boggs, and Miller.

The CHAIRMAN. The committee will be in order.

This is a continuation of the hearings we started yesterday on an extension of the Agricultural Act of 1965.

We have as our first witness Mr. Shuman, president of the American Farm Bureau Federation.

Will you step forward, Mr. Shuman, please?

We will be pleased to hear from you now.

STATEMENT OF CHARLES B. SHUMAN, PRESIDENT, AMERICAN FARM BUREAU FEDERATION

Mr. SHUMAN. Mr. Chairman and members of the committee, we appreciate the opportunity to present our views on S. 3590, a bill to amend and extend the Food and Agriculture Act of 1965.

Frankly, we are amazed that this committee is seriously considering extending an act that has reduced the parity ratio to the lowest level in 34 years.

The current act does not expire until December 31, 1969—over 18 months from now. In January 1969, there will be a new President and a new Congress. They will want—and are entitled to—an opportunity to participate in decisions affecting future Government farm programs.

Action now to extend the Food and Agriculture Act of 1965 would seem to indicate a shocking lack of confidence in the new Congress to be elected in November. Why should the present Congress show such distrust of the people and the Congress they will elect?

There will be plenty of time to consider new legislation in 1969. While some actions with respect to the 1970 wheat crop will need to be taken in 1969, this does not present a serious problem. Major provisions of the present wheat program will remain in effect after the act of 1965 expires; however, continuation of this program would be subject to a producer referendum. No serious problems were encountered in the administration of the 1966 wheat program, although the

act of 1965 was not approved until November 3, 1965. In 1961, with a new Congress and a new administration, a new feed grain law was signed by the President on March 22, and the much more extensive Agricultural Act of 1961 was enacted on August 8.

With Congress having passed a 10-percent tax increase and a requirement that the President reduce budgeted expenditures $6 billion in the next fiscal year, it is highly inappropriate to extend the 1965 act for 4 more years at a probable cost of more than $3 billion per year. This makes the act of 1965 the most costly farm program mistake in history. It is costing taxpayers nearly $9 million each day. Extension of this costly scheme would soak up approximately one-third of the recent increase in taxes, with little if any benefit to farmers.

On April 4, 1968, at hearings of this committee on extension of the 1965 act, we presented in great detail the reasons why we feel the act has failed. We also made some positive suggestions with regard to the type of legislation our members favor as a substitute for the current law. Our statement can be found beginning on page 136 of the hearings. We sincerely hope that committee members will review this testimony before taking any action.

In the summary of our April 4 statement, we made the following points.

(1) Government supply-management has not worked.

(2) Government-owned stocks are bad for farmers.

(3) The operation of Government supply-management programs depends on political decisions.

(4) These programs make farmers dependent on Government payments for a substantial part of their net income.

(5) Government supply-management programs create pressure for international commodity agreements.

We believe that the Food and Agriculture Act of 1965 should not be extended because of its record of failure.

Farmers were squeezed off the land more rapidly in 1966 and 1967 than they were in 1964 and 1965. Almost 5 million farm people have moved off the farm since 1960.

The act of 1965 discriminates against the small farmer while it favors the big operators. Small farmers are hurt more by the recurring cuts in allotted acres than are the big operators who can use their huge Government payments to buy more fertilizer and equipment with which to step up yields as an offset against reduced acres.

The act of 1965 has failed to accomplish any of its stated obectives.

The farm parity ratio stood at 81 when the 1965 act became effective. Since then it has dropped steadily until now, when we are less than halfway through the third year of the 4-year program, it stands at 73. Even the adusted parity ratio, which includes direct payments to farmers, is down 8 points. On both an adjusted and an unadjusted basis, the parity ratio is the lowest it has been since the depression year of 1934. Extending the act now for another 4 years would have the serious effect of locking farmers into this unsatisfactory situation until December 31, 1973. We can't believe this committee wants to assume that responsibility.

The act of 1965 has failed to adjust production to demand. Despite drastic cuts in acreage ordered by Secretary of Agriculture Orville Freeman for this year, current U.S. Department of Agriculture fore-

casts indicate that the 1968 harvest may be the largest on record for wheat, corn, and soybeans. Wheat prices are the lowest since 1942.

The act of 1965 must be held responsible for the near-disaster level of farm prices which is forcing hundreds of thousands of farmers to the wall. It was under the authority granted by the act of 1965 that the Secretary of Agriculture called for increased production in 1967 that brought forth the surplus that is pushing farm prices to lower and lower levels.

With one exception, the amendments to the act of 1965 proposed by S. 3590 are minor changes that do not materially change existing law. The current program has failed and its shortcomings cannot be corrected by minor amendments.

The major change in existing law is contained in title IX. As we understand this title, it is similar to title II of Senator Mondale's bill, S. 2973, except that its bargaining provisions would not extend to cotton, wheat, corn, grain sorghums, barley, rye, oats, rice, forest products, soybeans, tobacco, and peanuts and their products.

On page 152 of previously mentioned committee hearings, we indicated in a supplement to our April 4, 1968 testimony that we vigorously opposed the compulsory bargaining provisions of titles I and II of the Mondale bill. For the reasons submitted in this supplement to our testimony, we likewise are opposed to the provisions of title IX of S. 3590 which would permit the establishment of compulsory bargaining programs and production controls for commodities that are not now controlled.

Members of this committee surely realize that farmers are in a serious cost-price squeeze. Farm Bureau is dedicated to the objective of reducing this pressure through actions that will increase net farm income. Extension of the act of 1965 would not accomplish this objective. It is time for a change in farm programs—not more of the same.

Instead of continuing down the dead end road of Government supply-management, with acreage limitations, stockpiles to depress market prices, price fixing, and subsidies, farmers need a broad-based program to expand markets, increase prices, cut costs, and thus provide the basis for increased net farm income.

We will be happy to cooperate with the committee in further studies of needed changes in existing law so that action can be expedited in 1969.

The CHAIRMAN. Thank you, Mr. Shuman.

Are there any questions, Senator Holland?

Senator HOLLAND. Yes.

Mr. Shuman, you spoke about the fact that we will have a new Congress in 1969. Already we know that there will be nine new faces in the Senate, do we not, six having refused to run?

Mr. SHUMAN. That is right.

Senator HOLLAND. And two have been eliminated in the primaries, one tragically has lost his life. The fact is that the number of changes in the Senate will probably be greatly more than any that have occurred following the recent elections; is that not true?

Mr. SHUMAN. According to some of the estimates, there is that possibility.

Senator HOLLAND. Even with the knowledge of the nine changes that are already here, that is clear?

Mr. SHUMAN. Yes.

Senator HOLLAND. The question is whether or not action needs to be taken now. It seems to me that is a very real question in this matter. You have pointed out in your statement that on at least two former occasions major actions were taken much after the time that would prevail if we took action in this Congress this year.

Mr. SHUMAN. That is correct.

Senator HOLLAND. And did you note any hardships or difficulties that resulted because of that later relative time for taking action?

Mr. SHUMAN. No; in fact, as far as we were able to observe the transition was such that there was not a real problem involved in these previous experiences. Actually, the additional experience with the problem should give the Congress a better opportunity to appraise it, for instance, to have the results the same as last year's cuts in production and to find out whether or not the supply-management worked in 1968. Certainly, it has not worked before. And, presumably, it will not work this year on the basis of the present estimates.

Senator HOLLAND. I recall that when you testified earlier in the year, you gave us a statement for the record of the total amount of contribution made to farm income, the net farm income, through Government payments. Are you able to give us that statement at this time or will you supply it for the record?

Mr. SHUMAN. I will be glad to supply it for the record.

I am not sure of the exact figures, but it is something like 25 percent total net farm income.

Senator HOLLAND. Something over $3 billion?

Mr. SHUMAN. Yes.

Senator HOLLAND. Will you supply that for the record?

Mr. SHUMAN. Yes.

(The information follows:)

It was 21 percent in 1967 for all of agriculture.

In 1966 it was 27.4 percent for feed grains, 25.1 percent for wheat; 37 percent for cotton and 25.1 percent for wool.

Senator HOLLAND. With reference to your comments on title IX, as I understand it, you are not objecting to marketing agreements and marketing orders in general, but you are objecting to the proposed extension of it, so as to embrace within it controls like the acreage controls and the basic crops and the other compulsory arrangements voted by a majority of the producers that a certain commodity would make the uncontrolled crops under present law similar to the controlled crops that are covered by the control programs that affect all basics?

Mr. SHUMAN. Yes. In the past, we have supported existing marketing order legislation; we have been opposed to the authority for an imposition of nationwide marketing orders. We believe that the marketing order works best when it is in the smallest practical area of operations. We have been opposed to marketing orders which is a device to control production. We believe that the marketing order program has succeeded only to the extent that it has been limited to the improving of the quality of the marketing, the smoothing out of some of the difficulties in the marketing, of a crop rather than controlled production. And, so, we are strongly opposed to this title IX which provides

for compulsory marketing order programs to control the volume of production, and there is no question but what the farmers would be very strongly opposed to this. They have rejected compulsory controls everytime they have gotten the chance.

Senator HOLLAND. I note from your statement, you feel that the principal features in the proposed change, the marketing agreement and marketing act would be to allow a majority to try compulsory reductions of acreage or otherwise through the production of agriculture commodities. That is the burden of your complaint, is it not?

Mr. SHUMAN. Yes, sir. Voluntary control of production by marketing orders is not practical, and it would be highly resented by farmers today.

Senator HOLLAND. In the testimony yesterday, Secretary Freeman made it very plain that he did not regard the proposed changes in title IX of this bill as giving any incentive to nationwide agreements which, of course, would be possible under existing law. Taking that at face value, as I do, it would make it rather clear to me that the sole purpose of these proposed changes would be to allow the imposition of compulsory controls. It is that, that you object to?

Mr. SHUMAN. Absolutely.

Senator HOLLAND. And it is that which would be completely new?

Mr. SHUMAN. Yes.

Senator HOLLAND. And in its application to the marketing agreement-order structure?

Mr. SHUMAN. That is exactly true. As we understand the proposal here, it would be subjecting them to compulsion. I will not argue with the Secretary's appraisal of the nationwide application, but if we are going to have compulsory marketing orders, they must be nationwide in order to be effective. That is just a form of speech, perhaps. We are opposed to the use of marketing orders to control the volume of production on a compulsory basis.

Senator HOLLAND. I remember that the Secretary also stated that in his opinion this new concept would be particularly applicable to poultry production. Do you think that the poultry producers would welcome any such control?

Mr. SHUMAN. There has been a lot of discussion among poultry people about marketing orders. There are a few, of course, who always wanted to try to impose marketing orders, but most generally, after the discussion goes a little while, it becomes evident that the vast majority of the poultry producers do not want anything to do with it.

Senator HOLLAND. I notice that title IX excepts all of the basics—all of the price-support commodities including wheat, corn, grain sorghums, barley, oats, rye, soybeans, tobacco, peanuts, and their products. It does not include two other rather minor price supported commodities: honey and tung oil. Do you know any reason why they were not excluded?

Mr. SHUMAN. No, I do not. In fact, until I read the list, as we prepared this, I did not realize that they were.

Senator HOLLAND. It occurred to me that even the ambitious person who suggested this program had decided that they could not control the honey bees. Has that occurred to you?

Mr. SHUMAN. I have not been told that, but that is a good idea.

Senator HOLLAND. Thank you, Mr. Chairman. That is all.

Senator Aiken?

Senator AIKEN. I think that Mr. Shuman and Mr. Holland have pretty well covered the ground.

The CHAIRMAN. I had occasion to examine Mr. Shuman quite extensively on the 1965 act and I know what his answers would be, so I did not ask him any questions.

[Laughter.]

Mr. SHUMAN. We did it on a good basis.

Senator HOLLAND. I well recall that. And, incidentally, looking back at the performance on the 1965 act, I think that Mr. Shuman was more right than wrong at that time.

Senator AIKEN. I thought that the reference to poultry farmers and egg producers is a little bit academic. Where I come from, there are not many grassroot farmers who are in that business anymore.

Mr. SHUMAN. They have moved down to Senator Holland's territory.

Senator AIKEN. They have moved into higher levels of corporation production.

I have no further questions.

The CHAIRMAN. Senator Jordan?

Senator JORDAN. I have no questions.

The CHAIRMAN. Senator Boggs?

Senator BOGGS. I have no questions.

The CHAIRMAN. Senator Miller?

Senator MILLER. Thank you, Mr. Chairman.

Mr. Shuman, with respect to this section of the bill regarding bargaining, et cetera, there are a good many items that are excluded from that coverage. For instance, tung oil is omitted. Should not livestock be included in the list of exempted commodities?

Mr. SHUMAN. It would appear to me that these exclusions are largely price-supported commodities, so far as the field crops are concerned. I presume that is the basis on which they drew up the list of which livestock was not one. It was not price supported. It would seem to me to be a very serious matter to undertake to impose marketing orders on livestock in this country.

Senator MILLER. Well, I would think that, too. If we are going to have a list that excludes items from coverage in this marketing order procedure, I am thinking of national types of crops, would it not be proper to have livestock as well as corn and other products listed there, to be included in that exclusionary list?

Mr. SHUMAN. I think that so far the only success in marketing orders are associated with either products that are produced on a rather limited scale or where the marketing of the product is restricted—such as fresh milk, to a certain area. And when the attempt is made to move marketing areas into these large national produced products like livestock or the grains or anything else, it is almost certain to be in deep trouble. So, I personally agree that there should not be an attempt made to put livestock under a marketing order.

Senator MILLER. With respect to your point that farmers generally have not favored this market order approach to go beyond what it now covers, if they do not want it they are not going to get it, because they have a vote and two-thirds of the producers, anyhow, to get it. Would not that two-thirds vote be sufficient protection for the farmers?

Mr. SHUMAN. No, it has not been sufficient protection, Senator Miller, in the past, because, in the operation of the referendums, all kinds of coercive devices are used and they are built in many times. Many of the questions that could be will be raised as to how these referendums will be conducted or the alternatives. Suppose they are rejected? What kind of retaliation is going to be visited upon farmers if they turn it down? We have referendums and referendums and the only time that we ever had a referendum in agriculture where the farmer was not under a coercive threat or some kind of retaliation was in the referendum in 1963 on wheat, and they turned it down. The other referendums they passed, because the alternative spelled out in the law or by the announcement of the Secretary was such that, in effect, they were forced to vote in a certain way on the referendum. And so we are opposed to the referendums. Very seldom do you have a referendum that gives the real free choice.

Senator MILLER. If there should be a law expanding the standard marketing order approach to other crops, do you suppose that you could provide for the record language which although it might not be completely satisfactory would relieve this problem of coercion that you refer to?

Mr. SHUMAN. Well, we would be glad to endeavor to work with the committee. We have not thoroughly discussed any possible alternative language, but I presume that it could be set up. The fault of the referendum approach, of course, on any of these is that if it contemplates the replacement of some kind of a supply-management device for the market system—and this is the fault—this is why the act of 1965 has failed—the decision is made by the administrator and they were sincerely made—there is no question about that—the Secretary of Agriculture did not deliberately plan to make the mistake he made in 1967, but he made a mistake, and the decisions he made this year in increasing or decreasing acreage—it was no fault that technological improvements advanced more rapidly—the misatke is in the legislation which is the authority for the supply-management. It has never succeeded. It will never succeed. And if you bring something up for a referendum, I do not believe that a majority of the farmers are any better able than the Secretary of Agriculture in making a decision of this kind. The only place to make the decisions is in the marketplace.

Senator MILLER. Mr. Shuman, I remember a few years ago when I cosponsored a bill which I know the American Farm Bureau supported. It provided for a large land retirement program. I recall that the bill provided that at the beginning, at the time of the planting season, the Secretary of Agriculture would determine the quantity or the amount of acreage that should be retired. If we followed that approach, the Secretary could make a mistake all over again in determining the quantity of acreage to be retired, too; could he not?

Mr. SHUMAN. This is possible. However, the reason that the cropland retirement approach is far superior to the attempt to control specific crops, is that the farmer himself makes the decision as to what he is going to plant, based on his judgment of the market. Now, the cropland retirement approach will not reduce the reduction in a huge amount, but it will permit adjustment to changes in the marketplaces and it will facilitate these adjustments much more intelli-

gently than somebody trying to guess ahead on how many acres of wheat or how many bushels of wheat or corn or anything else should be had. It is just pure mathematics that you multiply the chances for error when you try to decide each crop, whereas if it is a simple cropland adjustment or a retiring program the pressure is taken off overall, and it seeks its level in the marketplace through price changes.

Senator MILLER. I think that this was brought out in your colloquy with Senator Holland, but I want to make clear in my own mind your position on the objection to using the marketing order approach on crops. The principal objection is section 906, relating to producer allotments; is it not?

Mr. SHUMAN. Yes. This is one of the important objections. The attempt to use marketing orders to control production, in our judgment, will destroy the marketing order idea. We have been able to use it successively under certain limited conditions, but one sure way to destroy it will be to try to use it in the way that it cannot possibly succeed.

Senator MILLER. What I am getting at, I guess, is whether or not it would be possible to have section 905 and knock out section 906?

Mr. SHUMAN. Well, I think that would defeat the purpose of the folks who are trying to figure a way to get strict compulsory controls. I think that would be it.

Senator MILLER. It would be doing that, but at the same time it would preserve the purpose of allowing some limited area type crops to come under the marketing order approach, without getting into the producer allotment part, as I see it.

Mr. SHUMAN. I think this would have that effect, but the real purpose of including this section in here is to impose compulsory controls.

Senator MILLER. You see, when this farmer bargaining concept was advanced during the hearings on the marketing order approach, I do not recall that there was any testimony given that it was the purpose of this study to enable the Secretary of Agriculture to get into producer allotments or acreage allotments and marketing quotas, and all of that. As I recall, the thrust of the testimony was to give certain groups of certain limited types of commodities an opportunity to have the marketing order approach. If that is, indeed, the purpose or the thrust of the testimony, then it would just seem to me that section 905 could be enacted without section 906.

Mr. SHUMAN. The next step, you would have to determine what the real purpose was, I think.

Senator MILLER. Yes. One other question—or two other questions.

One point that I have been making is this: In connection with the movement on this legislation now, I am advised by the director of the agriculture research division at Iowa State University that they are updating their review of various types of farm programs. As I recall, there are some 16 in number. As you know, they have an extensive research organization out there. They go out to other agricultural colleges, too, and they use computers in their analysis. But they are not going to be able to have this updated survey completed until the end of this summer or near the end of this summer. My point has been that we ought to wait and derive the benefit of this exhaustive research that they are doing and the various alternative types of programs—some mandatory, some voluntary, some limited voluntary.

I think, perhaps, you are familiar with what they are doing out there.
Do you think that point is well taken?

Mr. SHUMAN. Well, yes, I think so. Naturally, all of us in agriculture are interested in having the best possible amount of research. I have considerable question as to whether these sophisticated machines and their projections produce any information of great value in comparison between one Government program and another. In fact, what you get out of the projection is no better than the assumptions that you feed into the machine. It was demonstrated by some research, some provisions that have been widely publicized, that came out of Washington as well as Iowa State University. They are not worth the paper they are printed on, if their projection is made by somebody who wants to prove, as most of these folks have in the past—wants to prove something, and so they feed certain assumptions into the machine.

The best research on Government farm programs is the research of 2 million farmers in the last 35 years.

And the reason that we are recommending strongly that the Congress wait until next year is that some of the judgment of this research will not be in until a couple or 3 months from now. I do not have any hesitation to say here that the farmers of the United States, most of them, do not want this extension. They are sick and tired of this act of 1965.

I had a long-distance telephone call Sunday morning from a wheat farmer in southern Illinois who has 300 acres of wheat. He said: "What are you fellows going to do to try to convince Congress that this wheat program is killing us?"

And he is a participant in the program. And they are getting $1.17 for wheat, and he knew what caused it; he knew about the domestic use tax, and he knew about the new exports tax. He was laying the blame on our shoulders, to some extent.

Of course, I tried to divert it. I said, "Who is your Congressman?"

The CHAIRMAN. Did you tell him about the 75-cent certificate that he was going to get so that his wheat would be $1.92?

Mr. SHUMAN. He only gets that on part of his wheat, and it is also taken off of him on the marketplace which he said was $1.17. That is all of the mathematics he was interested in.

The CHAIRMAN. Of course, I presume that this chap you talked to forget about the large crops that were grown in Europe which caused a lot of this trouble, as you know, or he ought to know and you ought to know. It was thought that the production abroad would not be as great as it was. That has been the cause of this.

Mr. SHUMAN. Mr. Chairman——

The CHAIRMAN. The point is, though—and I think the record will show—that the average price for wheat is—What? Is it $1.82? The average price? It will be about $1.87, which was testified to by the Secretary yesterday. That is in the record.

Mr. SHUMAN. That is perhaps so.

The CHAIRMAN. All this farmer did was to give the extra part of the wheat that is now being sold, but he forgets about the certificate altogether.

Mr. SHUMAN. I think that is natural.

The CHAIRMAN. Well, you do, too, because you forgot it yourself.

Mr. SHUMAN. On this matter of the European wheat production,

what caused the increase in subsidy payments in the Common Market? I asked the chief economist of the Common Market last summer. "Why are you folks insisting on it?" He said:

You cannot kid us. You are paying payments, you are making direct payments to the farmers; you are subsidizing the production of wheat in the United States, and the only way that our farmers can survive is that we equalize it.

So they have stimulated the wheat production, as the result of retaliation that they are exercising against our direct payment program. Once you start this route there is no end to it. Other people can subsidize production as well as we can.

Senator MILLER. Mr. Shuman, I would like to make the point that I thoroughly agree with you about the assumptions that go into the projections, but, in all fairness, I must say that my review of the Iowa State study indicates that they are quite willing and able to lay out their assumptions on the basis of which their projections are made, and I expect when they come out with their review at the end of the summer, those assumptions will be there for us to evaluate as well as their projections. I think that is the proper way to do it so that the assumptions are not hidden—they are out on the table where we can evaluate them. If we agree with them, fine, then the projections may be useful.

Mr. SHUMAN. I will have to agree that there is one difference between the projections made by Iowa State University in the past and those made down here in Washington, and by other people, that they, at least, laid out the assumptions although they could not always defend them. I met with them soon after they made the original studies, and there was some questions as to why they did not use certain other assumptions that they had not used, but, again, I say that the projection is no better than the assumption put it, and if you will let me put the assumptions in I will get one set of results, and if the Department puts them in, they will get another set of results. Machines are not dishonest. It is just what you are talking about.

Senator MILLER. One last question. I indicated yesterday my deep concern over the trend of our favorable balance of exports over imports of agriculture commodities. In 1967, I understand, on the basis of Government figures, that for the first time in 4 years our favorable balance fell below \$2 billion down to about \$1.9 billion. This of course includes commercial and freedom-from-hunger and Public Law 480 shipments. By the time you take the last two into account, if you are only looking at the commercial favorable balance, it is down to about \$300 million. This is a trend that has been occurring since 1964.

Can you tell us what impact, if any, the present farm program which is proposed to be continued now for 4 years has had on that?

Mr. SHUMAN. I am absolutely convinced that one of the major causes for retaliation that has been exercised against us by many countries, including the Common Market countries—the major cause of it is our domestic farm program. I have been told this repeatedly, and I have read it in publications that the justification for their stand, such as at the GATT sessions last year that were carried on for many, many months, was that we still insisted on making direct payments to producers of wheat, and feed grains and cotton in this country, and that this, in effect, was an export subsidy. It subsidizes the production at a low cost, and then our products, they say, are

dumped on the world market. They retaliate with variable duties, with a premium or a bonus or a subsidy of one form or another. I think our farm programs must take a large responsibility for the decline of export sales of farm products from this country.

Senator MILLER. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Senator Byrd?

Senator BYRD. Thank you, Mr. Chairman. I want to say that I share many of the apprehensions and doubts expressed by Mr. Shuman and by many of the individual members of the Farm Bureau. After yesterday's testimony, I became convinced that I would not cast my vote for a 4-year extension of this program. It does not seem sensible or logical to me to extend this program in 1968 with its many disadvantages as well as benefits until January 1, 1974. I have been inclined to go along with a 1-year extension, but I am more convinced today than I have been in the past that it would be unwise to extend this program for 4 years.

Mr. SHUMAN. Might I suggest that even a 1-year extension is unnecessary with the amount of time there will be for the new Congress to act, and this 1 more year of this act is going to prove disastrous for many, many farmers where they are concerned, because this act is a tragic mistake.

Senator BYRD. Thank you.

The CHAIRMAN. Senator Hollings?

Senator HOLLINGS. Do you approve of the Presidential Executive order as to import quotas on dairy products?

Mr. SHUMAN. Yes, sir. As early as last February, I think it was, we urged that the President act under his authority to limit the imports because of the use of various subterfuges, the development of new products, nullifying the intent of the legislation, and we were actually being the dumping ground for certain dairy products. The more recent action is to expand it to cover additional products.

Senator HOLLINGS. And the American Farm Bureau approved of the import quotas as a means to control this?

Mr. SHUMAN. We have supported the provisions in the legislation to provide for escape procedures when there is evidence that any segment of our industry is being unduly hurt. We have opposed separate legislation to impose controls on the ground that the legislative route is unnecessary and that really invites retaliation, whereas, under the authority that the President has now he can act on these rather glaring cases and give us the kind of protection that we have to have, rather than seeing our market destroyed. We are not for blanket imposition of quotas.

Senator HOLLINGS. But the President, when he does act, he acts in response to legislation, does he not?

Mr. SHUMAN. He acts under the authority that has been given him for this action and also as the result of investigations, and we feel that if Congress acts to impose blanket quotas, in the face of the changing picture, so far as trade is concerned, it does not lend itself to flexibility, it makes it too inflexible. We think that the present authority that the President has is sufficient. We think that the imposition of a quota on the import of beef proved not to be an effective action. There were too many loopholes. There have to be loopholes in legislation, I suppose,

but it would have been far better to have depended on the authority that the President has under existing legislation.

Senator HOLLINGS. By this, do you think that a simple quota is a salutary action and that the American Farm Bureau Federation approves it?

Mr. SHUMAN. We approve of the action of the President in this dairy case.

Senator HOLLINGS. And yet, that was before the Tariff Commission had made a report on it.

Mr. SHUMAN. There was an investigation in March or April, was there not? As to the current action, there was no further investigation on it.

Senator HOLLINGS. That is right. The Tariff Commission had not made its report, and yet you approved of the Executive action.

Mr. SHUMAN. I say, it was taken withot our request. I do not condone the idea of bypassing the Tariff Commission and the legislation which calls for an investigation. It could have certainly been a supplemental investigation that could have been made.

Senator HOLLINGS. What about the retaliation that you were referring to in respect to the domestic farm products?

You said that it was used by the Common countries. You felt it was due to the domestic farm policy; that the imposition of import quotas would invite retaliation?

Mr. SHUMAN. Yes, I do. And to some extent, this would occur with the imposition of the quota on certain dairy products. However, the action of the President can be modified at any time if there is a change in the situation. And, furthermore, it is not quite as decisive as it is where we are stimulating production by direct payments to farmers who produce wheat and corn and cotton. The direct payments stimulate increased production. I do not think that the imposition of quotas on certain kinds of dairy products have the same stimulating effect on the production of dairy products. And in that case, we are not selling very much dairy products in the world market. We sell some dry skim milk products, but we do not sell the huge quantities as we do in the case of wheat and other products.

Senator HOLLINGS. You ended up your discussion with the statement:

> Instead of continuing down the dead-end road of Government supply-management—with acreage limitations, stockpiles to depress market prices, price fixing, and subsidies—farmers need a broad-base program to expend markets, increase prices, cut costs, and thus provide the basis for increased net farm income.

Do you have anything on that?

Mr. SHUMAN. We do. We have gone into some detail on that in the previous testimony before this committee in the early spring. You can find it beginning on page 136 of the hearings of April 3–24, 1968. This is just a brief outline of that statement. One of our important planks in our program is to eliminate the authority of the Secretary of Agriculture to use the supplies which are accumulated and which he will accumulate under the programs of the act of 1965 to depress farm prices by dumping them on the market. We would place a restriction on the use of these commodities being placed on the domestic market.

The second plank in their program is to increase the export markets, to aggressively work for increased opportunity for exports. And we favor the elimination of the direct payments to farmers. When we take

this action we can go, honestly, to the negotiating table and say that "We have eliminated these export subsidy type of payments to farmers and now it is time for you to come down."

Another plank in our program is that the cropland retirement program, without reference to the individual crops, would take out a considerable acreage of land and reduce the pressures for increased production.

Another plank is that we would propose that in order to eliminate the flow of commodities into the Commodity Credit Corporation, instead of the nonrecourse loan, in order to help farmers we would be in favor of having a recourse type of loan.

There are some other points, but this is an outline of the proposals we have made.

Senator HOLLINGS. Since we are having these hearings, and I am a newcomer to agriculture, I would like to have in black and white an answer to this: If you were the Secretary of Agriculture or a Senator and you were going to enact the Farm Act, I would like to have in black and white what you would vote for—what action you would propose. Would you do that for me?

Mr. SHUMAN. I will be glad to provide our recommendations. What I would recommend would be the Farm Bureau policy we have it pretty well spelled out.

Senator HOLLINGS. I am trying to get to that. Just a broad, basic program, and you want to expand the markets. I am not talking about that. I am talking about the plan, exactly how you would do it.

Mr. SHUMAN. We have introduced into the Congress, by several members of the Congress, specific bills, and I will be glad to provide you this information. You will find detailed explanation of our proposed programs beginning on page 147 of the earlier mentioned hearings.

Senator HOLLINGS. Encompassing an overall agriculture act similar to this one passed in 1965?

Mr. SHUMAN. Yes; it would involve the changes that we would make.

Senator HOLLINGS. Thank you.

The CHAIRMAN. The program, in essence, is, of course, to have the farmers agree to leave certain acreage idle, the government having to pay for that, and to let the farmers decide what they desire. They are to be the judges of it. That is, in essence, the difference between what we now have and what Mr. Shuman is suggesting.

Mr. SHUMAN. There are some other important differences.

The CHAIRMAN. That is the main thing.

Mr. SHUMAN. That is one of them.

The CHAIRMAN. That is the main thing.

Mr. SHUMAN. Well, I would not agree that it is the main thing. The main thing that we do in our bills is to eliminate the authority of the Secretary of Agriculture to manage the prices and the acreage.

The CHAIRMAN. In other words, let the farmers plant what they desire to plant and to depend on the marketplace for what they receive for their commodities.

Mr. SHUMAN. And to eliminate the subsidies.

The CHAIRMAN. That is the difference.

Senator BYRD. Could I ask just one more question?

The CHAIRMAN. Surely.

Senator BYRD. In your judgment, is the present farm program more expensive to the taxpayer than it needs to be?

Mr. SHUMAN. Senator Byrd, I suppose that if you would make the question whether it is more expensive to the taxpayer because of the administration, I would not know, but it is more expensive than there needs to be as compared to some alternative farm programs; yes.

Senator BYRD. It is more expensive than what the Farm Bureau recommends?

Mr. SHUMAN. Oh, yes. The recommendations that we would make would reduce materially the cost to the taxpayers.

Senator BYRD. Thank you.

The CHAIRMAN. Are there any further questions?

If not, the next witness is Mr. Dunkelberger.

STATEMENT OF EDWARD DUNKELBERGER, ON BEHALF OF THE NATIONAL CANNERS ASSOCIATION

Mr. DUNKELBERGER. Mr. Chairman and members of the committee, my name is Edward Dunkelberger. I am a member of the firm of Covington and Burling and am appearing today on behalf of the National Canners Association—a nonprofit trade association whose members pack approximately 85 percent of the entire national production of canned fish, fruits, vegetables, juices, specialties and meat. We very much appreciate this opportunity to appear today to present the views of the canning industry on title IX of S. 3590, which is essentially the same as title II of S. 2973, and which would enact a number of amendments to the Agricultural Marketing Agreement Act of 1937.

The canning industry and the growers who produce canning crops have for many years recognized their mutuality of interest, for quite obviously each would be helpless without the other. Planting, cultivating, and harvesting the fruits and vegetables, transporting highly perishable raw commodities to nearby processing facilities for canning, and labeling, storing and shipping the finished canned product to markets throughout the country and the world is a continuous process that cannot realistically be broken into discrete segments or divided into conflicting interests. The close degree of cooperation that has long existed between growers and canners of fruits and vegetables is ample evidence of their vital interdependence.

As canned food production and per capita consumption have increased from year to year, growers have devoted more and more acreage to canning crops to meet this rising demand at a time when Federal subsidies and other Government programs have rewarded farmers for growing, or not growing, many basic commodities and other farm crops. Farmers have continued to commit their acreage to the production of unregulated annual and perennial canning commodities, and they give every indication that they will do so for years to come.

At this point, Mr. Chairman, I would like to take the liberty of introducing a point that is not in our prepared testimony. It will take just a minute. The references to the free market system and the prediction that these crops would be continued to be grown by farmers, young and old, is perhaps an appropriate place for us to mention the 14-year-old program of the National Canners Association and the National Junior Horticultural Association, which sponsor a contest among young people between the ages of 14 and 16 in one group and

between the ages of 17 and 21 in another. I would like, if I may, to introduce for the record a brief description of the National Canning Crops Contest, and a listing of the winners of those contests for 1955–67, which indicates the State they grew the commodity in, the total acres they grew, the yield per acre (which you will see, is, in many instances, quite a remarkable yield) and the net profit. They were operating under very carefully prescribed bookkeeping and accounting principles. The winners are given awards at the National Canners Association spring meeting. In each instance, the winner was one of many outstanding participants.

As a followup, we contacted the winners in 1955 through 1967 and found out what they are doing now. We were delighted to find out that virtually in every case, with one or two exceptions because of unusual conditions, they have stayed in farming. They have continued in many instances to raise canning crops and to stay on the family farm. We think this contest is an indication of how canning crops can be raised profitably and how our industry encourages young farmers.

We would like those introduced into the record.

The CHAIRMAN. Without objection, that may be done.

(The documents referred to follow:)

NATIONAL CANNING CROPS CONTEST FACT SHEET

HISTORY

The National Canning Crops Contest has been in existence for 14 years. The annual competition is co-sponsored by the National Junior Horticultural Association and the National Canners Association.

PURPOSE

Encourage young people to develop horticultural techniques and skills in the progressively complex field of agriculture. Provide practical competition offering experience in the production, harvesting, handling, marketing, and use of the canning crops. Emphasize the key role of the grower in the canning industry and in the nation's economy. Convince youth there are many career opportunities in the food industry that must be filled to meet the challenges of the future.

ROLE OF NJHA

Organize and administer contest procedures. Provide contest awards through the NJHA Foundation and its Board of Trustees which consists of less than 20 outstanding representatives from private and public institutions.

ROLE OF NCA

Provide advisory and financial assistance to NJHA. Promote and publicize the contest. Honor the national champion at the Association's spring Board of Directors meeting in Washington, D.C.

TWO SECTIONS

(1) Junior section—ages 14 through 16. (2) Senior section—ages 17 through 21.

ELIGIBILITY

Contestants must be members of NJHA, file a contest enrollment card, obtain a project advisor, raise a crop, keep a record of all methods used and costs involved, sell the crop to a canner, file a project standard report form with the state NJHA chairman.

BASIS OF AWARDS

Skill in production of a canning crop in relation to growing conditions; objectivity reflected in a scientific analysis and evaluation of crop progress; farm and

management techniques utilized from planting to sale of the crop; school and community activities.

AWARDS

National (one winner).—$100.00, purple rosette ribbon.

Regional (four winners).—NJHA blazer, gold wrist watch, gold NJHA pin, blue rosette ribbon.

State.—Silver NJHA pins and blue ribbons to the top two winners; red ribbons to the third, fourth and fifth place winners. Local associations and organizations in the food field, canners in particular, offer awards such as plaques, expense-paid trips to the annual NJHA convention, and scholarships.

(NOTE.—Junior section awards are not the same as those listed above, but winners do receive plaques, NJHA pins and ribbons. Winners in this section are not eliminated from further participation in the Senior section.)

WHAT THE CANNING CROPS CONTEST CHAMPIONS ARE DOING NOW

1955: *William Rockefeller*, Phelps, New York; partnership with father on family farm; five children; on looking back, father considers CCC a significant part of William's decision to continue farming.

1956: *Gary Bishop*, Mt. Blanchard, Ohio; Farms on family farm—partnership; part-time work in aircraft plant.

1957: *James T. Wormley*, Rural Route 1, Oswego, Illinois; stationed in D.C.; First Lt.; took undergrad degree in agriculture from University of Illinois; took MBA from Stanford; is a CPA; before going into service worked for Deere & Co. in Moline; very definitely has no problems for jobs in future; firm in agribusiness can't fill positions.

1958: *James Junion*, RFD 1, Casco, Wisconsin; out of agriculture because of health reasons.

1959: *Robert E. Green*, Rushville, New York; own and operate a dairy farm with brother; bought five-hundred acre farm from father.

1960: *Alvin W. String*, Woodstown Road, Harrisonville, New Jersey; has remained on the farm and intends to remain in the future; has three children; still growing tomatoes and now owns dairy.

1961: *Donald E. Martin*, Chambersburg, Pennsylvania; fulltime on farm; family farm.

1962: *David B. Anderson*, Route 3, Hector, Minnesota; B.S. at S.D. State at Brookings; U. of Wisconsin—M.S. in Meat Science; going to study for Ph. D in U. of Wisconsin—meat science and biochemistry; hopes to come back to family farm.

1963: *Leonard E. Meyer*, RFD 4, Leipsic, Ohio; Ohio State University; Air Force; electronics; from a family farm; still considering what to do; parents want him.

1964: *John H. Kruepke*, Rural Route 1, Jackson, Wisconsin; University of Wisconsin; studying for Ph. D in Horticulture (Botany).

1965: *E. Bruce Jones*, Fostertown Road, Medford, New Jersey; pre-law student; going into senior year; after law school, his parents hope he will help manage the family farm.

1966: *Ralph J. Hemminger*, Rural Route 2, Geneva, New York; Cornell University; Agriculture School; Hopes to return to family farm.

1967: *Tom Rigel*, Rural Route 4, Leipsic, Ohio; National School of Chiropractic in Lombard, Illinois; hopes to help manage family farm.

Year	Name	State	Commodity	Total acres	Yield per acre	Net profit
1955	William Rockefeller	New York	Beets	2	20 tons	$1,020.68
1956	Gary M. Bishop	Ohio	Tomatoes	5	18.4 tons	1,387.21
1957	James T. Wormley	Illinois	do	2	22.7 tons	423.87
1958	James J. Junion	Wisconsin	Green peas	12.5	3,811 pounds	539.02
1959	Robert B. Green	New York	Beets	14	11.5 tons	1,123.34
1960	Alvin W. String, Jr.	New Jersey	Tomatoes	9	24.17 tons	2,333.10
1961	Donald E. Martin	Pennsylvania	do	2	23.57 tons	592.09
1962	David B. Anderson	Minnesota	Sweet corn	10	9.4 tons	800.00
1963	Leonard E. Meyer	Ohio	Tomatoes	2.26	35.5 tons	530.71
1964	John Kruepke	Wisconsin	Beets	5	11.89 tons	356.50
1965	E. Bruce Jones	New Jersey	Tomatoes	5	13.6 tons	1,612.39
1966	Ralph James Hemminger	New York	Beets	4.7	17.76 tons	896.47
1967	Thomas E. Rigel	Ohio	Tomatoes	8.2	19.4 tons	1,577.75

Mr. DUNKELBERGER. We believe this record is evidence that the best long-term program for that segment of agriculture which is devoted to the raising and processing of canning crops is the system of individual competition, contract farming, and effective cooperation between canners and growers. We wish to emphasize that this is a positive program which has worked in the past, and which we feel will continue to work in the future.

The National Canners Association accordingly opposes title IX of S. 3590, which would amend the Agricultural Marketing Agreement Act of 1937 to authorize Federal regulation and control in the production of and bargaining for canned crops.

First, these amendments would provide a means for authorizing comprehensive supply controls to be applicable through marketing order machinery to all canning crops. Second, title IX would write into the act authorization for compulsory collective bargaining for price and other terms in the purchase and sale of canning crops.

Turning first to those provisions of title IX that would in effect eliminate the general canning crops exemption, section 901 of the bill would amend section 8c(2) of the act to provide that any agricultural commodity—including fruits and vegetables for canning and freezing—may be made eligible for regulation under a marketing order, without regard to the exemptions and limitations in other provisions of 8c(2), if the majority of the producers of the commodity indicate their approval of such eligibility in a referendum conducted by the Secretary of Agriculture.

The effect of such approval by a simple majority of the farmers voting in the referendum would be to authorize a wide range of controls for the commodity in question, including restrictions on the quantity and grades of the commodity that processors could purchase from each grower. Both the determination to adopt a marketing order for a canning crop and the year-to-year decisions to impose specific limitations upon the purchase of the commodity would be made on the basis of grower approval, without reference to the views of the canners who would be responsible for processing the crop and marketing the finished product. To be sure, canners would be permitted to express their views, but it would be the growers and the Secretary who would have the sole right to make the decisions.

Documented studies have established that marketing order supply controls have not proved beneficial in the long run for growers of canning crops. Such controls have aggravated, rather than solved, problems of chronic oversupply. They have not provided improved returns to individual growers, and they have undoubtedly failed to meet the expectations of their proponents.

If artificial supply controls have the shortrun effect of raising somewhat raw product prices, experience has shown that new growers are encouraged to plant the commodity and existing growers expand their acreage. Thus, at a time when higher prices dampen consumer demand and turn housewives to substitute products, production of the commodity increases, and a persistent oversupply problem is created. The total revenue from the product must not only be divided among a larger number of growers, but must also be diminished by the cost of the administration of the order.

Accordingly, we continue to believe that such attempts to assure long-term profitability by artificial supply restrictions are doomed to failure. We are thus opposed to any amendments to the Agricultural Marketing Agreement Act that would repeal, or provide a technique for repealing, the longstanding general exemption for fruits and vegetables for canning and freezing.

Although we question that long-term benefits can be realized for growers of canning crops through supply control programs, the National Canners Association is not opposed to all so-called marketing order programs. For example, we are not opposed to all grower-financed Federal programs for promoting and advertising particular commodities, such as that enacted 2 years ago for cotton. We believe that processor funds can be most efficiently spent in advertising and promoting the product of each company, but we would not oppose legislation providing for the assessment of growers—by a checkoff, if necessary—to finance commodity promotion programs.

Nor are we opposed to appropriate legislation authorizing industry programs for raw product research and reasonable raw product quality standards for the purpose of eliminating unsuitable raw materials, if processors are afforded an equal voice and vote in the formulation, adoption, and administration of the programs. Many people in our industry believe minimum raw product standards, which might include provision for third-party grading, may be an effective means to eliminate unsuitable raw material and to upgrade the product, if such quality improvement programs are not used as a means of supply control.

In addition, our industry has pledged its willingness to consider the authorization of supply controls for individual perennial canning crops if growers and processors believe that short-term difficulties may be alleviated in this manner. But such supply controls for perennial crops should be authorized by Congress only on an individual basis, and only if processors are given an equal voice and vote in the formulation, adoption, and administration of such a program. Under no circumstances should any controls apply to the commodity after the canner has taken possession and become responsible for payment.

The second major innovation that would be introduced by title IX of S. 3590 would be to enable growers of a commodity to impose compulsory collective bargaining on all growers and processors of the commodity. This proposal is apparently based on the assumption that growers are in an inferior bargaining position in their negotiations with processors, and that these growers have thus been unable to obtain a fair return for their crops.

But the comparative bargaining power of growers and processors depends in any particular instance on a number of factors, including:

The markets for and perishability of the crop;

The availability to growers of alternative crops or other uses for their land;

The extent to which bargaining takes place prior to planting of harvest;

The relative number of growers and buyers within the production area;

The efficiency and productivity of the individual grower;

The need for processors to obtain sufficient raw product to meet production commitments; and

The extent to which growers feel it is desirable to take advantage of the antitrust exemption granted by the Capper-Volstead Act to bargain collectively for the sale of their production.

Any discussions of farmer bargaining power should begin with the Capper-Volstead Act, under which growers may join together to form agricultural cooperative associations and to process or sell their production exempt from the Sherman Act's prohibition against such collective action. Unlike other commercial enterprises, members of an agricultural bargaining association may agree in advance on the price they will charge to purchasers of their crops, and may delegate to a common marketing agent—the bargaining association—the exclusive right to negotiate for the sale of their production.

Canners and other purchasers of farm commodities are of course fully subject to the Sherman Act, which prohibits joint bargaining or buying activities. There can thus be no question that farmers have had for many years the legal capability to correct any imbalance they feel may exist in bargaining power by organizing voluntary producer associations and enlisting as many of the growers in the production area as wish to join.

The National Canners Association fully recognizes this important right of growers to join together for bargaining purposes. Many NCA members of all sizes deal with agricultural bargaining associations for the purchase of a variety of canning crops.

On the other hand, some canners believe it is to their interest, as well as to the interest of their growers, to maintain the individual canner-grower relationship that has enabled them to meet the increasing demand for high quality canned fruits and vegetables at a reasonable price, with a fair return to the grower.

For this reason, we must emphasize that the question of whether a company chooses to purchase its raw products by means of negotiations with individual growers, or by means of collective bargaining with an agricultural association, has been—and will remain—a question of individual company policy on which this association takes no position. In the same way, each grower must remain free to decide for himself whether he wishes to deal independently with canners and other purchasers, or to bargain collectively through a joint marketing agent.

Although a large number of growers of canning crops have named an association as their bargaining representative, many growers have apparently concluded that in view of the profit they receive from canning crops and their close working relationship with one or more canners, they have nothing to gain from joining an association and surrendering their right of individual negotiation with canners for the sale of their crops.

As this committee well knows, several farmer organizations have charged in recent years that processors have engaged in discriminatory and coercive practices against growers who have joined or who wish to join bargaining associations, thereby denying the right of growers to take advantage of the Capper-Volstead exemption for grower collective action. In testifying on S. 109—a bill proposed by Senator Aiken and others to prevent such alleged discrimination and coercion—the National Canners Association emphasized that it would not oppose the bill if it were modified to meet reasonable objections to some of its provisions.

This committee subsequently reported out a revised and widely supported version, and only recently both the Senate and House completed action on the bill in substantially that form. In our view S. 109 as enacted should serve as further assurance that freedom of choice and action will and should be preserved in the purchase and sale of farm commodities for processing. This association firmly believes that the introduction of private or government compulsion into the bargaining process would be contrary to the interests of growers, processors, and the consuming public.

We have never countenanced private coercion from any source to deny the right of growers to make their own choice for individual or collective bargaining. And we feel just as strongly that such coercion should not be imposed by the enactment of legislation that would compel collective bargaining and force all growers and processors to accept the prices and conditions agreed upon by industry bargaining representatives.

For this reason, we strongly oppose those provisions of title IX of S. 3590 that would compel all growers and handlers to abide by the price, or other terms established in negotiations, between an elected producer committee and handlers or groups of handlers. This compulsory bargaining procedure would totally eliminate competition, individual initiative, and independence in bargaining for the purchase and sale of canning crops.

Industrywide price-fixing negotiations for each agricultural commodity could very well disrupt the effective allocation of national resources now achieved through a balance of supply and demand and the sensitivity of prices to varying consumer tastes and preferences. Almost certainly the interests of consumers would be sacrificed for those of growers, and perhaps processors. This fact is made particularly clear in those provisions of the bill under which the Secretary would be empowered to disregard parity as the upper limit to the price that a commodity subject to a marketing order may reach before the order must be terminated.

A basic purpose of the present act is to bring about marketing conditions that will result in parity prices to farmers. But in order to protect the interest of the consumer, no action may be taken under an order which has the purpose or effect of maintaining prices above parity. This basic protection for consumers would be eliminated by the bill, for the Secretary would be able to specify a price above parity as the upper permissible limit for commodities subject to a marketing order containing provisions for compulsory collective bargaining. Quite clearly his specification of such a price could have a persuasive, if not a controlling effect on the producer bargaining committee, who would almost certainly attempt to insist on that price.

In conclusion, the National Canners Association believes that title IX of S. 3590 is not in the interest of growers, processors, or consumers. Within the past few months, Congress responded to the demands of farm organizations by enacting legislation designed to protect the rights of farmers to bargain collectively or individually. Nevertheless, many of these same organizations are now appealing for further farm bargaining legislation—legislation that would directly contradict the guarantee of individual freedom of choice provided in

S. 109. We earnestly request that this committee not recommend enactment of title IX of S. 3590. Thank you.

The CHAIRMAN. Have you any amendments to suggest to the bill, or are you against it in any form as presented?

Mr. DUNKELBERGER. We have no position on the first eight titles.

As for title IX as presently constructed—we do not see how it could be amended. We have suggested in our testimony, however, the type of legislation that we would not oppose if the growers of the particular commodities felt that certain types of Government programs could be beneficial to them.

The CHAIRMAN. Do you think that the act passed recently, which you described as being introduced by Senator Aiken, would improve the situation insofar as the growers are concerned in being able to obtain a better price for their commodities?

Mr. DUNKELBERGER. Mr. Chairman, that certainly was the testimony of the proponents at the time that they came before this committee. They expressed a dire need for the legislation. They said that it would provide important benefits to farmers and bargaining associations. We concluded that we would not oppose that legislation if they felt it was necessary and if it could be amended in some respects. An accommodation was worked out and the bill was passed. It has not yet even had a chance to operate. It does assure that the individual grower cannot be coerced or discriminated against if he decides to exercise his rights under the Capper-Volstead Act.

We feel that we should take the proponents at their word. That bill should be effective if, in fact, such coercion and discrimination exists, and should solidify their rights under the Capper-Volstead Act. We feel that it certainly should be given an opportunity to operate, rather than 2 months later coming back with more bargaining legislation.

The CHAIRMAN. Of course, you understand that this could not go into effect unless two-thirds of the farmer-producers agreed to it, to appoint their own bargaining group.

Mr. DUNKELBERGER. Yes, sir; as I understand it, the commodities would be made eligible by a mere simple majority of the producers voting in a referendum, and then hearings would be held. The marketing order would be proposed, and the marketing order could not go into effect unless approved by either two-thirds of the growers voting in the referendum or by the growers of two-thirds of the volume of the commodity. It is an either/or proposition; either one the Secretary may take. We recognize that fact, but we share Mr. Shuman's reservation about the wisdom of permitting any economic segment collectively to decide on a planning basis how to control the production of the commodity or how to bargain collectively. We feel, at least for canning crops, that the free market system has worked very well.

The CHAIRMAN. That system, as I understand, is that the canners in the community would contract with farmers to grow so many acres of beans and corn, and then buy it at a set price.

Mr. DUNKELBERGER. The way the negotiations work at the present time is, if there is no bargaining association in the area, that the canners go out, the fieldmen go out, and contract with the growers as they have done in the past. They indicate a price that they feel is a fair price. If the individual grower does not like it he says so. After the fieldmen have made their tour, if they feel that the price they have named is

not high enough to induce enough growers to produce the volume that the canning company must have if it is to maintain its label and its place in the market, then they will name a higher price.

In the case of the annual crops, such as annual vegetables, in each year they negotiate prior to the planting season, which gives the grower an opportunity to measure his opportunity to grow canning crops as against his opportunity to devote his land to other uses, agricultural or otherwise. And we feel that the contract system, prior to planting, has worked well. It is equitable, and it gives the farmer the degree of freedom of choice that he would not have if the negotiations took place when the farmer drove up to the canner's dock with a perishable commodity in the back of the truck.

The CHAIRMAN. To what extent has the farmer any choice in fixing the price that he is to receive for beans or for any product that may be canned?

Mr. DUNKELBERGER. Well, I think that——

The CHAIRMAN. Is he not at the mercy of the canner?

Mr. DUNKELBERGER. He is at the mercy of the canner only in the sense that if the grower looks at the offer of the canner or other canners and says "I do not like the price," he can then devote his land to other uses. But the canner must have the commodity. The canner, in that sense, is at the mercy of the grower. If enough growers decide that they are not going to grow beans or tomatoes this year, then the canner is clearly the one who will suffer. He cannot maintain his markets, he cannot maintain any profits whatever without the line of vegetables that he has sold for years. The grower is not in that sense helpless at all. He can make a free choice at the time before he even plants the product.

So, surely, the canner may be the one who names the price originally, but if the grower does not like it he refuses to raise the commodity.

In addition, the grower is entirely free to join a bargaining association to give him some of the collective bargaining power that the proponents of bargaining claim can be realized. But our experience has been that in many commodities, tomatoes and many others, that there have been plenty of growers who have been eager to raise tomatoes for canning. They have been more than happy to raise tomatoes for the prices they have been realizing. If the price that a canner is offering for any other vegetable is not satisfactory, then the growers have gone to soybeans and other uses for their land.

The CHAIRMAN. Are there any further questions?

Senator Holland?

Senator HOLLAND. Yes, sir.

I note in the last paragraph of your statement something I would like for you to clear up. You say that the Congress has passed in recent months legislation of the type that you mention. I think you are talking about S. 109?

Mr. DUNKELBERGER. Yes.

Senator HOLLAND. You do not say so in that particular sentence.

Mr. DUNKELBERGER. I am sorry.

Senator HOLLAND. You were talking about S. 109?

Mr. DUNKELBERGER. Yes. We should have indicated that. That is exactly what we were talking about, S. 109.

Senator HOLLAND. There are two other subjects that I would like to go into.

On page 3 of your statement, you say, and I quote:

Documented studies have established that marketing order supply controls have not proved beneficial in the long run for growers of canning crops.

What commodities are you talking about there?

Mr. DUNKELBERGER. Under the Federal act only six canning crops are eligible for marketing orders, and to my knowledge only one of those has been implemented, that for cranberries. Of course, that crop has the unusual situation of a processing association which has the great majority of the growers signed up. The studies that we referred to involved marketing orders under State authority in the State of California for cling peaches and asparagus. As the Senator well knows, cling peaches are grown virtually exclusively in California.

Senator HOLLAND. Yes. My understanding has been that the State marketing order has brought them a rather prosperous situation which is invidious to other fruits. Do you have a different opinion?

Mr. DUNKELBERGER. Very definitely, sir. The National Canners Association, because of this experience with the cling peach order in California over a 30-year period, thought that it would be beneficial to obtain independent research on this, and they asked the Stanford Food Research Institute—Dr. Jamison and Dr. Brandt—to make a study of the cling peach order. Their study is printed in a volume that thick [indicating], which I would be happy to make available to you or to the committee, it being too burdensome to put into the record. It comes to an opposite conclusion.

The oversupply of cling peaches, which was the very problem that the growers of the commodity were concerned about, has been aggravated rather than solved.

I would like to read from this—this is a reprint, a summary of that study, which I will be glad to leave with the committee, in which it says, for example—excuse me, I cannot find the exact quote, but they conclude that a short-run increase in prices in cling peaches encouraged the growers to increase their plantings, and encouraged other growers to plant cling peaches, so that they had a greater supply of cling peaches than they had at the beginning. As for returns—he compares, for example, the cling peach record with that of Bartlett pears growing in the State, which have not been regulated by an order. He concludes that the pear producers have fared better than the cling peach producers.

Senator HOLLAND. Of course, the pear producers are competing with the industry in other States whereas the cling peach is certainly not. Virtually, all of the cling peaches are produced in California.

Mr. DUNKELBERGER. And you would think that would redound to the benefit of those who are in a position to control their market.

The California pear producers have to worry about the competition from Oregon and Washington, and also the competition from various other fruits.

Senator HOLLAND. Are you saying that the cling peach producers have abandoned their State order?

Mr. DUNKELBERGER. They have not done so. They have the great problem of oversupply.

Senator HOLLAND. My understanding is that they are very happy about this program and that they will continue it. They feel that they have gotten great benefits from it. Do you differ from that?

Mr. DUNKELBERGER. All we can say is, looking at the record, we feel they have not benefited from it. They do have an oversupply problem, and if some explanation need be found for their continued support of it, I guess that it would be that they feel they need some means each year to put a damper on the production of cling peaches, so that they will not have all of the growers in the State producing cling peaches for canning.

Senator HOLLAND. It seems to be a provision for the disposition of surplus fruit. And they have very strongly adhered to that program, and they think it has been very profitable to them; do they not?

Mr. DUNKELBERGER. It is not my understanding that they believe it has been very profitable.

Senator HOLLAND. Why are they adhering to it then?

Mr. DUNKELBERGER. As I explained, I believe, I think because of the excess production capacity—because of the large number of cling peach trees. They feel that they must have it on a year-to-year basis; that is, to have some technique to have a green-drop or pulling trees to avoid the complete capacity coming into the market each year.

Senator HOLLAND. They do have under their marketing agreement, though, the machinery and facilities for reducing their crop, for doing away with their surplus, such as the green-drop and also pulling the trees?

Mr. DUNKELBERGER. Yes. sir.

Senator HOLLAND. They are adhering to the program.

Do you not think that the growers themselves are capable of judgment as to whether or not the program is good for them?

Mr. DUNKELBERGER. Well, Senator Holland, individual growers can arrive at their own conclusions. I think it is controversial.

Senator HOLLAND. They are continuing the program, and they have not paid much attention to the canner's findings by two learned scientists, that their program is not a good one.

Mr. DUNKELBERGER. As I explained, though, the feeling is, because of the problems that have been created, that they need some technique on a year-to-year basis to solve the problem that has not been solved in a long-term basis.

Senator HOLLAND. Do these two learned scientists who studied it wish to do away with that technique?

Mr. DUNKELBERGFR. No; they do not. They look at the record. They conclude that it has not worked as well as it has for unregulated industry.

Senator HOLLAND. The two instances that you gave are the only ones that exist in this field, the cling peaches and cranberries? And in both instances, they have felt their efforts were worthwhile and they have continued them, have they not?

Mr. DUNKELBERGER. They have continued the cling peach order, as I have said, in order to try to solve the yearly oversupply problem.

The cranberry order is subject to special circumstances. There is an agricultural cooperative that represents—I do not know the figure—a very large percentage of those growers.

Senator HOLLAND. But the growers themselves, though, have been able to judge as to whether or not they have been benefited and they have continued the arrangement. Do you not think that they therefore continue to belong to that cooperative and they continue to carry out their system of controlled volume?

Mr. DUNKELBERGER. Certainly, for the last 3 or 4 years it has not controlled volume under the cranberry order. They are considering right now a provision to prevent oversupply coming into that area, but it has not been in existence for the last few years. And I am sure that the Senator is aware that the referendum on the marketing order for cherries for canning and freezing was, in fact, turned down by the growers of the commodity.

Senator HOLLAND. Well, of course, that is a commodity produced in several States, and it has been approved by a very large majority in some States and it has been voted down in other States, as I understand it. If you have different information, I will be glad to put it in the record. It is an illustration of the fact that these marketing agreements other than on a limited area basis are very hard to work out.

Mr. DUNKELBERGER. Senator Holland, I guess that you might conclude that the growers of grapefruit believe that marketing orders are not beneficial. Certainly, some years ago the act was amended to authorizie marketing orders for grapefruit for canning and freezing.

Senator HOLLAND. It is my understanding that they have had better treatment from the canners since that act has been on the books [laughter]. Do you have any information that varies from that?

Mr. DUNKELBERGER. We have no information that the canners treated growers badly before that amendment.

Senator HOLLAND. Well, all I can say is that they were not paying the price for the production before, and we have not had that sort of situation since. [Laughter.]

I agree with you, in your opposition to title IX. I do not agree with you in all of the statements which you have made here, because I think that the growers in the last instance on every commodity are well able to decide for themselves whether the program is more to their interest—and I think that they are much more able to do it than a couple of scientists employed to find out, if they can, some solution that will please the people who are employing them. Apparently, that is what was done by these two scientists in the case of the cling peach industry.

But I agree with you in opposition to title IX. So far as I know, there has been no attempt in my own State, despite the fact that we have had various commodity agreements applicable to fruit and vegetable, to bring into play the control features that you have here, except in the case of the orange marketing agreement—the shipments by grades can be controlled from time to time. Do you know of any other exceptions?

Mr. DUNKELBERGER. I do not know of any for canning crops. In many fresh commodities, I think they use those provisions in that way.

Senator HOLLAND. All right. One more field that I would like to explore.

Why is it that so many of the canners are moving their canning operations down into Mexico, particularly for the canning of tomatoes, when that, obviously, brings into the market cheaper products which cannot be successfully competed against by American producers of tomatoes?

Mr. DUNKELBERGER. Senator Holland, I would have no insight into the individual decisions of canning companies.

Senator HOLLAND. You know they have moved down there?

Mr. DUNKELBERGER. I also know that many canners have not.

I also know that many canners have remained in this country and have some concern about the imports of tomato paste. You can recognize that it is a problem, an intraindustry problem that the association is in no position to express views on.

Senator HOLLAND. You will find yourself with a divided membership, some who have gone down there and some who have not.

Mr. DUNKELBERGER. If you asked some of them why they thought they had to go abroad to raise tomatoes, I guess that the answer would include in various degrees the doing away with the Mexican farm-labor program, the increased minimum wage, doing away with the exemption from minimum wage for agricultural workers, as well as the whole broad range of Government controls that do not apply in Mexico, Portugal, and Italy and that do apply in this country. I think that probably would be the main explanation.

Senator HOLLAND. I think you are right about that, and I think that this committee has not been a party—or any of the members of this committee—to those three facts mentioned. Contrarily, we have objected very strenuously to the importation of foreign labor at times of peak harvest and to the application of a minimum wage law provision to agricultural labor and to the other matters you mentioned.

Mr. DUNKELBERGER. We appreciate that very much, sir.

Senator HOLLAND. And you know that that is the case.

Mr. DUNKELBERGER. We certainly do.

Senator HOLLAND. Unfortunately, we do not constitute a majority of the Congress. This exemplifies the fact that more and more agriculture is getting to be a minority industry. And in this country when it seems to be everybody's desire to help the minority, we find very little of that attitude relative to the protection of the agricultural minority. We would like to feel that the canners were as much interested in that as we are.

Mr. DUNKELBERGER. Certainly, the degree of interest between the canner and the grower is closer than any other you can imagine.

Senator HOLLAND. Thank you very much.

Mr. DUNKELBERGER. Thank you, sir.

The CHAIRMAN. Senator Young?

Senator YOUNG. No questions.

The CHAIRMAN. Are there any questions, Senator Miller?

Senator MILLER. I would like to ask a couple of questions.

The CHAIRMAN. All right, go ahead.

Senator MILLER. You have outlined the method of the canners in signing up producers. You said that they sent out their fieldmen for this purpose and they tried to sign up the producers, and if they do not get enough farmers signed up then they would increase their price to get enough to sign up?

Mr. DUNKELBERGER. Yes.

Senator MILLER. Suppose that they need to sign up roughly 100 producers, and they go out and sign up 30 producers but that is all that they can sign up. Then, the decision is made that they had better increase their contract price so that they can go out and they are able to get the 70 additional producers signed up at the higher price. Do they extend the higher price to the first 30 producers they signed up?

Mr. DUNKELBERGER. It is my understanding that the price that the company determines is needed to obtain the adequate supply is extended to all growers. They are not bound, if a grower accepts the lower price, and if that is not sufficient it is my understanding that the grower gains the benefit of the higher price that the canner feels is necessary to get enough producers to produce the product.

Senator MILLER. So, really, in effect, he signs up a certain number with the understanding that if the canner is not able to get enough people signed up at that price and he has to raise the price in order to get enough to sign, then the canner will give him the higher price?

Mr. DUNKELBERGER. Yes, sir.

Senator MILLER. On page 2 of your statement, you state that the canners would be permitted to express their views, and that the Secretary would have the sole right to make the decision. Yet, on page 13 of the bill, there is this proviso: "That no such minimum price or prices or other terms and conditions shall become effective"—and the terms and conditions are set forth in the previous language—"unless agreed to by handlers who during the preceding marketing year acquired from producers at least 50 per centum of the commodity sold by producers," et cetera.

Why would not that provision protect the canner?

Mr. DUNKELBERGER. Senator Miller, that provision applies just with respect to approving the price, terms and conditions agreed to by collective bargaining, which is a new feature of the bill. That section of our testimony on page 3 was discussing the supply and purchase restrictions that have been imposed and could be imposed under existing law. In the area of collective bargaining, which is an entirely new area, it is true that 50 percent of the handlers would have to approve the particular price, but that is the only provision.

Senator MILLER. It is more than price, Mr. Dunkelberger. The language of the bill says:

> The minimum price or prices and other minimum terms and conditions under which any such commodity or product, or any grade, size, quality, variety, species, container, pack, use, disposition, or volume thereof may be acquired by handlers from producers or associations of producers.

Mr. DUNKELBERGER. But if 50 percent of the handlers do not vote to accept the results of the collective bargaining agreement, other provisions in the marketing order can be used, nevertheless, to direct the handlers as to how much and what grades of the commodity they can purchase from growers.

Senator MILLER. That includes "volume."

Mr. DUNKELBERGER. Those are the provisions that are reached as a result of the collective bargaining provision, and that would be only one part of the whole Marketing Agreement Act.

Senator MILLER. It is a pretty important one.

Mr. DUNKELBERGER. Certainly, it is. It is a very important one, but that is not necessary for the operation of the marketing order. Indeed, there has been marketing order legislation for 30 years. There have been marketing orders that have restricted the sale of the agriculture commodity. Bargaining is entirely new. If the collective bargaining agreement is not accepted by the handlers, all of the other marketing order provisions would remain in effect and could be imposed by the committee and the Secretary pursuant to the marketing order.

Senator MILLER. All of those other things, though, I mean, do not include the price.

Mr. DUNKELBERGER. They do not include the price, but——

Senator MILLER. They do not include the volume, do they?

Mr. DUNKELBERGER. Well, Senator Miller, they have included volume for many years.

Senator MILLER. This specifically talks about volume.

What I am getting at—maybe I can save a little time here. What I am getting at is: Is not this proviso a pretty good insurance policy for the canners if this legislation goes into effect?

Mr. DUNKELBERGER. The answer to that, No. 1, if the legislation is to go into effect, that is a very important proviso, but there are only two things wrong with it. No. 2, if handlers exercise the right and refuse to accept the results of the collective bargaining, then they would still be subject to the provisions of the marketing order which could allot the amount of the commodity or any grade, size, or quality, therefore, which each handler may purchase from the producers.

Senator MILLER. Now, you are talking about section 906, are you not?

Mr. DUNKELBERGER. No, sir; I am not talking about that which is in the bill. I am talking about section 608c(6)(B) of the act.

Senator MILLER. The section relating to producers is section 906 of this bill.

Mr. DUNKELBERGER. Yes, but under the present act——

Senator MILLER. I was going to ask you whether or not it would be feasible to have section 905 and knock out section 906?

Mr. DUNKELBERGER. I think it would be feasible, but, Senator Miller, I think that practically it would be a delusion. Section 906 does provide for producer allotments, but under the existing act as now written, handlers can be told how much they can purchase from each producer. The act does not operate on the producer. It does not tell the producer how much he can grow and sell.

Senator MILLER. I would suggest to you that if this is enacted, section 905, if it is enacted, it would supersede that portion of the present act that you are talking about, because this new section provides that minimum prices and so on, or the volume thereof that may be acquired by the handlers from the producers or associations of producers must be agreed to by 50 percent of the processors.

Mr. DUNKELBERGER. If the collective bargaining agreement is such that they reach a volume agreement, you may be right, it would displace the controls imposed by the act, but if the agreement were not accepted, the other provisions would be applicable, No. 1. And No. 2, there is no requirement that the collective bargaining provision be included in the order. It is just authorized but not required.

Senator MILLER. Thank you very much.

The CHAIRMAN. The committee will be in recess for a few minutes. We have to go vote.

(Recess.)

The CHAIRMAN. The committee will come to order.

We will next hear from Mr. House.

STATEMENT OF BILL HOUSE, PRESIDENT, AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION, CEDAR VALE, KANS.

Mr. HOUSE. Mr. Chairman, with your permission, I would like to speak to the bill before the committee extemporaneously, to some of the points that have been rather covered by other people, and I would to file my statement.

The CHAIRMAN. Have you a written statement?

Mr. HOUSE. Yes.

The CHAIRMAN. We will put your entire statement in the record at this point.

(The prepared statement of Mr. House follows:)

My name is Bill House. I am a cattle rancher from Cedar Vale, Kansas, and currently serve as President of the American National Cattlemen's Association, an affiliation of thousands of individual members, nearly 150 local and state cattlemen's organizations.

I am pleased to have this opportunity to present our views on S. 3590. There are several features of the bill that will bear directly and indirectly on the raising and feeding of beef cattle. However, I will not burden you with detailed analyses at this time. Our comments along this line are contained in the statement presented to the House Committee on Agriculture, April 23, 1968, a copy of which is in each Committee member's files on this subject. In essence, we said that farm programs can be harmful or helpful, particularly with grains, because the old cliche "cheap feed means cheap beef" is just as true today as it ever was.

I would like to briefly outline why the American National Cattlemen's Association is opposed to the inclusion of beef cattle in the provisions for marketing orders in this bill.

The beef cattle industry has problems of many kinds. The major problem, however, is to precisely and profitably balance supply with effective demand. This problem has been compounded many times with theoretical tinkering, bureaucratic bungling and our own reluctance to recognize that production must be geared to a known market, not what we would like it to be.

One of the major factors in confusing producers is the erratic pattern of meat imports. Meat imports are not the subject of this bill or hearing, but I stress this to emphasize the difficulties which might be encountered by administrators of a beef cattle marketing order if they know no more about the patterns and levels of meat imports than they have been able to predict in the past.

The accompanying graph illustrates the extremely unpredictable nature of imports even under the Meat Import Quota Act of 1964. That is why cattlemen are asking Congress through other legislation to make some changes in the Quota Act to help us better stabilize supply.

Another major problem is that of inaccurate projections concerning future demand. Many public and private agencies, for a variety of reasons, have projected demand at levels considerably above those prevailing today, or which are profitable now, with no apparent thought of the cost-price squeeze that makes further expansion of production extremely hazardous to the producer—and the fate of future supply.

The encouragement of expansion has been a "Judas Goat", leading many businesses, chambers of commerce, ranchers and farmers to believe that the "pot of gold" lies just over the already-crowded pasture. The wants of consumers, desires of supply industries and other zealous groups have not fully reckoned with the *needs* of individual producers who grasp any straw, including expansion, as a means of holding on until the promised paradise is reached.

To many have been encouraged to expand with the lure of being able to sell more, better, if only they would collectively bargain. When a calf is on the

ground it is too late, morally, economically and psychologically, to destroy it, "divert" it or divide it among the thousands of producers who have been deluded into thinking that collective bargaining or marketing orders will correct the total error in judgment about the total, effective demand.

As an industry, we *do not know* precisely the level of production necessary to meet a vibrant, positive demand at prices fair to consumers, the producer and all of those who must add value and movement to the item we produce—the live animal. Since 1951, there has been no test. Production always has been just "a little too heavy" for demand. Rarely have we approached a price level which would give us a positive answer as to just how badly consumers want and need our product as much as they would settle for alternatives. Meanwhile, our costs continue to rise, while the price we receive for beef cattle remains relatively static.

While stating that we do not know the optimum balance of supply with demand, we *do* know that for the future health of one of the nation's most important primary industries, our current level of production—about 108 pounds per capita—is too much! Perhaps an ideal level might be 95 or 100 pounds. We do not know, but we are studying it! If producers themselves do not know and make adjustments, no amount of collective bargaining from a position of surplus weakness will force processors, retailers or consumers to pay more.

One example of the producers' own efforts to establish the facts of demand—stripped of the political desirability of "cheap food" or the commercial supply or service industries' benefit from constant expansion—is our own complex of economic studies and marketing services.

Under the general name of "GUIDELINES", we have undertaken serious, independent studies of the extent of the beef market, supply and efficiency factors and many other phases of when and why we put the bull with the cow, or whether we keep it away. We are embarked on a vast educational program on the basics of marketing in order that hundreds of thousands of cattlemen can make independent judgments best suiting their circumstances but not harming the total effort.

We have seen some significant results in recent months. The excessive tonnage being produced—in anticipation of that rosy promise of increased demand—has been whittled back. Prices for live cattle modestly have inched upwards. And, more important, thousands of stockmen realize that they, individually, can make adjustments and cope with the problem.

A new venture bears attention. A vast electronic network is being set up between cattle feedlots across the nation and ANCA's headquarters in Denver. Each evening each lot will report its sales, prices, replacements and other vital data in anticipating short and long-range supply. The information will be fed into computers, with the result sped back to the feedlots within hours. This "CATTLE-FAX" program seeks to pinpoint the tremendous movements of cattle directly from feedlot to slaughter, a movement USDA and other market reporting services cannot do or have not done. Thus, given better information on what actually is happening, and given a target demand to shoot at, individual stockmen can better gear their breeding and marketing programs. This will help to avoid the traditional gluts and shortages which characterize an industry operating in every state with a production plant heavily dependent upon weather.

We do not suggest that "GUIDELINES" and "CATTLE-FAX" are the "only answer" to stockmen's needs, but they will serve as efficient tools in aiding cattlemen to make intelligent decisions and perform as well as they—millions of small, independent *businessmen*—should in supplying the nation's needs for beef and leather, as well as continuously producing a $10 billion "crop" toward our gross national income.

To summarize: we feel our nation's farmers and ranchers can and will meet our national needs for beef. They will continue to contribute heavily to the economies and well-being of their communities, and they will provide a stability to the national economy. But only IF they can operate in the free market system, free of mandatory restraints, such as marketing orders AND if they are not encouraged or deluded into believing that "better selling" of a product already on hand is the answer. The answer lies in measuring the demand and producing only to it . . . not a pound more! And THEN, as efficiently as they know how, they sell it.

Thank you.

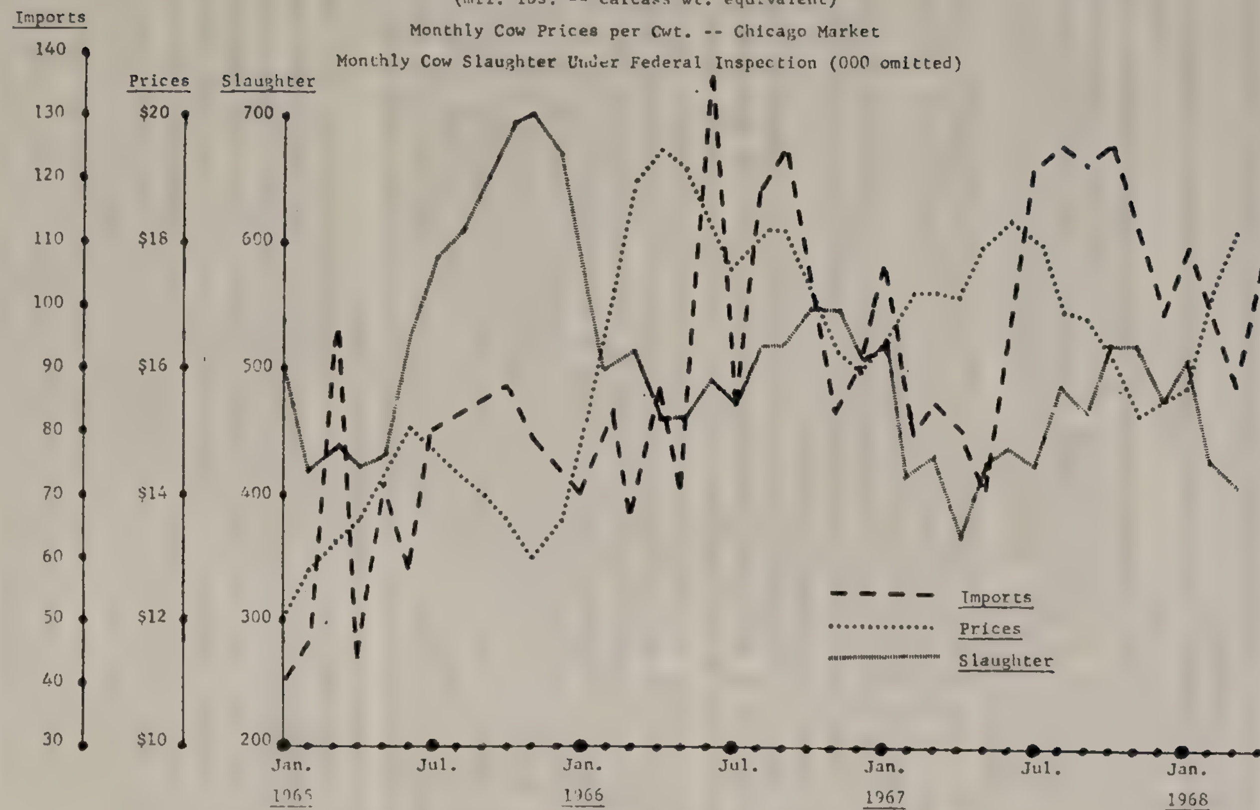
CHART NO. 1

COMPARISON OF:[1/]

Monthly Meat Imports Subject to P.L. 88-482
(mil. lbs. -- carcass wt. equivalent)

Monthly Cow Prices per Cwt. -- Chicago Market

Monthly Cow Slaughter Under Federal Inspection (000 omitted)



1/ Prepared by the American National Cattlemen's Association, Denver, Colorado, May, 1968.

Mr. HOUSE. I would like to speak very informally, which will probably shorten the time necessary.

I represent the American National Cattlemen's Association with its affiliated subsidiaries.

One of the interesting things about the cattle industry in the United States is that it is in every one of the 50 States, and it is a material and economic factor in 35 States, so that it is widespread and it is diverse. We are asking that cattle not be included in title IX. This is our purpose for appearing.

The CHAIRMAN. You have a proponent, Senator Miller, who suggested that yesterday.

Mr. HOUSE. We presume that price-supported products were excluded and that it automatically left us in. We do not know whether it was intentional or unintentional, but we would like to be removed, and we would like to give you the reasons for it, and to stay close to the problem at hand.

In the first place, the American National Cattlemen's Association, themselves, have a program to try to tailor supply and demand real closely, and it entails three specific points.

The first is the import problem which has been helped by this Congress. It has been very sympathetic. I would like to directly make a statement on the import problem.

We had a bill in 1964—and at that time, the imports of beef—and primarily, as I say, the processing beef, which we produce a lot of in the United States and use a lot of, was the subject. Only about 9 percent, as high as 12 percent of the domestic production, and it came at a time when we had adequate supply in the United States, and it dropped the price of the fat steers to 18 cents a pound, and a lot of cows were not selling for more than 8 to 10 cents a pound. We feel that the bill did help us. It gave us a chance to correct our situation.

We gradually try to tailor our supply and demand, and under this it is running about 6 percent, and our only suggestion to the committee is to commend them for their support on that quota bill, to commend you definitely for assisting us in doing that, and to ask that you look with favor on the bill that is in the House and in the Senate now, to correct and clean up the bill only.

We have asked only for a few major items, as the beef industry.

We disagree directly with the people who say that it did not work, that it did not help materially. It will be more important as we approach our own voluntary tailoring of supply and demand in the United States, because we do not want a rush in any one quarter. We would like to have the bill changed and amended like the bill before you now, that you are well acquainted with, so that they cannot come in in one quarter with more beef than in another quarter. We would like to have the 10 percent override kicked out. We are very anxious to have the year 1963 included, because that was the year that they just literally dumped beef into this country from other countries. There is still a strong buildup in foreign countries, looking toward sending beef into this country, and this is an overall problem. It relates to beef specifically, because our beef market is good in the United States. It is open to the extent that the quotas are open.

The countries are building up a bigger supply, shooting it to the American market. They can do that because of their cost. I just came

back from Australia, and it is obvious that those folks are quite concerned about their market up here. What I find is that they are able to develop their country on the basis of the American market, to make huge profits by bulldozing the land and by the use of airplanes, and to put more country into the beef business.

At this point, the American National Cattlemen's Association has a program to cut back the tonnage of fed beef 5 percent in order to just get it on a cost basis—maybe cost-plus—just a little more, and, in turn, we have asked the cow men of the United States not to expand their herds for 4 years until we can see if we can get the thing on a real sound basis.

So, we would simply like the continuous support of this committee on the import quota bills.

We would like your support to clean it up and to get the intent of the Congress as it originally was into the new bill, so that we get some cutback and evening out. That is all that we ask of Congress.

In this case, we would like to be exempted from this.

We have two specific programs that are real interesting.

The first is the guidelines program that we are directing toward all cattlemen, both producers of cows and calves and feeders. It will be published once a month on a subscription basis, helping the cowman to plan how many cows he can keep with the cost of such within the United States. We are not looking at the world market—we are looking within the United States, because this is a big beef-eating country, and we have to live and pay our expenses within the United States.

The second thing we have is the cattle price program for the major feedlots in the United States where we are setting up IBM equipment for an information service, and a subsidiary organization under the Capper-Volstead Act, so that we are quite happy with the Capper-Volstead Act. And we think it should be utilized in this case. But we do not need the new legislation for us as a specific commodity, and we are going to set this up and feed the information in and out, hoping that our feeders, when they have cattle at the market, will have as good information as the packers and the chainstores who provide our market.

We are trying to even up the odds. We appreciate the fact that we can operate under the Capper-Volstead Act. We are quite anxious that the provisions of it continued to be made available to us.

We have discussed it with the Antitrust Division and have a letter on it from them, that we are within the act and are operating correctly. We hope that it works.

We realize we are out in left field in the cattle industry, trying to correct the market in the United States, and we may fail. Someday we may have to come back here and say:

> Well, we just cannot control ourselves voluntarily, but we think, with your support on import quota bills, we can plan definitely what can come into the United States, that we can take care of ourselves.

There is one other problem that concerns us greatly, and that is the low price of grain at this point. In the past, it has been the history of the hog and cattle producers, that if they found cheaper grain it would take the cash farmer out of trouble and it would assume the trouble, themselves, and that they would wind up with a lower market

and too much supply, and we would hope to prevent that. We are quite anxious that the grain man in his own manner, and in the way that Congress sees fit, prospers.

In closing, I want to say a little about the general situation. I speak to the general farm bill, because I think that you gentlemen are going to be in session next year at least and another year worrying about the farm situation, because I think that it has deteriorated, and it has deteriorated partly from outside pressure, because we have transported and have exported out technology around the world. I can see it. They have adopted our methods in Australia. They are in a position to enter the world wheat market real heavily—in fact, as I remember, it is 250 million bushels that they sold for cash last year. That is reaching over what we have sold for cash. They are hitting the beef market real hard on what they can sell up here. They are competing with us on maize, selling it to Japan. They went to California and set up a program to grow cotton. They were importing cotton from here before. The Prime Minister of New Zealand, that is, the former Prime Minister, told me at lunch 2 years ago that they will be exporting cotton. "We have the same kind of land over here in a given area, and now we are in competition with you."

So, I think that you are going to find as a committee in the future that we are going to be faced with keeping a balance between American agriculture, American labor, and American industry. I do not know what you are going to do about the foreign thing, because I think you are in a critical situation.

One of the things that is interesting about keeping a balance comes up. I find it is not true that the studies in Iowa State University would take into consideration a reasonable return on land investment and other investments in personal property. I had lunch with the economist at Sidney University in connection with agriculture, and he tells me that he studied at Iowa State University. He said:

> We have maintained a balance in Australia of prosperity between agriculture, industry and labor, because we figured in the net return that a man should have on his investment in agriculture.

He said:

> Why your economists in the United States do not figure it, I do not know, but this is why all of your programs do not reflect the return; therefore, your agriculture is out of balance. You fellows are having a mortgage when our people are making money.

This was an interesting instruction to me, because I did not realize that. I hope that you will check it with your own university and see why they have failed, because he said "I studied there, I know what they are doing." This is our biggest problem.

To close, I have made a close study of 1940 to 1949, to see if we were progressing in this same manner, and I can say categorically that the position of American agriculture in relation to labor and industry is exactly the same; it has progressed the same, and in 1928 we are in exactly the same position that we are in 1968. We are talking about the same things.

The congressional side of our Government is trying to help us. The executive branch was more interested in cheap food; and industry always winds up on the side of cheap food and low processing mate-

rials. It just left Congress and agriculture to try to save its own self.

We appreciate your attention to the matter.

If there are any of these things that you would like to hear further about, all right.

I think those are the points that I want to make.

The CHAIRMAN. What other parts of the bill do you think you should mention, or do you agree to them—Do you think the bill ought to be extended?

Mr. HOUSE. This is our position as cattlemen. If, in your good judgment, you care to continue and feel that it will protect the grain growers and the people under it, we would say "Go ahead," because we know that agriculture is interrelated, and if the grain man fails, he tries to get in our business; and if the dairyman fails, he tires to get into our business; or if the hog man fails, he tries to get into our business. The whole thing is interrelated. We are not passing any judgment on it. We are saying that if the Congress sees fit, that is fine; if they see fit, all right. We are in an unsubsidized area. It does give us a little difficulty.

The CHAIRMAN. You are subsidized in some ways through corn and other feed grain programs.

Mr. HOUSE. Correct; you took the words out of my mouth, Senator. It bothers us a little, because the man who can continue to grow wheat at $1.15 a bushel plus his subsidy, what he gets from the Government, he makes his cheap grain available, and in Kansas, we are going to wind up with feeding wheat. Then, we oversupply the market with livestock products. And we are trying to tell our people to hold steady, to wait and to hope that we can control our market and to keep it on a cost-plus basis which, in our opinion, is good for everybody. We have not made any fantastic profits in the cattle business for 20 years. I have been in it all of that time. This is the only way I make my money, and I have checked the record, as I did the other day, and the best year I had was in 1959, which was the best year in the last 20 or 30 years, but these problems are interrelated. We want to pass our judgment over onto Congress as to whether or not to pass this bill, but for God's sake, let us see if we cannot keep some balance between industry, labor, and American agriculture. Our crops have grown much faster than the rest of the world. It pushes out; it makes our market available to them, because their crops are much slower.

The CHAIRMAN. You say that the balance for 1968, in labor, in agriculture, and in industry, is the same as in 1958?

Mr. HOUSE. In 1928.

The CHAIRMAN. Or in 1928. Do you mean that labor can now buy, let us say, meat or any commodity at virtually the same price or in proportion to what labor received as income? In other words, the income received by him in 1928 could buy as much as he can buy now?

Mr. HOUSE. No; he is even in a better position.

The CHAIRMAN. That is what I was going to say.

Mr. HOUSE. Yes, sir; he has run faster than we have in net income.

The CHAIRMAN. There is no doubt about that, that that is a cause of a lot of our trouble.

Mr. HOUSE. That is the imbalance that causes the trouble.

The CHAIRMAN. Exactly. And today a man can spend—let me say that I came here in 1936. At that time the laboring man spent about 28 percent of his income for food, and today he does it with 17 percent.

Mr. HOUSE. Correct, you bet; but the trends are the same evidently. In the United States we have set up a system that has given him a lot of strength, the laboring man, and I admire him very much for having been able to pull himself along as fast as he has and to improve his own conditions, but we have been weakening our organization somewhere along the line in American agriculture.

I want to point this out, that in the net income, I think in 20 years it has gone from $181 to $670 billion, approximately during that time. In the meantime, our net income, though we have eliminated a lot of people, has remained about the same, or has even dropped. It makes it very difficult to attract people into our business, except people outside of the business who have made a fortune in some other industry, and it poses a real problem for farm families who have no other income.

The CHAIRMAN. The farmer is hard to organize; he is more independent than anybody else.

Mr. HOUSE. We recognize that.

The CHAIRMAN. Of course, when it comes to labor—with big powerful labor unions—they can work with the Senators and the Congressmen to get their way, and they have quite a little lobby up here. I do not think that you have too much of a lobby, but you do have one.

Mr. HOUSE. I appreciate being given a chance to come in for a moment. We do not have a very powerful lobby, and we are not very well organized, I grant you that. We are considered a great unorganized sector of the U.S. economy and were so considered in the President's report. But we try. We appreciate anything you can do for us. We are just here to tell you that we recognize the problem. We do no try to superimpose our solutions on other sectors of the agriculture economy. We want to try our own. We hope that the others succeed, too. We are not trying to tear somebody else apart in this business.

The CHAIRMAN. Thank you.

Are there any other questions?

Senator YOUNG. I would just like to say that your testimony was interesting and very reasonable. I think that some of the best testimony I have heard has been yours, that I have heard for a long while. I wish that other segments of agriculture took the interest and have the concern as you have, and we would all get along much better. I do share your concern over this one important thing of the livestock industry, the imports.

If you clean up the foot-and-mouth disease in Latin America, they can ruin the cattle industry, and the same is true in Australia; otherwise, we can have a prosperous industry. The American cattlemen are for raising beef at reasonable prices, I am sure. I agree with you, as you well pointed out that they are the leaders.

I have a son in the feeding business, and he is just hanging on. You are just breaking even. You would do well if you do break even.

Mr. HOUSE. We are working desperately to try to hold the thing together, and to just give us a chance to get out. Of course, there are various problems that fall into laps. We are making a desperate effort. We are trying to do it. We feel that the industry is so diverse that we have to do it within the industry, because we are the ones who under-

stand it. And if we fail to discipline ourselves on supply and demand, then it is our failure. And we do not feel that anybody else could do it for us.

Senator YOUNG. Isn't it true, that all of your efforts will fail if imports increase? You are then ruined.

Mr. HOUSE. Absolutely makes it impossible. You can go down there. I was telling the Committee on Ways and Means that in Australia you can raise a calf and some of those fellows say that because of the climate and everything, at no cost practically—about $10 a year.

Senator YOUNG. They have cheap land as well.

Mr. HOUSE. And no land costs. They give it to you for a lease.

The CHAIRMAN. Whereas, the way that we do it, they get it free. We have spent millions in research, and yet they start with that.

Mr. HOUSE. Yes. And one of my problems is that I live in a small community that lives off of the land. I help to support the schools. And I pay $17.50 to my local community in taxes alone for every cow-calf unit. I am supporting a whole community in the United States, in this little community. And that with $17.50 penalty to start with.

And then a reasonable wage, because our boys need money just like everybody else who lives in this world. My wages run about two to four times as high as they pay in Australia with a lot of side benefits. I can not compete. I am not going to try to kid anybody. I do not want anybody to tell me that you can work hard and you plan and you can compete with the rest of the world, because I have seen too much of it. And it is not possible.

The United States is a world apart, and it is a better world for labor than any place else in the world, because we have a well-paid, higher per capita income people. I am not trying to undermine the position of American labor. I have suggested that they in turn support us.

Now, help us with the same thing within the United States, because I think we have got to build a circle around this country, and to balance the thing within ourselves, or we will kick the whole thing out. It is just as simple as that.

Senator MILLER. Mr. House, you were not here yesterday?

Mr. HOUSE. No, I was not. I was in another meeting.

Senator MILLER. Yesterday, I took up this matter of including livestock in the excepted categories with the Secretary of Agriculture, whether this was inadvertent or advertent. We had some discussion about the point, and the way we left it was that he would not shed any blood if we had that in there. So I would say that I thoroughly agree with you and that they would have no objection to our including livestock in it; the Secretary said.

Mr. HOUSE. We thought that it might have been in there inadvertently. We did not want to pass up the occurrence here. We wanted to have the opportunity to tell you that we would like out. We appreciate any support that you can give us. That is, on the import thing.

And then from there on, we will try to do everything we can ourselves to bring our own business back into balance in a reasonable way into the economy of the United States.

Senator MILLER. On the import thing you have a chart at the end of your statement that shows imports. What is that 140 figure at the top? Is that pounds or thousands of pounds, or what?

Mr. House. That chart, that figure of 140 would be that you would be getting into 1,400 million, so that is in pounds. We have never reached that point.

Senator Miller. That is 100,000?

Mr. House. You have caught me there.

The Chairman. It is 1,400 million.

Mr. House. That is the top. And we have never reached that.

Senator Miller. That is the top?

Mr. House. Yes.

Senator Miller. I noticed from the chart that you covered previous years, too, where there seems to be a pretty definite relationship between prices and imports. When imports are high, the prices are down. When imports are down, the prices are up.

Mr. House. There is a definite relationship between our cow prices, both dairy and beef; and it is interesting that they bring in the beef, starting in June, because it is fall in Australia and in New Zealand—they begin to slaughter cows, both dairy and beef cows, and they jump their imports about 50 percent and have for about two or three from now. And we have tried to chart this. It is a little complicated, but by the time they hit with their imports in June and July, they start to market old cows in Texas, both dairy and beef cows, and we market on throughout the country, through September and October and November, up in the north.

There is no question their peak imports are hitting us at the time of our peak sales. And just literally knocking the dickens out of the cow business.

To the extent that we can market cows in the spring in the United States, we get along fairly well, but you cannot always do that. And the boys that calve in the spring and sell off in the spring and sell off in the fall, are in direct competition with the heaviest import time that is coming. Those folks say, "This is our season and we open up all our plant to get going." And they do not want to keep their inventory in investment, and they dump it up here.

That is one of the points to take care of, to have the same amount in every quarter. It would make it much easier for us to tolerate the quota system. We do not think it is unreasonable. They do not pay our costs up here. We think that we have prior rights in the American market. That is one thing that irritates me.

They make no effort, these importing countries who send their beef here, to stimulate the eating of beef in their own country. In Australia it has dropped from 117 pounds to 85 pounds per person in the last 5 years, just to send it up here.

The Chairman. They eat a lot of mutton and lamb out there.

Mr. House. Some. But they do not want that much beef. They want to sell it here. I tell them that they ought to get hamburger stands going down there and to sell the kids hamburgers. If I could get one of these bottling companies to go down there and picture a hamburger—and I am not going to have anyone name on it—because they would crucify me—but they could sell hamburgers within their own countries to their own people. They make no attempt to do so.

Senator Miller. When you talk about cleaning up the import quota bills, I presume you are talking about a bill that was pretty much like the one Senator Hruska and several of us joined together on.

Mr. HOUSE. Correct.

Senator MILLER. And tried to get passage. But we could not get it passed.

Mr. HOUSE. Correct.

Senator MILLER. And furthermore, as I understand it, you people want a reasonable percentage of our domestic market quota which, as our domestic economy grows, our population grows, means that they will export more to us within that fixed percentage, but it will be a fixed percentage which would be based upon a reasonable base period, not aggravated by an abnormal year.

Mr. HOUSE. That is right.

Mr. MILLER. That is your recommendation?

Mr. HOUSE. That is absolutely correct. And then, you see, we can take our guidelines program and our cattle price program under the Capper-Volstead Act and make a definite effort to correct the whole cattle situation. If we can do it, we have helped everybody and have helped American agriculture.

Senator MILLER. I thoroughly agree with you. We have tried to do that, and we will continue trying.

Your point about taking into account a reasonable return on the investment in agriculture is certainly well taken. I think you might be interested—and this is off the record.

(Whereupon, there was a short discussion off the record.)

Senator MILLER. Back on the record.

I am curious to know how Australia implements such a policy.

Mr. HOUSE. Australia, when they write in a support program or a subsidy program for their people, the price that they are shooting at is set, I was told, including this in it, not without it in there.

Senator MILLER. Do they set prices on their livestock?

Mr. HOUSE. They protect them. What they do down there at this point—and they do have some programs for subsidizing grains, for growing grains, but what they do is put an absolute import restriction on shipping anything into Australia that they can produce in that country. They have an iron-clad rule. And it applies to industrial goods as well.

I had lunch with a Ford Motor Co. manager. They force General Motors and Ford and Chrysler to produce 95 percent of their parts in Australia in order to have a license to sell cars down there and to assemble them down there.

And then to protect them against Japan, they put on a 45-percent tax. And while I was there they were debating whether to increase the tax, because Japan with cheap labor took 10 percent of the market that year.

Senator MILLER. The point is that they have a program of price support or subsidies which is geared into a fair return on the capital investment.

Mr. HOUSE. You bet; you bet. I did not take their statutes and their regulations, so I cannot define the exact method, but the economist that works there assured me, and the Prime Minister himself said, "This is exactly what we do."

And I asked him, in a great producing area, how he managed to maintain it in the face of industrial pressure, pressures for cheaper food, et cetera. And he said, "Because we have sold the country on the

fact that we have to move together, that you cannot leave one behind, and we are not about to leave Australian agriculture behind labor and industry in the country."

Senator MILLER. One further point. With respect to the rest of this bill, the proposal to continue the present wheat and feed grains program for another 4 years, have you not taken any position on it. You more or less said that if the committee in its wisdom saw fit to do this, OK; yet, in the next breath, you warn about low prices for feed and complain about that.

When you have corn in my State selling for 98 or 95 cents a bushel; when you have wheat selling in your State for $1.12, or whatever it is; and when this is happening under the present program, I would think that you would be interested in some kind of an improvement in the present program.

Mr. HOUSE. I definitely am. But I would like to make this point as far as the failure, in my opinion, is concerned, the corn markets being so, we have exploited our technology, our machinery and our fertilizer, and it has made it almost impossible for any program here to work at this point, and I am desperate in feeling that that be repaired to the extent that these people prosper.

Senator MILLER. You want to see a farm program which is going to result in better prices.

Mr. HOUSE. You bet.

Senator MILLER. For feed grains?

Mr. HOUSE. You bet; you bet. We do not want cheap grain. We want everybody prosperous in this business. It is completely interrelated. I think it is imperative because it will not be long until we are worrying about just being sure that we have a real good food supply within the United States. And you can get it elsewhere. But you cannot get enough to save us, if they all decide to cut us off.

From what I have seen in the world, they would be delighted; the rest of the world is jealous of the United States. I do not care how friendly, basically, they are. And if they can get us to depend upon them for a supply of food, and they catch us in trouble, they will cut it off—boom—just like that.

Senator MILLER. You are deeply concerned about the future of our exports and the future of their imports.

Mr. HOUSE. That is correct. You bet. And I would hate to see the American public become dependent upon outside sources, because it will be cut off at some given point.

Senator MILLER. I appreciate your testimony very much.

The CHAIRMAN. As you know, we have a lot of difficulty in getting these imports held within bounds, so that we can prevent the importation of some things here in their quantities as they come in. But it seems as though we have a State Department that looks more after the foreigner than it does the American citizen.

Mr. HOUSE. I ran into that.

The CHAIRMAN. I know you did, too, as I did.

Mr. HOUSE. Our investors in those countries are more interested in preserving a free flow back and forth than they are in American agriculture.

The CHAIRMAN. Thank you very much.

Mr. HOUSE. Thank you.

The CHAIRMAN. Off the record.
(Whereupon, there was a short discussion off the record.)
The CHAIRMAN. Back on the record.
Mr. Magdanz, we will be pleased to hear from you at this time.

STATEMENT OF DON F. MAGDANZ, EXECUTIVE SECRETARY-TREASURER, NATIONAL LIVESTOCK FEEDERS ASSOCIATION, OMAHA, NEBR.

Mr. MAGDANZ. Thank you, Mr. Chairman and members of the committee. I will be happy to file my statement and just make a few remarks.

The CHAIRMAN. Your whole statement will be put into the record at this point, and you may proceed as you please.

(The prepared statement of Mr. Magdanz follows:)

I am Don Magdanz, executive secretary-treasurer of the National Livestock Feeders Association with headquarters in Omaha, Nebr. With me this morning is our president Mr. Charles Phelps of Hastings, Iowa, who is an active and extensive cattle feeder as well as a large farmer and feed grain producer.

On behalf of Mr. Phelps and me, we do appreciate the privilege of our appearance today for the purpose of presenting the views and comments of this Association relative to S. 3590 by the chairman which would extend the Food and Agricultural Act of 1965 as well as make certain amendments to existing statutes pertaining to marketing orders.

With respect to extension of the 1965 act, our remarks are largely confined to the feed grain provisions because as livestock feeders this is the area with which we are most vitally concerned. Basically, we support an extension of the present farm program for a reasonable number of years with a few revisions our people feel are important. In so doing, we object strongly to inclusion of livestock in title IX, which objections we will elaborate on later.

The committee is well acquainted with the National Livestock Feeders Association, but for the record, please allow me to state briefly that it is a nonprofit, nonpolitical trade association supported entirely by membership from people engaged in the business of furnishing livestock * * * cattle, hogs, and lambs * * * for the slaughter market. Membership actually extends into some 20 States although prominently it exists in the central plains States which area feeds approximately 70 percent of the cattle that are slaughtered each year and raises and/or feeds about 75 percent of the hogs. Nearly all of our members are actually engaged in the livestock feeding business and have associated themselves in order to determine policy on numerous issues affecting the business and be represented by an organized voice.

We think it is appropriate to explain that when the chairman graciously invited us to appear at hearings beginning April 3 of this year, which hearings were for the purpose of determining the strength and weaknesses of the present farm programs and exploring any new proposals to supplement or compliment these programs, we felt it appropriate to decline. The reason was that our members had discussed the present farm program at our annual meeting in February of this year and, while there was general favor and acceptance indicated, official action was deferred because the present law does not expire until 1969 and we expected to have another year to explore possible improvements and revisions.

Since that time various inclinations have developed to consider extension in this Congress rather than wait until 1969, a development which we had not anticipated. Therefore, our Board of Directors, which is representative of our widely extended membership, while meeting on May 28, felt it was wise and important to declare a position at this time. Without dissension, this Board of prominent feeders instructed us to appear and present the views which we have already indicated.

We see no reason to belabor the details of the Food and Agricultural Act of 1965 and its operation in 1966 and 1967. The Committee has all of this information and is fully acquainted with its operation. Therefore, our remarks are general.

We do not believe that anyone would contend that the 1965 act amounts to a perfect program but in our opinion, its provisions have allowed it to be perhaps the best that has been enacted over a period of some 35 years. It remains voluntary which is one of the requirements this organization has always embraced. It is less expensive than at least some we have had in the past. Though not necessarily entirely responsible, it has allowed for considerable reductions in carryover stocks in feed grains and the resulting decline in the cost of maintaining these stocks. Farm income is still not sufficient nor adequate; nevertheless, it has risen over previous years and it has been possible to offer feed grains in world markets at competitive prices.

Prices of feed grains for domestic usage are still considerably below parity or at least below figures we would consider reasonable for both the growers of feed grains and the livestock feeders. Hopefully the program can bring about a somewhat higher price level for feed grains in order to improve the general welfare of those engaged in their production.

We are convinced it is necessary to renew a feed grain program of the present character or something very similar to it in order to maintain such gains as have resulted, to restrain increases in production, and to prevent grain prices from sliding to what could be disastrous levels.

We have told this Committee repeatedly that as the primary users of feed grains in the domestic market, livestock feeders would look with favor on reasonable stabilization of prices at somewhat higher figures. We would be naive to suggest that such a situation does not have a favorable influence on livestock prices even though this influence may not be as direct or as immediately responsive as the record shows was the case some 10 or 15 years ago.

The diversion part of the program including price support payments and loan privileges along with the crop land adjustment opportunities offer some variety to the attainment of the overall purposes to restrain production and avoid huge excesses which have plagued the industry in some years past.

In suggesting several revisions, which we believe are important, it is recognized that perhaps some should take place through executive order rather than to be written into the law. Also we recognize some of the circumstances which prompt suggested modifications may be the result of some laxity on the part of local administration rather than the policy decisions which are accorded the Secretary and Department of Agriculture.

The privilege of grazing diverted acres under circumstances of a calamity or severe disaster cannot be questioned. However, without documentation, it does appear there may be certain laxity on the part of local officials and perhaps some hasty decisions on emergency grazing privileges.

At any rate, when these privileges have been made available some upward reaction in feeder cattle prices has been observed resulting from additional demand which under normal conditions would not have existed. Therefore, we do pass on to the Committee the feeling expressed by our Board of Directors that disaster grazing privileges be tightened up to be sure they are not accorded except under circumstances of definite emergency or clear disaster.

Another recommendation for revision involves a change in the method of determining base acres for feed grains from the historical record now used toward a percentage of tillable acres. Let me hasten to acknowledge that this principle was considered a number of years ago and resulted in rather strong objection and opposition. For that reason we certainly would not suggest such a change be made abruptly, but we would hope it might be possible to move toward a percentage basis over a period of years in order to overcome instances of disparity which do exist.

In so recommending, we are not unaware of provisions in the present law whereby some readjustment of bases can occur when there is unanimous agreement among members of state committees, and also that certain adjustments have taken place. However, again without documentation, it is our considered opinion that readjustments have not been possible as extensively as they should be under the present provisions. We do believe that a gradual movement toward a percentage basis would not only be more equitable for the producers involved but would also tend to encourage wider participation in a voluntary program.

Another recommendation pertains to the opportunities for growing other grain crops and soybeans on diverted acres. Again, we are mindful of the fact that this practice is not allowed under the program, except under conditions where a basic crop could not be planted on time because of excessive rainfall and flooding or other disaster such as extremely dry weather. However, we do believe that circumstances under which such privilege may be granted should

be scrutinized carefully and tightened up because we are advised by our people and others that permission to plant soybeans, for instance, on acres diverted from other crops is often not too difficult to obtain.

As we assessed the merits of a program designed to restrain production, we have endeavored to find out how many acres of government owned land have been leased to producers for the production of programmed crops. Unfortunately, the Department has not been able to provide us with these figures nor the volume of production that may be involved. Nevertheless, it does seem rather inconsistent to us for the government to offer a feed grain program aimed at restraining production and improving farm income and at the same time permit production of program crops on land that it owns. In raising this question, we submit the possibility the Committee would be willing to look into the matter further to appraise the merit of the inconsistency we feel is apparent here. Again, we are not unaware of the fact that payments for diverting feed grain acres on government owned land are based upon considerations in the rental arrangements and are reduced accordingly if the terms of the lease are less than those terms considered to be normal or reasonable in the area.

These recommendations for revisions, whether by law or executive order, we believe will serve to improve the operation of the present program, though admittedly such improvements would not be phenomenal or drastic in any sense of the word. They could serve to strengthen the application of the program and complement the results, and such changes as could come about through executive order might be recommended by the Committee if it looks with favor upon them.

Various recommendations have been made by the Executive Department and by others that the Food and Agricultural Act of 1965 should not only be extended but that it should be made permanent legislation. Realizing that no legislation is absolutely permanent because it can be amended or repealed at any time, it is our considered opinion that the Act under consideration now should be extended with a time limit and we do look with favor on the four-year extension contained in S. 3590.

The reason for this limit is merely to require congressional review periodically because circumstances in agriculture are changing rather rapidly and these changes will continue. With a four-year extension, it would be necessary to review the usefulness and the merit of the program again at a future date and explore its value and weaknesses.

At the same time, extension for a period a years, rather than just one year, allows producers to plan ahead without the uncertainty of drastic changes being made from year to year. Furthermore, an annual extension places considerable burden on this Committee as well as the entire Congress.

While supporting the extension of the present farm program as indicated previously, the members of this Association object strongly to the inclusion of livestock in the marketing order and bargaining machinery contained in Title IX of S. 3590. This is an Association policy of long standing and not a decision made recently by our Board of Directors. We believe that the authorizations are unnecessary, would be largely unworkable if applied to livestock, and would create far more problems than they would solve.

While no government programs involve livestock directly, other than the Wool Act, livestock people do realize residual effects of some and receive certain benefits from others. However, we believe that the Congress is not anxious to subject the livestock industry to the provisions of Title IX. Furthermore, the people we represent prefer reliance on our own initiative and opportunities to maintain and improve livestock income and net return.

We are aware of the fact that under Title IX a product or commodity would not be eligible for a marketing order unless a majority of affected producers voting in a referendum favored the eligibility. Then, after development and formalization of an order, a favorable vote by a two-thirds majority would be required to put the order into effect. However, we consider this procedure as grossly undesirable for those people responsible for feeding the majority of the livestock. For instance, while there are something over 200,000 cattle feeders in the United States, the records show that a high percentage of the cattle are fed by a rather low percentage of the feeders. Thus, eligibility for a marketing order on cattle, and a subsequent decision to put one into effect, could be voted by the required majorities of the feeders who actually fed a far lower percentage of the cattle.

The maintenance and improvement of feed grain prices at reasonable and higher levels does serve to stabilize livestock prices at least on a long-range basis. In addition, certain benefits to the livestock feeders do result from government

purchases of meat for needy families and the school lunch program largely using Section 32 funds. As the members of the Committee know, we have also been injured materially in recent years by such executive actions as the application of the Export Control Act to hides and skins, particularly when the provisions were exercised in a manner contrary to the intent of the Congress.

Be that as it may, we are convinced that the livestock industry does not lend itself to the general authorizations contained in Title IX, and if the Agricultural Marketing Act of 1937 is to be further amended to include them, we feel that livestock should be exempt. The growing and feeding proecss and the great variety in types, quality, weight, etc., which result therefrom, simply means the livestock segment of agriculture is a highly complex business. Perishability, variation in processing, and preparation of the final product would, in our opinion, make authorization in Title IX extremely difficult to administer if not impossible. Furthermore, companion provisions for production controls or allotments are not palatable to our people and they do not desire to be subjected to them.

Though the necessity for additional strength in the marketplace is not denied and the general price level has not been and is not now as high as it should be, we prefer that improvement come about through improved market machinery and through more intense and sophisticated industry efforts both of which we are working at diligently and sincerely.

In the past two years, we have been counseling regularly with people professionally engaged in the marketing business and have been stimulating them to modernize and improve their services to the livestock industry in order to bargain more effectively with livestock and meat buyers. Though little in the way of progress has yet become evident, we are not discouraged over possible results that hopefully will be forthcoming. We believe such approaches through a free and competitive market system have untold advantages over administered marketing or bargaining machinery.

Furthermore we seek not only more accuracy in estimates of numbers on hand and are cooperating intensely toward this end, but also we are advocating expansion of the number of states now covered by monthly estimates of cattle on feed. Effective with the June 21 report, the Department has changed and extended its estimates of hogs on hand to cover 50 states instead of a limited number, and also give the industry more meaningful information on weights of hogs as a better guide to future slaughter figures and pork production.

Moreover, we have been engaged in and are refining various industry self-help programs designed to restrain and keep meat production more nearly in line with more effective demand and at prices which promise improved returns to livestock feeders and producers.

Though advocating for some time the more orderly production and marketing of livestock and sale at lighter slaughter weights, the National Livestock Feeders Association intensified this industry self-help program over a year ago, and we believe the record will show some positive results have occurred. In these attempts we are pleased to have been joined by the Department of Agriculture in promoting the encouragement and the advantages to the industry that would result from wide-spread voluntary participation.

Though not yet in operation, we are presently engaged in formulating and developing a more refined system of gathering and supplying information to the livestock feeders which they can employ in the making of management decisions and use to improve their economic position.

In conclusion we do recommend to the Chairman and the Committee that favorable consideration be given to the extension of the Food and Agricultural Act of 1965, but that livestock be exempt from the provisions for marketing orders included in S. 3590. In our opinion, the situation can best be handled by the industry itself under free market conditions which encourage the ultimate in management, the opportunity for personal initiative, and the use of those faculties which can furnish the consumers of the United States with a reasonable and adequate supply of red meat and its products.

Mr. Magdanz. I would begin by correcting my statement, by saying that Mr. Phelps who is included in the statement, the president of the organization, was not able to come because he was unavoidable detained at the last moment. So he is not here.

Basically, we have taken this position: with respect to the bill before your committee, S. 3590, we feel perhaps that the present program,

the Food and Agriculture Act of 1965 perhaps, ought to be extended. It is not perfect legislation.

We recognize that readily. Feed grain prices are not as high as they ought to be. In fact, there has been a little decline. We think perhaps this may be because there has been quite a shift in just the last couple of years, particularly from Government-owned stocks into private-owned stocks.

There has been an increase in private ownership and a rather significant drop in Government-owned stocks. Perhaps this has served to upset the situation because we have not been used to that.

But, as the previous witness mentioned to you, we would prefer a program, if it can be devised—and I will tell you very frankly that we have not been able to come up with one——

The CHAIRMAN. That is what I was going to ask.

Mr. MAGDANZ. If someone can devise a program that will improve prices and do a better job for the feed grain producers and American agriculture, than we have now, we would certainly be in favor of that, but until such time as we have it, why, our people have said to us that we would support the extension of what we have now because, at least, in some respects it appears to be better than some we have had in many years past.

One of our main points, however, has to do with the matter of including livestock in as title IX, which is the marketing order section. I have become a little bit educated, I think, perhaps in the last week and some even yesterday with respect to the marketing order procedure.

We could have marketing orders that would be nothing more than I believe, a rather simple one, but important with respect to cotton, which provides the deduction of dollars per bale for promotion and research, things like that. And in regard to competition from synthetics.

Or a marketing order including everything that is provided for in the very sections of IX. We can go anywhere in between. However, we do not look with favor on marketing orders or even the machinery for marketing orders with respect to livestock, because we would like to be able, hopefully, under a higher grain price level to handle the livestock problem ouselves and under our own initiative. And we think we can do it.

I would like to say this, which is not in my statement, that we can show you some measure of success as a result of intensified industry efforts. For instance, we have been working an orderly marketing and lower average slaughter wastes for a number of years. A year ago or a little over, in January, we intensified this program tremendously. We went down, as a result of these efforts, and we claim credit for it, and I am sure that we are entitled to a good deal of it, from an average weight of slaughter steers on seven major markets—and this is a good criteria, as long as we are using this consistently, and in every weight of 1,160 pounds per head, down to the fall to 1,166; in other words, by a voluntary cooperation campaign we were able to pull these slaughter weights down. They have come up a little since then, but this is the general trend that is occurring in the fall of this year.

Since the first of January, and running until just about 3 or 4 weeks ago, the average slaughter weight of steers has been almost straight across the board. They have been under that of a year ago, which is what we are working for, in order to put more carcasses into the desirable weight classified, and also to restrain the production of beef.

How long we will be able to continue to do this, we do not know. We would like to try.

So for this reason, and also the complexity of the livestock business, the different weights, the different grades, the different processing and uses, and all of that—we cannot expect to handle livestock meat like you might handle a grain, just like you might handle cling peaches, tomatoes, or any other agricultural product that you could name.

And then I would add this with respect to the testimony you just heard regarding imports: One of the reasons we are having so much trouble in this country is the fact that other markets are not open to either the U.S. meat industry or to foreign exporters.

Just yesterday, we testified before the House Committee on Ways and Means and enumerated all of the nontariff trade barriers employed by these foreign nations, particularly those of the European Economic Community, where they will not let this product come in unless they want it. If they want it, they will take it.

If they do not want it, they protect the domestic industry and will not take it. As a result, we have exporting countries like Australia, New Zealand, and Ireland, and other countries, that are looking to the American markets for their exports, and we are having to absorb them.

We need to break down those tariff barriers over there.

Our State Department in the Kennedy round did not stick long enough to it to get it down. And signed the agreements. And they allowed the system to stand over there in the Community countries, who absolutely keep these products out.

The other thing is that I have a chart of this. I do not have this in my statement today. But it was in one that we used yesterday, showing the difference between the price of imported beef and domestically produced beef, both of which are of manufacturing quality. And this shows the difference in price between them. And it runs as high as $8.50 a hundred, which within the date of March 15, 1968, ranged down to $4.82. I see a figure back in January 1967 of $47.88. The point is that they can produce the product and ship it here and pay our moderate duty of 3 cents per pound and still undersell the domestic market as much as $8.50 a hundred.

Senator Miller. Could we have that included in the record?

The Chairman. Yes.

Mr. Magdanz. I will be glad to take it out of this statement and to put it in the record.

The Chairman. Will you do that. We would like to have it as soon as possible.

Mr. Magdanz. I will give it to you here.

(The table above-referred to, follows:)

TABLE II.—CARLOT WHOLESALE BONELESS BEEF PRICES

[Per hundredweight]

Year	Cow beef			Bull beef		
	Domestic	Imported	Difference	Domestic	Imported	Difference
1967						
Jan. 2	$53.00	$47.88	$5.12	$53.50	$51.00	$2.50
Jan. 16	53.00	49.00	4.00	54.00	51.00	3.00
Feb. 3	52.75	48.75	4.00	53.00	51.00	2.00
Feb. 15	53.00	48.25	4.75	53.50	50.50	3.00
Mar. 1	52.50	47.38	5.12	53.00	49.50	4.00
Mar 15	52.00	47.18	4.82	54.00	49.50	4.50
Apr. 3	52.50	47.88	4.62	54.00	50.00	4.00
Apr. 14	52.50	48.00	4.50	54.00	50.50	3.50
May 1	53.00	47.75	5.25	54.00	50.50	3.50
May 15	53.00	47.00	6.00	54.00	50.50	3.50
June 1	53.00	46.63	6.37	54.00	50.25	3.75
June 15	53.00	47.17	5.83	54.00	50.50	3.50
July 3	53.50	47.00	6.50	54.00	50.50	3.50
July 14	54.50	47.00	7.50	55.75	51.25	4.50
Aug. 1	52.50	46.75	5.75	52.50	51.50	1.00
Aug. 15	53.50	46.75	6.75	53.50	51.50	2.00
Sept. 1	52.50	46.50	6.00	52.75	52.00	.75
Sept. 15	52.00	47.25	4.75	52.75	52.25	.50
Oct. 2	52.00	47.50	4.50	52.50	52.50	.00
Oct. 16	51.00	47.50	3.50	52.50	51.50	1.00
Nov. 1	50.00	46.25	3.75	52.00	50.50	1.50
Nov 15	49.50	46.00	3.50	51.50	50.00	1.50
Dec. 1	50.50	45.75	4.75	52.75	50.00	2.75
Dec. 15	50.50	46.25	4.25	52.75	49.75	3.00
1968						
Jan. 2	51.50	46.63	4.87	53.00	49.75	3.25
Jan. 15	51.00	46.75	4.25	53.50	50.00	3.50
Feb. 1	51.00	46.38	4.62	53.50	49.75	3.75
Feb. 15	51.50	46.38	5.12	53.50	49.75	3.75
Mar. 1	54.50	46.38	8.12	55.00	49.75	5.25
Mar. 15	55.00	46.50	8.50	55.00	49.75	5.25
Apr. 1	55.00	46.88	8.12	55.50	50.00	5.50
Apr. 15	55.25	47.25	8.00	55.50	50.00	5.50
May 1	55.50	48.38	7.12	56.00	51.50	4.50
May 15	55.50	48.75	6.75	55.50	51.75	3.75

Source: Reported in National Provisioner.

The CHAIRMAN. What I am trying to do, as chairman of the committee, is to get all the facts together as soon as possible, so that we can meet after the Fourth of July and mark up the bill.

With respect to your grain prices, of course, as you know, there is a wheat portion of this bill as well as that on corn on a voluntary basis.

Mr. MAGDANZ. Yes.

The CHAIRMAN. And the Department has tried to get more and more people interested in getting into the programs, so that less corn can be produced and less feed grains can be produced. The reason for it is that we would like to have that in balance, but somehow we have not attained that goal.

What we are looking for is a better method than what we now have. And if you have that in your store, let us have it now.

Mr. MAGDANZ. I would give it to you if I had it. We would have given it to you a long time ago if we had it.We have not been able to come up with it. Apparently, no Members of the Congress have been able to do so, nor the Department of Agriculture has been able to come up with it. And if we do have some ideas that we think are an improvement over what we now have, we will certainly be here to tell you about it.

The CHAIRMAN. I have been on this committee now for 32 years. I have chaired this committee longer than any man in history. And the point is that we have tried different methods, different ways, of doing

it. And we cannot find it. I think that this program is much better than if we had none.

Mr. MAGDANZ. This is the point that we make. It is much better than if we did not have any. In fact, I do not think that agriculture could stand with no program today. It would be disastrous.

The CHAIRMAN. Right.

Mr. MAGDANZ. This one, I believe, despite the fact that we have not achieved the goals you have just referred to, is at least keeping prices from sliding to disastrous levels. And, hopefully, if we move away some of the stocks that we are now moving into private hands, and have just gotten them out of Government hands, we have seen some improvement in our price levels.

It may very well be—and one of the recommendations we make for modification in our statement here is that, perhaps, there ought to be a different method of determining base acreages for participation. The historical method has been used up to this time.

We would recognize that this cannot be done overnight, but if we could move perhaps toward a percentage figure for basic acres, instead of the history, over a period of years we might invite more widespread participation—and this is not documented—but we know there are people who are staying out of the program today because they have such a low base that they just cannot afford to go into the program, but if they had a percentage of their sellable acreage, this might very well invite more people to take part in a voluntary program on a voluntary basis.

The CHAIRMAN. Are there any questions?

Senator MILLER. I have no questions.

I just want to say that I am always happy to see Mr. Magdanz appear before this committee. He represents very ably a very fine organization and his testimony certainly is worthy of our deepest consideration.

The CHAIRMAN. Yes, sir.

Thank you very much, Mr. Magdanz.

We will have to recess for a vote.

(Whereupon, there was a short recess.)

The CHAIRMAN. The committee will come to order.

Our next witness is Mr. Farrington. The committee will be pleased to hear from you.

STATEMENT OF CARL C. FARRINGTON, CHAIRMAN, AGRICULTURE COMMITTEE, MILLERS' NATIONAL FEDERATION, MINNEAPOLIS, MINN.

Mr. FARRINGTON. Mr. Chairman and members of the committee, my name is Carl Farrington. I am a vice president of Archer Daniels Midland Co. in Minneapolis. I appear here as chairman of the Agriculture Committee of the Millers' National Federation which represents about 85 percent of the productive capacity of the U.S. wheat flour milling industry.

Because of the direct effect the certificate program has on flour millers and the customers we serve, we appreciate this opportunity to express our views on the provisions of S. 3590 relating to wheat. The total wheat program is far ranging and complex. We do not pro-

pose to offer opinions on the need or lack of need for a Federal wheat program.

We will address our comments, first, to the present wheat marketing certificate program and, later, to the proposed amendments incorporated in S. 3590.

Assuming the continuation of a wheat price-support program, we believe the current concept of establishing a loan slightly below the world wheat price level is desirable.

Another basic feature of the present program is the payment of Federal funds to producers who comply with the program. In the case of wheat the bulk of the funds for these income-supplementing payments do not come from the Federal Treasury as is true for other competing grains. Instead, wheat processors are required by law to pay to the Commodity Credit Corporation a processing tax, presently at the rate of 75 cents per bushel, on each bushel of wheat processed. The funds thus collected are then commingled with other funds available to CCC from the U.S. Treasury in making payments to wheat producers.

It is this feature of the wheat program—namely, the method of obtaining funds for cooperator payments—to which we have objected repeatedly and continue to object. Among grains and other major crops, the wheat program is the only Federal program which obligates consumers—and it is the consumer who actually pays—to finance the major part of the price-support payments.

We believe this is an unsound arrangement for all whose livelihoods depend on wheat and wheat products.

Wheat products compete, directly or indirectly, with every item of food available to the consumer. Particularly, they must compete directly with corn and other grain products, in breakfast foods, breads, crackers, snack foods, beer, whiskey, and a host of other products.

Based on published participation and projected yield figures by States, it appears that some 547 million bushels of wheat are eligible for certificate payments to producers in 1968. On the basis of the current parity price of wheat of $2.63, the rate of these payments will be $1.38 per bushel and these payments will total $755 million. The current level of domestic foods use of wheat is reported by USDA at 510 million bushels. At 75 cents per bushel, this volume of wheat put into process will yield a revenue of CCC from processors of $382.5 million, or a little over half of the total amount that will be paid out to wheat producers.

By way of contrast, direct Federal payments to feed grain producers in 1968 are estimated at about $1.3 billion. The total cost of the 1967 cotton program was $930 million. Cotton payments will be somewhat lower in 1968 than in 1967 but, I believe, will exceed the estimated $755 million to be paid to wheat producers. All of these feed grain and cotton payments come direct from the Federal Treasury while over half of the wheat price-support program is being financed by processors and wheat product consumers.

The CHAIRMAN. What do you have to pay for your wheat now?

Mr. FARRINGTON. The going market price.

The CHAIRMAN. That is about dollars—what?

Mr. FARRINGTON. At the farm level, it averages, I think, $1.36.

The CHAIRMAN. And you pay 75 cents for the certificate?

Mr. FARRINGTON. Yes, sir. Of course, at the mill level, it costs more than that.

The CHAIRMAN. Wheat is the only commodity that is paid full parity.

Mr. FARRINGTON. Yes. I have wondered about that.

The CHAIRMAN. That is the reason for it, to give the farmer, the wheat farmer, a better price—that is all. And if we did not do that, you could see the extent to which the wheat farmer would be penalized.

Mr. FARRINGTON. We are only talking about the method of financing.

The CHAIRMAN. I understand that, but yet, all of that comes from the taxpayer.

Mr. FARRINGTON. There is dramatic evidence available of the discrimination against wheat resulting from these certificate payments and the price disadvantage wheat is faced with in competing against corn and other grains for food use.

During the past 4 years when market prices have had an opportunity to reflect competitive market values, the domestic farm price of wheat has averaged 115 percent of the average farm price of corn on a pound-for-pound basis. The same relationship of 115 percent has existed between export values at the gulf for No. 2 Hard Winter wheat and No. 2 Yellow corn.

On the other hand, the cost of wheat to the miller since the inception of the certificate program in 1964 has been between 172 percent, and about 190 percent of the corn price on a pound-for-pound basis. The increasing artificial price disadvantage wheat now has is causing ingredient buyers to substitute corn and other grain products for wheat.

The per capita consumption of wheat in the United States has declined continually over the years. Through research, market development, and investment, everyone concerned with wheat is trying to reverse this trend. Millers, bakers, and wheat producers are presently in the process of attempting to develop a strong, coordinated, and well-financed research and promotion program to maintain the role of wheat products in the U.S. and world diet.

It should be obvious that many of these efforts are being discouraged by the unfavorable competitive position in which wheat is placed as a result of the processor certificate levy. We are seeing substantial evidence of the substitution of other ingredients for wheat flour in certain products and it is being done mainly on the basis of ingredient cost. There is evidence of a decline in new wheat product development and in corporate research on wheat as a source of cereal protein. Flour mills have been closing at a rapid rate. New mill construction and the investment of outside capital in the milling industry is almost at a standstill.

It is impossible at this time to document what the longrun effects of the present certificate program would be if extended beyond next year. We do not want to cry, "wolf," unnecesarily, but we do believe the present method of financing the wheat price-support program is potentially dangerous to the entire wheat economy in this country.

These factors inevitably lead us to the conclusion that if the committee and the Congress feel that wheat market prices provide producers with inadequate returns, any supplemental payments should be provided direct from the Federal Treasury. Other commodity pro-

grams are financed in this manner. We believe the singling out of wheat for this unique tax treatment will be self-defeating in the long run.

The CHAIRMAN. What do you think the retail price of bread per pound would be if the committee followed your suggestion of obtaining wheat at $1.47—that is what you are saying now.

Mr. FARRINGTON. $1.36.

The CHAIRMAN. That is what you want. You want to be able to buy the wheat at $1.37?

Mr. FARRINGTON. Wherever it is on the market.

The CHAIRMAN. I know that. What do you think the price of bread would be per pound?

Mr. FARRINGTON. I am not in the bread baking business.

The CHAIRMAN. I know that you are not.

Mr. FARRINGTON. I know that the price of flour would go down by the amount of the certificate.

The CHAIRMAN. I would like even to believe that, but it does not.

Mr. FARRINGTON. It is in the record that that happens.

The CHAIRMAN. As the rule, it does not. The fact is that the wheat program is a little different from corn in that, as I pointed out, the wheatgrower gets full parity on what is utilized at home. That is one way of getting a payment.

Mr. FARRINGTON. We are not talking about that. We are talking about a way to finance it.

Our views on the amendments proposed in title IV for the wheat program are predictable in view of our foregoing comments.

First, it is proposed in section 401 of S. 3590 to extend the wheat program for 4 additional years. We oppose such a long-term extension. On the other hand, we would not oppose a simple 1-year extension if it would provide time for a meaningful consideration of the present and alternative programs next year.

Second, it is proposed in section 404 of S. 3590 to prohibit a reduction in the levey on millers if the Secretary raises the price support loan rate. Present law fixes the processor certificate cost at the difference between the loan, now $1.25; and $2 or 75 cents.

Thus, if the loan is increased for the purpose of enhancing market prices, present law provides a corresponding reduction in the miller's payment to the Commodity Credit Corporation. But the miller would be severely penalized if the loan rate were increased with no reduction in the processing levy.

Third, section 404 of S. 3590 would also increase the processing tax even further by adding to it any increase in parity for marketing years after July 1, 1969.

The CHAIRMAN. That is one of your proposals?

Mr. FARRINGTON. No. That is a provision in the bill to which we are opposed.

The Commodity Credit Corporation is now obligated to make domestic certificate payments to cooperating producers at a rate determined by the difference between the loan rate and full parity, presently $2.63. The effect of the proposal would be to shift the cost of any future increase in parity from the U.S. Treasury to processors and consumers. This would subject wheat processors to highly disruptive and objectionable year-to-year adjustments in the processing tax rate. Further-

more, for every penny parity increases, $5 million would be added to the consumer cost of wheat foods and the competitive disadvantage of wheat products would be that much greater.

The entire effect of section 404 would be to burden wheat processors and consumers with the cost of financing a larger portion of the wheat program payments. It would permit the Secretary to increase the wheat loan rate and correspondingly reduce payments to producers but still collect the same amount of funds from processors. Also, increases in payments resulting from increases in parity would be financed by escalating the processing tax rate rather than using Treasury funds as now provided for this purpose.

I would like to depart from my prepared text.

The CHAIRMAN. You may do so.

Mr. FARRINGTON. I understand that in response to a question as to what the cost of the wheat program would be as a minimum, the Secretary of Agriculture said at one time "very little," and at another, "$8, $10, or $12 million."

We question whether the Secretary or anyone else can predict with any certainty what the increased costs will be. We know, however, that if the loan rate were increased 10 cents per bushel, and there were a corresponding increase in the market price of wheat, and if the processor's certificate costs were not reduced, the increased cost to the millers and the consumers would be $50 million.

With respect to higher costs due to future increase in parity, the Secretary said that this would amount not to very much in a higher certificate cost. Four years ago the July parity figure was $2.52 per bushel. That was at the outset of the certificate program.

Parity now stands at $2.63, or an increase of 11 cents. This is equivalent to a certificate cost of $56 million.

In the previous 4 years parity has gone up 13 cents and, probably, will go up again and continue to go up. Certainly, an amount of $50 or $56 million is not just a little bit of money in our industry.

We were gratified, therefore, that the Secretary said that the Department will not strongly oppose the deletion of this parity escalator, if the committee wishes to do so.

Mr. Chairman, that is what I was going to say. It seems that this amendment to the pending law would not benefit the farmer very much.

Mr. FARRINGTON. No; it would not.

The CHAIRMAN. That is why I believe that the committee may be desirous to delete that.

Mr. FARRINGTON. The proposal to escalate the processing tax rate on the basis of increases in the parity price of wheat prompts us to raise questions about the parity prices in general and the wheat parity price in particular.

The National Advisory Commission on Food and Fiber in its report to the President stated that "the historical concept of parity prices is obsolete and inconsistent with the structure and technology of modern agriculture." Accordingly, that Commission recommended "that the parity price concept be supplanted as a device for measuring and evaluating changes in net farm income."

The Commission further recommended "that a new concept of parity income for farmers be developed and put into use, taking into

consideration changes in productivity." They stated that this concept should be predicated on a comparison of the return to labor, capital, and management used in farm production with the return on such resources used in other parts of the economy.

The Secretary of Agriculture and many students of agriculture and agricultural price relationships have reached similar conclusions.

We seriously question the propriety of linking a processing tax rate to a price concept of such dubious validity as the current wheat parity price formula.

More importantly, however, we object to a long-term extension of legislation that subjects us and our products to a serious competitive disadvantage in the domestic food market.

We urge that plans be developed for eliminating rather than escalating the present discriminatory method of financing wheat payments. Wheat foods alone should not be taxed. Either the wheat food tax should be eliminated or other grains, and particularly corn, used for food should be taxed equally.

The amendments proposed in sections 402, 403, and 405 of S. 3590 appear to have no, or only minor, effect on the flour-milling industry and we are taking no position on these amendments.

We have given some study to title IX of S. 3590. We are not sure we understand the full import of the amendment to section 8c(2) of the Marketing Agreement Act of 1937 contained in section 901 of S. 3590. It seems to provide almost a blanket exception to a number of exceptions now specified in the law.

Apparently, this amendment plus section 902 would give the Secretary power to issue a marketing order including the establishment of minimum prices covering all wheat or any regional or market classification of wheat after a mere majority of the affected producers voting in a referendum indicate that such commodity should be eligible for an order.

If this is the meaning of sections 901 and 902 of S. 3590, we submit that it is an unnecessary and undesirable grant of authority to the Secretary of Agriculture. The Secretary of Agriculture has authority presently to establish minimum prices for all classes of wheat in the form of nonrecourse loans. These loan rates presumably reflect the highest level of Government intervention the Secretary deems desirable, taking into consideration:

(*a*) Adequate production for all requirements, including a reasonable carryover;

(*b*) Competitively priced and readily available wheat for domestic and export markets;

(*c*) Adequate participation in the acreage adjustment program at a reasonable cost; and

(*d*) A reasonable production balance among wheat and competing crops.

These nonrecourse loan provisions are supplemented by acreage-adjustment and income-supplementing payments.

Any establishment of minimum prices and other conditions of sale for wheat and wheat products through a marketing order would appear to be an unnecessary and dangerous duplication of power. It would permit the substitution of an unworkable program, as applied to a nationally produced export commodity, for a type of program that over the years has proved administratively feasible.

For the same reasons we strongly support the proposed exclusion of wheat and wheat products from the collective bargaining legislation contained in section 905 of S. 3590. Wheat and the other excepted commodities listed in section 905 of S. 3590 and in section 8c(2) of the Agricultural Marketing Agreement Act of 1937 should continue to be excluded from present and proposed marketing order and collective bargaining legislation. We believe it would be most unfortunate to have any overlapping of authority between the price-support and production adjustment programs authorized under the Agricultural Adjustment Act of 1938, as amended, and the market order and collective bargaining programs under the Marketing Agreement Act of 1937, as amended.

In summary, Mr. Chairman, we oppose the provisions of sections 401 and 404 of S. 3590. We do not oppose the other sections of title IV. We support exclusion of wheat and wheat products from present and proposed marketing order and collective bargaining legislation.

Thank you, Mr. Chairman, for this opportunity to express the views of the milling industry on portions of S. 3590.

The CHAIRMAN. As I understand the burden of your testimony, it is that you are not satisfied with the way that the payments for wheat to the farmers are made. Before this act went into effect, you paid just about the support price, what it was; in 1962, the support price was $2, and now you are paying about $2.11. That is really the difference, which of course, I know, amounts to quite a bit in total.

Mr. FARRINGTON. The burden of our statement relates entirely to the method of financing.

The CHAIRMAN. I understand that.

Mr. FARRINGTON. And the competitive disadvantage that it puts wheat products in as compared to other food products.

The CHAIRMAN. Is corn a great competitor to wheat in this market?

Mr. FARRINGTON. Well, there were about 350 million bushels of corn used in food products, including beverages, as compared to 510 million bushels of wheat. There are many areas where there is direct competition; yes, sir. And you pay out $1.3 billion on feed grains. And you could collect a part of that, too, if you wanted to proceed this way.

The CHAIRMAN. We have your suggestions. It would mean much more money out of the Treasury than this program provides.

Mr. FARRINGTON. It would be less. You would be collecting more from the corn processors.

The CHAIRMAN. But the way that you want it, you would like to have it——

Mr. FARRINGTON. To shift it the other way.

The CHAIRMAN. You would like to do away with the certificate altogether?

Mr. FARRINGTON. Yes.

The CHAIRMAN. And simply pay the market price?

Mr. FARRINGTON. Whatever payment would be made, do the same for all grains.

The CHAIRMAN. Thank you, sir.

Mr. FARRINGTON. Thank you.

The CHAIRMAN. You have a good point.

Our next witness is Mr. Donald M. Mennel.

We will be pleased to hear from you now.

STATEMENT OF DONALD M. MENNEL, PRESIDENT, NATIONAL SOFT WHEAT MILLERS' ASSOCIATION, FOSTORIA, OHIO

Mr. MENNEL. Mr. Chairman and members of the committee, I certainly appreciate being asked to come back again. I will try to be fast.

My name is Donald M. Mennel, and I am here as president of the National Soft Wheat Millers' Association. I appeared in April and we made eight suggestions. Six are silent in this bill that we are discussing here today, and the other two are diametrically opposite to our suggestions. So we are not doing so well. [Laughter.]

Since April I have talked to a number of farmers in Ohio to find out what they think of the wheat certificate program. And I only found one who was in favor of it. And he was one of the largest farmers in Ohio. Most of the farmers characterize this in such words as, "abominable."

Specifically, in connection with S. 3590, we are very much opposed to extending it more than 1 year.

We will not strenuously oppose a 1-year extension, but we think that it is unfair to saddle a new administration with a bill that would have to be repealed or amended immediately, if it did not agree with it. We think that the new administration should have the opportunity to make their own bill. We feel they could, without any extension, do so but it would put the heat on everybody, which might not be fair in such a broad program.

Our strongest objection, probably—and I was happy to hear your comments to Mr. Farrington—is tying the processing tax to the statistical fabrication of parity. We think that this is just almost impossible. It creates a permanent situation over which there is no control, really.

There are no restraints on the Secretary. He would be free in many respects to move.

We also do not exactly understand the wording of the bill on the certificates. There isn't an "either or"—it is either the face value of the certificate or tying it to parity. The face value of the certificate now is defined, but this does not really say that the face value of that certificate would stay the same.

Going back into the background of the legislation, it appears that it could be changed.

The CHAIRMAN. That was the intent: not to change the face value.

Mr. MENNEL. I see. We have the feeling that tying this to parity creates a situation in that we all know the problem has been currently facing Congress in connection with the income tax increase, and the difficulty with the very broad support for an income tax increase program.

Yet here is a way of allowing the Secretary to increase the wheat tax without any problem other than signing his name, really. So we just do not feel that this is the proper authority.

We also agree with you that very little of this will go back to the farmer, while all of it will fall on the American consumer. And we do not think that is proper, either. We feel that the farmer should participate in the rise in the cost of living, just as everyone does.

We have studied the balance of the bill carefully. Title IX just plain confuses us. It looks like wheat would be subject to marketing orders, but not subject to collective bargaining.

The CHAIRMAN. If it would be left out, it would take care of that—that was the intention. It will be corrected. If there is any doubt about it, the committee will remove that doubt.

Mr. MENNEL. Our industry has been in real serious trouble ever since the wheat certificate program came in. I would not want to imply that the current wheat program is totally to blame for the condition of the industry, but I do think that the advent of the tax and the subsequent action is not simply coincidental. These are costs that have changed, demand pictures—they have changed costs of county procedures, and it has presented many, many problems for the industry. I am sure that you are aware that many flour mills closed since 1954.

General Mills closed 55 percent of their flour mills. Two of the major companies closed 40,000 hundredweight for flour mill capacity.

The CHAIRMAN. You mean that the consumption of wheat has been down that much?

Mr. MENNEL. It has been changing that much; yes.

To relate this to size—and I have a personal interest in the industry, since I run a flour mill—this is four times the size of our total company that closed down last month.

During the IGA debate there was a lot of talk about the world and the U.S. price, but I did not see a lot of talk as to the American consumer under this program. This information may have been related by the Treasurer as to this cost, but certainly it has not eliminated the cost of the program from the American consumer, who is, after all, the taxpayer.

We, of course, believe that if the Secretary is going to use this kind of a program and add to it and cut down allotments to control supply, that he ought to do it in relation to domestic need, rather than just across the board, as he has done in the past.

We recognize the political realities make this a little difficult. We do not think, in summary, that the current program is working. We believe it has increased the wheat farmer's dependence on the Federal Government. It has increased the cost to the domestic consumer. It has failed to control the domestic production. It has accelerated the decline in the wheat food consumption. And I think it has been less than spectacular in increasing exports for dollars.

So we do not think that a new administration should be saddled with this for 4 years.

The CHAIRMAN. Is it your decision that the old program is better than this one?

Mr. MENNEL. Parts of the old program were; yes.

The CHAIRMAN. Generally speaking, I mean.

Mr. MENNEL. I would prefer to pay a higher price for wheat, generally speaking, in a sounder market, so that the farmer would get a fair return on the open market, rather than to have this tax program superimposed on it.

The CHAIRMAN. Of course, the purpose of paying the farmer the full parity was to get his price up so that he can make a go of it. It is unlike corn, as you know. I guess 85 percent of the corn is consumed here in this country, and very little is exported. And what the committee

desired to do was to make wheat competitive on the world market, just letting it find its price at whatever it sells for at the market.

But now, in order to protect the farmer, we wrote into the bill full parity for the domestic part.

Mr. MENNEL. Yes; I realize that.

The CHAIRMAN. There is some difference, of course, in the price to you, depending upon——

Mr. MENNEL. The come and go of the marketplace.

The CHAIRMAN. Yes; that is right.

Mr. MENNEL. We feel, though, that this price structure has driven the price of wheat below, in a sense. The IGA is a good example of it. We have to go to a reverse subsidy in order to have a price comparable to world price. And I think this is the action of the program that has done this. It seems to me that wheat used in domestic consumption is a good food and it should be properly paid for, properly supported.

I do not feel, though that the wheat industry should be singled out as the single taxing source for any food. It is the only food that is taxed in this manner. We are seeing, as I said in April, a tremendous substitution for other grains in products of our soft wheat in this country.

You bought—you will remember—cookies and pies and all of the things that were made with corn flour and rice flour and barley flour.

The CHAIRMAN. Very good.

Mr. MENNEL. We feel that this program, if we are going to have this kind of program, let us be fair, let us hang it on everybody.

The CHAIRMAN. I would like to find ways to improve it.

Mr. MENNEL. I would like to get a new one. I would like to give a new administration a crack at it before the 4 years roll along.

The CHAIRMAN. We might have the same administration.

Mr. MENNEL. They have said that they are not going to be here, but I will not argue with you on that, sir. [Laughter.]

The CHAIRMAN. Well, thank you very much.

Mr. MENNEL. Thank you.

(The prepared statement of Mr. Mennel follows:)

Mr. Chairman and Gentlemen: My name is Donald M. Mennel. I am President of The Mennel Milling Company of Fostoria, Ohio, and I am here today as Vice-President of the National Soft Wheat Millers' Association. I have with me Ronald H. Huffman, Secretary and Counsel of the Association. Member companies represent approximately 80% of the total commercial soft wheat milling production of the United States.

We appreciate very much being asked to return to discuss S. 3590 with you.

In our April 5, 1968 statement we requested an end to the certificate program or, at most, that any extension of the various Agricultural Acts be limited to a year-to-year basis.

We asked that the illogical growing practices created by the Acts be corrected.

We suggested a sliding scale of payments to assist the smaller farmer.

We asked for a statute of limitations on USDA examinations.

We asked for reduction in the processor wheat certificate tax.

We were concerned about substitutions of the products of other grain for wheat in various foods.

We pointed out the regressive nature of the wheat certificate program.

We asked for an appeal and arbitration procedure to protect us against the lack of consistency in interpretation by USDA in the administration of the Act.

S. 3590 is silent on all of our requests except two and on those proposes diametrically opposite action to our recommendation for reduction in processor wheat certificate costs and limitation to year-to-year extension at most.

Since making my April 5th statement, members of my company and I have attended a good many meetings with farmers and country elevator operators. We have been asking, "What is your opinion of the wheat certificate program?"

We have done this to try to be more qualified to represent the wheat interests of the Central Soft Wheat area.

Here are some direct quotations:

"Abominable." A small farmer in central Ohio.

"I am a Christian man, but even thinking about the program makes me profane." A medium-sized farmer in southern Michigan.

"I have never participated voluntarily in any wheat program, but this year I had a choice of going out of farming or signing up, so I signed up." A farmer in northwestern Ohio.

"Any program to replace it will have to be better . . . it is perfectly proper for the American consumer to pay me directly for what I am doing." One of the largest farmers in Ohio.

Of all the farmers, only the one, very large one, was in favor of it, and in checking published information I found he received a very sizeable payment from CCC for his 1967 operations, which might explain his unique position.

The Chairman of the Ohio State ASCS Committee, Dwight Wise, recently said that he had completed a detailed study of one Ohio county. One hundred one farmers were non-participants in the wheat program. Each was checked carefully and forty-six were found to be in compliance and eligible for participation. Mr. Wise was unable to understand why they refused to sign up. Personally, I believe the answer is simply they believe in individual freedom and decided that personal freedom and integrity is more valuable than money. I have talked with many non-participating farmers and I have a deep respect for their beliefs.

Specifically, in reviewing S. 3590, we oppose, in general, all the sections extending various acts beyond their 1969 limits, and specifically Sec. 401, the extension of current wheat programs beyond 1969. President Johnson and Secretary Freeman both say they will not be in the next Administration. Thus, we believe the new President and the new Secretary should not have to secure the repeal of an existing law before being able to propose their own program. Regardless of the individuals or the political party, they should have freedom of action without having to start out defensively. We would prefer to allow the old law to run its course, thus forcing early action by the new Administration, but recognizing political realities, we will not object strenuously to a simple one-year extension. More than this we will oppose vigorously.

Second, we support Sec. 402, lengthening the average time for computing projected farm yield. This should recognize crop rotation practices somewhat more equitably.

Third, we support Sec. 403, the broadening of the wheat allotment computation, although we believe the Secretary already has the authority he now seeks.

Fourth, we are totally and unalterably opposed to Sec. 404, relating the processors wheat certificate tax to the statistical fabrication of parity. Sec. 379e of the Agricultural Adjustment Act of 1938, as amended, places restraints on the Secretary as to the loan level and the certificate cost. This proposal frees the Secretary from all restraint.

We are all aware of the extremely difficult time the Administration has had in trying to obtain an income tax increase as a means of controlling inflationary trends. This effort has had broad support, from many diverse interests, with nationwide media coverage for more than a year and only now is appearing possible of enactment.

Yet Sec. 404 would give a broad grant of authority to the Secretary to raise the wheat certificate tax, with its inevitable results of higher consumer costs, without any more effort than writing his name. No one in this nation has ever had such taxing authority and no one ever should. We urge Sec. 404 be deleted in its entirety.

We support Sec. 405, which appears to move forward to May 1 from July 1 the final decision date for the price support level, thus giving the market place slightly more time to digest the announcement before harvest.

Insofar as any segments of Titles I, II, III, V, VI, VII, VIII, and IX may concern wheat, we oppose them in that such application is not stated clearly and openly and we, thus, are unable to judge its effect upon our members.

For example, Sec. 901 appears to make wheat subject to marketing orders following some variety of referendum of producers, but Sec. 905 exempts wheat from collective bargaining. We believe this portion of the Act is not clear, nor is its intent discernible when taken in relation to the price support and certificate programs.

Since the advent of the current wheat program the wheat flour milling industry has been in serious trouble. This has been characterized by the closing of 55% of the milling capacity of General Mills. 17 mills with 55,000 cwts. daily capacity were closed, and as far as I know, only one was later sold and is operating currently, and it replaced an older, less efficient plant which was subsequently shut down, of the purchasing company.

This trend is continuing. Since the beginning of the crop year now drawing to a close, many mills have closed. I am sure I cannot list them all, but here is a partial listing of the major closings:

Colorado Milling & Elevator Co., Omaha, Nebr	7,100
Colorado Milling & Elevator Co., St. Louis, Mo	15,000
International Milling Co., Belleville, Ill	4,200
International Milling Co., Salina, Kans	8,600
International Milling Co., Greenville, Tex	5,100
Total	40,000

Last year several other closed, either voluntarily or involuntarily.

An editorial in the *Southwestern Miller* of June 4, 1968 starts out: "Announcements in the past month of closings of 5 flour mills with combined milling capacity in excess of 40,000 cwts. speak with startling eloquence of conditions prevailing in milling." The editorial goes on to say the closings were by sophisticated companies who apply sound economic analysis to both the past and the future, who have come to the conclusion they can use their financial resources better elsewhere. These most recent closings incidentally represent four times the total capacity of my company.

I do not mean to imply that the current wheat programs are totally to blame for the condition of the industry, but I believe very strongly that the advent of the wheat certificate tax and the subsequent decimation of the industry are not coincidental.

During the last two years the consumer has paid the highest price in modern times for wheat at the same time as the cash price of wheat and wheat futures are making headlines as the lowest in 26 years. "*Wall Street Journal*— 6/21/68—Chicago Wheat Prices for July 1968 Contracts Drop to 26 Year Low."

"*The Journal of Commerce*—6/21/68, in story on IGA—Wheat price in U.S. futures market have been severely depressed for some time, recently dropping to the lowest level for the past 25 years."

According to 20 year average loan rates compared to farmers prices 1948 thru 1967 placed in the record during the April hearings, the pre-certificate era shows a 16 year average loan of $1.9919 and a farmer price of $1.9425, or a farmer price of $.0494 below loan. For the 4 post-certificate years comparable averages are loan $1.2625, farmer $1.44, difference $.1775 over loan. This year still lower prices are predictable and, if the prior 16 years of experience are any guide, the 1968–69 average farmer price might drop to $1.20, or $.24 below the 4 year average shown. In fact, in Ohio currently, the farm price has dropped to or below this point already, and we are several weeks away from harvest.

The recent debates on the IGA emphasized the World level of wheat prices compared to U.S. prices. There was, however, little or no concern that the domestic consumer is paying a very high price in spite of this.

A study of the historical data supplied by USDA reveals some very remarkable information.

In those states having wheat allotments of one million acres or more there are some significant differences.

Since 1965 there has been a reduction in the numbers of participating farms in the Central soft wheat area each year, while in the hard wheat and Western white areas each year has shown an increase. In the spring wheat area the trend has been mixed, but now is rising.

There are very nearly the same number of total farms in these five soft wheat states as there are in the twelve other significant wheat states. Yet, in the soft states only slightly more than half of the total allotment acres participate in the program, compared to over ninety percent in the other three areas.

95–942—68——9

Strangely, however, if we compare total participating acres to total planted acres, we find the soft area compares relatively closely to the other areas. It should be noted that considerable overplanting has occurred in the western white area.

From this we read a very considerable disenchantment with the wheat program in the soft wheat area with mainly the large farmers bothering with wheat at all. This has been, is, and will continue to be, one of our objections to the certificate plan. In the eyes of many independent farmers it assumes the character of a dole or handout and they abandon it in favor of other, less government dominated crops, or, if unable to do this, abandon farming.

Incidentally, the same disillusionment that is being seen in the wheat program is reflected in the feed grain programs. Just as in wheat, the zenith in farm participation occurred in 1965 in the feed grain program.

It is further interesting to note that on June 14, 1968 the Secretary announced a cut of 13% in wheat acreage allotments and, with the use of maximum diversion payments, he is hoping for an 18% reduction.

These reductions are similar to those of the past and will not recognize domestic consumption patterns, choosing rather to fall on all farmers approximately equally regardless of real demand for their product.

This is another reason we believe any extension of the wheat program should be limited to not more than one year.

In summary, we do not believe the current wheat program is working. It has increased the dependence of the wheat farmer on the federal government. It has increased the cost of wheat-based foods to the domestic consumer. It has failed to control surplus production. It has accelerated the decline in wheat food consumption per capita. It has been less than spectacularly successful in increasing exports of wheat for which we are paid currently in dollars. We do not believe the new Administration should be saddled for four years with such an unsuccessful program.

The CHAIRMAN. Mr. Brooks is our next witness.

STATEMENT OF WILLIAM F. BROOKS, PRESIDENT AND GENERAL COUNSEL, NATIONAL GRAIN TRADE COUNCIL

Mr. BROOKS. Mr. Chairman and members of the committee:

I have a very brief statement. I will address my remarks principally to section IX.

I am William F. Brooks, president and general counsel of the National Grain Trade Council. For the council and its members, may I express their and my appreciation for this opportunity to be heard on S. 3590.

My observations will be primarily directed toward title IX of the pending bill and its proposed amendments to the Agricultural Marketing Order and Agreement Act of 1937.

Section 905, amending section 8(c)(6) of that act would establish a collective bargaining procedure, so-called, for a number of agricultural commodities, excluding, however, a number of crops which are produced and marketed on a nation-wide basis. These include wheat, corn, grain sorghums, barley, rye, oats, rice, and soybeans.

We believe that the exclusion or exception of these commodities from the provisions of the collective bargaining provisions is wise. We would suggest that the committee give serious consideration to adding at least flaxseed to the list of excluded or excepted commodities.

We believe that sections 901 and 906 of S. 3590 should be amended to except and exclude the above-listed grains and oilseed from their scope.

We were pleased to hear the Secretary of Agriculture state yesterday before this committee that the Department would not object to excluding any commodities now listed in section 905 from the effect of

section 906 which will, if enacted, permit the imposition of marketing allotments. We believe that the reasons which prompted that observation and which are the basis for their exclusion and exception in section 905, apply with equal force to the exception of these commodities from the result sought by section 901.

Section 901 of the pending bill would amend section 8(c)(2) seven USCA 608(c)(2)—of the Agricultural Marketing Order and Agreement Act of 1937 to permit the Secretary to issue marketing orders covering among other commodities, wheat, corn, grain sorghums, oats, barley, rye, soybeans, or flaxseed. Most of these commodities, not now subject to the act, are marketed nationally and internationally. Wheat and soybeans in particular, and corn and grain sorghums in growing volume, are important items in our export trade in agricultural commodities.

Many of them are regarded as basic commodities and receive special treatment in the Food and Agricultural Act of 1965, the provisions of which would be extended for 4 years by S. 3590.

Most of these grains are traded at recognized futures markets where admittedly the discipline of the market place can and does influence production and does, in large degree, influence consumption. To superimpose on the basic programs covering these commodities the possibility, and at times perhaps the probability, of added intervention by the Government, would be detrimental to the entire grain marketing system from production through consumption, either at home or abroad.

All the basic grains now exempt from marketing orders are subject to inspection and grading under the United States Standards Act.

There is no need for them to come in for any special provision.

The producers of these nationally produced crops consumed in a nationwide market and in many instances most important to our overall international trade in agricultural commodities, already benefit from the many tools available to the Department of Agriculture, in particular nonrecourse price support loans.

Many of these were described for this committee yesterday by the Secretary. In our judgment they need not now be implemented. In our judgment to attempt to implement them now by extending the Agricultural Marketing Order and Agreement Act of 1937 to cover them would, in both the long and short run be damaging to the Nation's agricultural marketing system.

The CHAIRMAN. Do you interpret title IX as such that you would suggest that it be amplified so as to make sure that wheat is left out altogether? Is there any language that you would suggest?

Mr. BROOKS. The difficulty is that the amendment to section 1 of the act puts an exception to all of the exceptions that are already recited there. It is a little difficult to change that particular one. I would suggest that under no circumstances should these basic commodities be covered and that flaxseed be similarly treated. That is not a basic commodity. It is, however, a commodity subject to the loan program and should be exempt from marketing orders, marketing allotments or collective bargaining.

We recommend that flaxseed be exempt from collective bargaining in the bill. The Secretary said yesterday that he would not object to exceptions for the grains from market allotments. But the bill itself

would eliminate the exception they now enjoy under section 601, I believe, of the act. We think that should be retained.

I do not know how you can do it by amending this particular bill because, obviously, this is an attempt to blanket everything in.

The CHAIRMAN. The committee will certainly study it, and all of the suggestions made by you and others.

Mr. BROOKS. I know that they will.

The CHAIRMAN. As I tried to point out awhile ago, the reason why the committee has felt that the money paid by the Government should be much higher than is now provided—in other words, the idea was to put wheat on the same basis as other commodities. Now, in the case of cotton, I think Mr. Farrington mentioned cotton—you mentioned it in your statement, did you not?

Mr. FARRINGTON. Yes, sir; cotton payments.

The CHAIRMAN. What we did in respect to cotton was to do away with the two-price system, and to have just one price. The idea was that the consumer would benefit in the long run. As a matter of fact, the Secretary of Commerce came up here and said, "if you make cotton a one-price system, so that we can compete abroad, so that the textile mills can buy the cotton at world prices, the consumer will benefit." But it did not happen that way.

On the contrary, the record shows that cotton goods went up, instead of going down. I imagine the same thing would happen to wheat. It is not so much the price of wheat that governs the price of bread, but it is that which is in between, manufacturing, and those who deliver it, and those who handle it, after it is a finished product.

Mr. FARRINGTON. We would like to submit to you, Mr. Chairman, charts and tables to show that in the case of flour, the prices do follow very, very closely.

The CHAIRMAN. I have seen wheat at $2.15 a bushel. And I paid the same for bread.

Mr. FARRINGTON. I am speaking of the price of flour.

The CHAIRMAN. I know that wheat goes into flour, which goes into bread.

We will make a part of the record at this point, without objection, a letter dated June 25, 1968, from the Chamber of Commerce of the United States.

(The letter above-referred to follows:)

CHAMBER OF COMMERCE OF THE UNITED STATES,
Washington, D.C., June 25, 1968.

Senator ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

DEAR SENATOR ELLENDER: The Chamber of Commerce of the United States respectfully urges the Senate Committee on Agriculture and Forestry to reject proposals to extend the Food and Agriculture Act of 1965 beyond its present expiration date of December 31, 1969.

We have three reasons for this request:

1. For years academic, economic, business, Congressional authorities—and many farmers—have recognized that present farm programs are not responsive to the needs of those for whom they are supposedly designed, despite the fact that these programs involve an annual allocation of more than three billion tax dollars.

2. Modernization of the farm program—rather than extension of the present antiquated system—will in all probability lead to less federal subsidy.

In this time of economic and fiscal crisis, establishment of a new farm program is obviously the rational course.

3. The bill you now have before you—S. 3590—proposes to expand significantly the powers of the Secretary of Agriculture, in terms of his authority to regulate farm production and prices through expansion of the Marketing Order Program. There is little evidence to suggest that additional government control will solve the farm problem. On the contrary, evidence over the past three and one-half decades suggests precisely the opposite.

We recall, and applauded at the time, your stated intention earlier this year to give the farm support programs a thorough evaluation before taking action on them. By our testimony before your Committee on April 9, 1968, we tried to contribute to that evaluation process. (See page 291 of that hearing for the full statement and page 305 for the discussion of farm bargaining power.)

During our appearance before your Committee, you asked that we assist you by suggesting alternatives to existing programs. I am pleased to report to you that we are acting upon that request. The objective of the National Chamber's Agriculture Committee for 1968–69 is to draw up alternative programs, for at least three commodities, for presentation to the Congress in early 1969. It is our intent in drawing up these alternative programs, to take into account the problems of transition from existing programs to new programs and the small farm operator who cannot compete with the modern business farmer.

Thus we respectfully reiterate our request that your Committee not report a bill extending the Food and Agriculture Act of 1965 for four years beyond its current expiration date.

Sincerely,

DON A. GOODALL,
General Manager, Legislative Action, Chamber of Commerce of the United States.

The CHAIRMAN. The committee will stand in recess until 10 o'clock in the morning.

(Whereupon, at 1:40 p.m., the committee adjourned, to reconvene at 10 a.m., on Wednesday, June 26, 1968.)

AGRICULTURAL ACT OF 1968

WEDNESDAY, JUNE 26, 1968

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10:05 a.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender (presiding), Aiken, Young of North Dakota, and Miller.

The CHAIRMAN. The committee will please come to order.

The committee is continuing the hearings on an extension of the Agricultural Act of 1965.

I understand that Mr. Lloyd J. Fairbanks, legislative representative of the National Farmers Organization, is not present—he will not appear in person, but permission is granted to him or Mr. Staley to file a statement.

(The statement is as follows:)

STATEMENT OF OREN LEE STALEY, PRESIDENT, NATIONAL FARMERS ORGANIZATION REA, MO.

Mr. Chairman and members of the committee, I am Oren Lee Staley, President, National Farmers Organization (NFO), Corning, Iowa, and I have with me our Legislative Representative, Lloyd Fairbanks.

We are here today to testify in behalf of our organization on S. 3590. First, however, I would like to make some general statements.

Farmers are very unhappy over the present low prices. They have deep feelings that the Congress of the United States does not understand their problems and further that the Congress is not greatly concerned with their problems.

We know that some of the members of this Committee have worked hard over the years to maintain farm income. We recognize that farmers must establish collective bargaining in order to compete in today's organized economy, but at the same time, the Congress of the United States has a responsibility to all the people of this nation.

We have supported all legislative programs and administrative policies that we felt would maintain and increase farm income.

The people of this nation are unsettled and disturbed. The strife and division within this nation, including riots, are largely due to the lack of recognition of peoples' problems.

With farm prices considerably lower than they were 20 years ago, with farm prices at 74% of parity, with agricultural investment being more than doubled in a few years' time and with costs continuing to rise because of increased prices on everything farmers have to buy, it is time that everyone takes notice of the situation and realizes that no one can be proud of what is happening to the farm income and to the family type farm.

The average age of farmers is continuing to rise and now it is nearing the 57 year mark in many areas. This means that the youth has left agriculture, or is

leaving because of low farm prices. This threatens to destroy the family type farm which is a vital part of a private ownership free enterprise society.

Corporate agriculture, bringing in large outside capital investment to agriculture, will soon replace the family type farm unless farm prices are greatly increased in the near future. This will add more distressed people to the cities.

Those who recommend the doing away of farm programs are recommending lower farm prices.

We support most of the provisions of S. 3590 not because it will make farmers happy or give them fair returns, but because it is probably the best that Congress will pass. There are, however, provisions within S. 3590 that need to be clarified or changed in our opinion.

We favor the four year extension of the Feed Grain Program, but we are strongly opposed to provisions that make it possible to use government controlled stock or payment-in-kind provisions that can be used to depress the market prices. The termination of agreements should be clarified.

We do not believe there should be any commodity excepted from the benefits of the proposed legislation. We agree that minimum prices cannot be established on commodities covered by price support programs. But, we believe farmers should have the right to decide whether a commodity should be under price supports or minimum price guarantee. In other words, we think that when producers of a given commodity petition, with sufficient strength, they should be given the right through a referendum vote to decide whether the commodity should be protected by price supports or by minimum prices and collective bargaining for higher prices. We have heard various groups claim that producers of the commodity which they happen to represent did not want to be included in any proposed bargaining legislation. We do not believe that any group in the United States is so well organized in any commodity that they can speak for producers of that commodity as a whole and we do not believe any group making this claim should have the right to exclude producers from making the choice themselves as to whether or not they should participate in any such program.

We do not agree that handlers of farm commodities should in any way be permitted to decide on minimum prices or other terms and conditions under which farm commodities shall be sold. We believe this right belongs exclusively to the producers of these commodities.

It is our opinion that the first stipulation in establishment of minimum prices should be that producers must be paid a price that would at least reflect a cost of production minimum. Producers must submit to whatever production allotment is found to be necessary to guarantee this minimum cost of production price. Then other factors should be considered in finally arriving at the minimum price but farmers should never be asked to produce at prices below cost of production.

We believe that the Congress should not hesitate to give farmers the right for self determination on allotments.

We do not believe that collective bargaining can be super-imposed on farmers. We believe that farmers must have the desire and determination to carry out collective bargaining through their own efforts. We do, however, support additional tools that can be used.

We feel that this nation does need a strategic food reserve, but it should be a true reserve where the supply can not be used to depress farm prices.

We thank you for the opportunity to testify before this committee and if you have any questions we will be glad to answer them.

The CHAIRMAN. Mr. York, will you step forward, please, and we will be glad to hear from you now.

I notice you have a prepared statement.

Mr. YORK. Yes.

The CHAIRMAN. You may proceed.

STATEMENT OF JOHN C. YORK, GENERAL MANAGER, EASTERN MILK PRODUCERS COOPERATIVE ASSOCIATION, INC., SYRACUSE, N.Y.

Mr. YORK. Mr. Chairman and members of the committee, I am the general manager of Eastern Milk Producers Cooperative Associ-

ation, Inc., on whose behalf I am submitting this statement. Our offices are located in Syracuse, N.Y.

One again, Mr. Chairman, I should like to express our thanks to you, sir, and to the members of the committee for the opportunity to appear before you today.

We have been here before. As the record of this committee shows, I testified at the hearing on April 3 of this year. Hence, I will not repeat what I then said about the background of our organization, except to reiterate that we are a milk-bargaining cooperative with a membership of about 10,000 dairy farmers.

I hope that the committee will not consider it a lack of modesty on our part, but I would like to say that we are probably the largest milk-bargaining cooperative in the United States. I might say that there are some 20 cooperative organizations that are affiliated with the Eastern Milk Producers Cooperative Association with independent corporate entities. Although we do have an interest in the operation of some milk plants, we are not processors, and our primary function and interest is to act as a bargaining cooperative. I emphasize this aspect of our work because S. 3590, which is the principal subject of this hearing, deals among other things, with strengthening the bargaining power of milk producers.

To begin with, Mr. Chairman, I should like to say that our cooperative association endorses title I of S. 3590, which would have the effect of extending, on a permanent basis, the authority for class I base plans.

As I indicated on April 3, the adoption of class I base plans has had a slow start, probably because milk production has been going down, thereby relieving to some extent the need for the plan. In only one market has the authority been invoked, and that is in the Puget Sound market. It is too soon to evaluate the results of the plan there.

In the New York-New Jersey marketing area, in which we are decisively involved, producers are only now beginning to seriously consider the plan. If it develops that producers favor it, and if the necessary administrative steps are taken for establishing it, it is likely that the plan would not become effective before January 1, 1969. That would be only 1 year before the existing authority expires. There would, in that case, hardly be sufficient time to test the worth of the plan. More time would be needed. For that reason, we strongly favor the provisions of title I of the bill.

And now I should like to address myself to section 903 of S. 3590. This section deals with collective bargaining for milk prices. As a milk-bargaining cooperative, we would ordinarily welcome legislation which would improve our bargaining power, and we have said this before. Unfortunately, however, section 903 would not do that. Those who think otherwise delude themselves. They would sell their birthright for a mess of pottage.

The thought that, because improved bargaining power has helped the worker, it would also help the dairy farmers is an illusion. The dairy farmer cannot withhold his milk from the market the way a worker can withhold his labor from his employer. The idea of farmer-bargaining power based on employer-employee practices lacks imagination. The collective-bargaining provisions embodied in section 903 mimic a solution which has no relevance to the farm problem. We see no creativity in it, but only sterility.

As a preliminary remark, Mr. Chairman, I should like to say—and I have said this before—if the President's suggestion for collective-bargaining legislation, which he advanced in the farm message of February 27, 1968, it intended to raise prices to fluid-milk producers subject to Federal milk orders, then there is no need for new legislation. The authority to raise fluid-milk prices already exists in the Agricultural Marketing Agreement Act of 1937. All that is needed is the will of the price fixers to raise prices. In fact, Eastern Milk Producers Cooperative is urging upon them the adoption of an escalator formula to be included in the northeastern milk marketing orders that would adjust prices to changing economic conditions. This formula would increase class I prices in our markets.

On the other hand, if the proposed plan of collective bargaining is not intended to bring about higher prices, producers will conclude that the whole thing has been an exercise in futility. Worse still, there are those who fear that the proposed plan for collective bargaining might in fact lower prices, rather than raise them.

This is the first reason why we look with disfavor upon section 903.

Another reason is our association has no confidence in the process of electing producer representatives to bargain with handlers. How is a producer to judge the competence of a man running for election as producer representative?

How is a producer to know in what manner the elected producers representatives would perform against handler representatives whose very livelihood would depend upon their performance in negotiations. and who would be prepared to sit day and night for weeks on end to gain their point? For all we know, the men elected as producer representatives might feel that it would be a good thing to lower prices to producers.

This is not idle speculation. In our principal market—the New York-New Jersey market—officials of operating cooperatives have, whenever the subject has arisen, occasionally urged lower prices for manufacturing milk. We ask, what would happen if one of these officials were selected to represent producers?

The outcome of the negotiations in that case would be disastrous. Collective bargaining would turn into a cruel hoax.

There is a further difficulty in the collective-bargaining proposal embodied in section 903. In the event of a stalemate between producer and handler representatives, an arbitrator would likely be chosen to resolve the conflict. Again, we ask, should our fate be placed in the hands of some unknown arbitrator? Even if he were a public personality with a clean record for impartiality, who would be able to define his motives and innermost thoughts? For all we know, he may also feel that lowering prices would be a good thing for producers. No wonder then that labor unions have generally opposed the arbitration of labor disputes.

In a word, Mr. Chairman, we have no wish to play Russian roulette and to gamble with the economic welfare of our member-producers. Hence, for the present, we prefer to rely on the milk marketing order program, to make our own case under that program, through our own representatives, seeking redress by recourse to established procedures whenever the decisions of the U.S. Department of Agriculture seem unfair. In time, we hope that better ways will be devised, ways that

recognize that those who work the soil are entitled to a greater share in the national prosperity.

As an incidental comment, Mr. Chairman, I should like to say that irrespective of the action by the committee on the collective-bargaining issue, we hope that the committee will not alter the present provisions of the Agricultural Marketing Agreement Act of 1937, which authorize the inclusion in milk marketing orders of formulas for the establishment of milk prices. The milk marketing orders have always included some price formulas, at least for manufacturing milk, and in recent years also for fluid milk. It is our view that nothing should be done in S. 3590 that would interfere with the continued use of pricing formulas. In fact, the act in that area should be strengthened.

With your permission, Mr. Chairman, I should now like to say a few words about four bills introduced by Senator McGovern, since there always exists the possibility that one or more of these bills might end up as an amendment to S. 1390 when the bill goes through the legislative mill.

These four bills were obviously introduced by request. Drafts of the bills were included in the statement of the National Milk Producers Federation, which statement was presented before this committee on April 3. We have no information as to Senator McGovern's personal position on the bills, and we certainly are not critical of his action in introducing them.

The first of the four bills, numbered S. 3432, would alter those provisions of the 1965 act which authorize the establishment of class I base plans. The bill would also legalize the adoption of the so-called Louisville plan, under which part of the returns to milk producers are held back during high-production months, and are repaid during low-production months.

With respect to the proposed changes in the base plan provisions, it is our view that the changes, even if they had merit, would be premature. The class I base plan is operating at present in only one area, as I pointed out previously. Would it not be better to wait for the results of the plan before undertaking changes in the enabling legislation.

We are perplexed why these changes are proposed at all. There is no information that any problem has arisen which calls for them. On the other hand, everything that is proposed is designed to weaken the operation of the class I base plan wherever and whenever it might be adopted.

With regard to the Louisville plan, which would be authorized by the language in clause (d), it should be pointed out that many of the Federal orders located in the Northeast, as well as orders for many other areas, already embody provisions designed to carry out that plan. While there is some doubt about its legality, there has been no decision by the Federal courts that the plan is invalid.

Presumably, the proposed language in clause (d) anticipates an attack upon the plan and an adverse decision by the courts. In our view we do not feel that it is good public policy for Congress to clothe a provision with legality, when its legality may be in doubt, without giving the Federal courts a chance to first decide the issue. For these reasons, we oppose all of the provisions of S. 3432.

The second of Senator McGovern's bills is S. 3433, which would authorize deductions from producers' checks for the purpose of financing marketing research and development programs, as well as for the financing of advertising, sales promotion, education, and related schemes.

This is a controversial issue in the Northeast. In the past, a majority of milk producers in that market have opposed compulsory deductions of that type. Hence, in the light of that, it would be wrong to force producers to finance that sort of thing, to say nothing about the problems of administering such a program.

The third of the bills is S. 3434. This bill would require producers who market their milk under milk marketing orders to exhaust certain administrative remedies before taking their complaints to a Federal court.

We are at a loss to see where this bill would help milk producers. Where would be the gain from forcing a milk producer to go through a costly administrative procedure before petitioning a Federal court? The matter puzzles the will. The bill should be defeated.

The final bill in this is S. 3435. This bill would permit an inclusion in milk marketing orders of provisions designed to authorize the reimbursement of cooperative associations for services performed for all producers in the market. Funds for such reimbursement would be obtained by compulsory deductions from producers' returns.

A provision of this kind is now in the New York-New Jersey milk marketing order, and has been there from the beginning. It has been challenged in the Federal courts in the past and has been sustained though the provision continues to be a source of controversy and litigation. Our own cooperative association, as one of the largest in the market, is entitled to, and receives, the reimbursements which S. 3435 would authorize.

Our association is nevertheless opposed to the bill. We believe it to be poor public policy for Congress to rush in and sanctify every provision in an administrative order just because it might be or is challenged. If the provision lacks legality, we should find out about it. Congress can then decide, on the basis of what the Federal courts have said, whether it wishes to sanction the challenged provision through a new legislative enactment. Moreover, cooperatives should get their income from dues, services performed, such as described for the market which, in many cases, may be performed by the handler, and they, too, might be entitled to such payments.

It has been said that we live under a system of law. A corollary of that is that, whenever the action by an administrative official is challenged, it should undergo the test of legality. We are opposed to a policy of whitewashing the acts of the executive department through legislative action, every time such acts are challenged. Moreover, as I indicated before, we are opposed to compulsory deduction, and particularly in such case where the money is paid to cooperatives because it can tarnish the image of cooperatives. For these reasons, we are opposed to S. 3435.

Mr. Chairman, having expressed our opposition to all of the four bills introduced by Senator McGovern, I should like to say that I regret finding ourselves in what must appear to be an obstructive

position. That, however, is not our purpose. The position of the opponent is not an enviable one. It pains us to play this part.

The fact remains, however, that all of the four bills I have discussed originate from one source—all four bills contain amendments to the Agricultural Marketing Agreement Act of 1937. Hence, what we are opposing, on grounds which I spelled out, is not really four distinct measures, but a group of provisions which would have the effect of changing the philosophy of the program embodied in the Agricultural Marketing Agreement Act of 1937. The objective to bring about such a change is the thing which we oppose.

Mr. Chairman, this concludes my statement. I should like to thank you, sir, and the members of the committee, for being so patient with me and for hearing me out.

The CHAIRMAN. We are glad to have had your statement.

What do you consider the main objective of your cooperative?

You said that you are a bargaining cooperative, as I understand it. You bargain with whom? I would like to know about that.

Mr. YORK. We buy milk from about 90 different milk handlers in every one of the major markets in the Northeast and many of the secondary markets, as well as markets that are regulated under the terms and provisions of State orders.

Our objective is to assure our members maximum returns for their product, to be sure that their weights are correct, to assure them that their butterfat tests are correct, and to assure them that they are always getting the maximum prices under competitive conditions in the area.

The CHAIRMAN. Is the membership composed solely of users or have you cooperatives that belong to your cooperative?

Mr. YORK. We have about 20 individual cooperatives that are affiliated with our major cooperatives, and each one of those cooperatives are structured the same as the Eastern Milk Producers Cooperative, in that we are a bargaining cooperative. We are not engaged in packaging milk and selling it on the streets or in processing milk and selling it in international or national trade.

The CHAIRMAN. You say that you are a bargaining cooperative.

With whom do you bargain?

Mr. YORK. We bargain in two ways: Our first system of bargaining is to establish prices at the maximum level under the procedures as established by the Marketing Agreement Act of 1937, in that we petition the Federal Government and introduce evidence under oath, technical evidence, as to how we see the conditions in our area, in behalf of our members, before the Secretary of Agriculture.

The CHAIRMAN. And then he fixes the prices?

Mr. YORK. He then fixes the prices.

The CHAIRMAN. The minimum?

Mr. YORK. The minimum, but we never bargain for minimum prices; we bargain for maximum prices. The act spells out that the price of milk shall take into recognition the price of feed and other conditions, as well as being in the public interest, and we feel that farmers in the dairy industry and in the State of New York are in the public interest. It is the largest industry in New York State.

The CHAIRMAN. Well, now, you proceed under the same law that we are now amending, so as to expand its functions to include other commodities. How would that affect you?

Mr. YORK. You mean the sanctions of the law as to commodities?

The CHAIRMAN. Yes. In other words, you have to follow the procedure laid out—no action can be taken unless the majority asks for it, and then after agreements are entered into, say, by two-thirds——

Mr. YORK. Precisely.

The CHAIRMAN. Do you object to that?

Mr. YORK. We do not object to the application of the principles of the act, as it might apply to other commodities. We do not object to that.

The CHAIRMAN. Do you think that because you have the act of 1937 that deals primarily with milk, that that is sufficient?

Mr. YORK. It is sufficient so far as the people I represent are concerned; it is sufficient so far as the dairy farmers are concerned. We want to say to you that there is sufficient authority, sufficient mechanism there, to achieve these prices, as long as the Secretary of Agriculture interprets the act according to the testimony and according to the act—the way the act is written.

The CHAIRMAN. He is supposed to do that; that is his function.

Mr. YORK. For example, there have been prices introduced—for example, there is a hearing today in Cleveland in which the Secretary issued an order, and before the order came out, there has to be another hearing to amend the order to raise the price before the order goes into effect. And I say that there is authority right there to get these prices. All we have to do is to go after them.

The CHAIRMAN. Well, the procedure is somewhat similar to what you could do under this act, is it not, after it is amended? In other words, it would have to come from the producers themselves to start it, to obtain any order for bargaining?

Mr. YORK. Yes, sir. The initiating procedure comes, obviously, from the producers.

If you are talking about amending the act along the lines of this cooperative collective bargaining bill——

The CHAIRMAN. That is what I am talking about. I am just trying to get the difference, if I can, between the present procedure and how you would be affected under this new procedure.

Mr. YORK. Well, the new procedure——

The CHAIRMAN. Of course, I imagine you could maintain your present procedures that you now use.

Mr. YORK. I would imagine that the act, if it was amended the way it is being contemplated, that the matter of the Federal milk hearing, the way we currently have it, would be a farce. The procedure would be to have a committee that would commence to negotiate prices, and then if they could not establish prices it would go to an arbitrator. I do not see the sense of a hearing, a milk hearing, and the procedures that apply in a milk hearing.

The CHAIRMAN. When you speak of being a bargaining agent, who do you bargain with?

I would like to put that in the record.

In other words, that is what I am trying to find out. What would be the difference? You bargain with whom now?

Under this, you would bargain with the handlers?

Mr. YORK. I would like to recite what I recall Dr. Cunningham Cornell said. He said that with the adoption of the Federal milk marketing orders the bargaining for prices of milk shifted from the conference table to the hearing room, and I say that is right.

Now that we have Federal milk marketing orders, we bargain in the hearing room with the Secretary of Agriculture, with the public, whoever enters into the hearing, and we introduce technical evidence by people who are trained in this area.

Over and above that, sir, we still do some bargaining with individual handlers wherever competitive conditions call for some price modification within a given area, maybe due to weather conditions, maybe due to some other conditions that call for some increase over and above the Federal order price, but we do not bargain on a marketwide basis with other handlers.

We have had a pool in the New York market, but we know what the Attorney General's attitude was on that, and we know how thin-iced a program that was and how short it lived.

We want the prices established under the Federal order, because we know then we have some authority upon which the prices are established and some assurance that the producers will get those prices.

The CHAIRMAN. You say that you bargain with the handlers.

When you do that, in order to obtain a better price, you mean under the Secretary of Agriculture?

Mr. YORK. No. There are some occasions where we may write and enter into a separate contract with a given handler to establish some modifications in the prices that he is paying over and above the required order prices. This may be prices that deal with a different system of hauling the milk to the producers, and we may be able to haul it more efficiently, and, consequently, we pay the producers a little more money over and above what the order may provide. Or we may be in a position to do quality control work with the producers at less money than the handlers—and in that way return more money to the producers.

In some instances, there may be a competitive condition that might arise as a result of a shortage of milk in the local area. I have seen conditions where the local drought conditions have called for increasing the price in one part of a milkshed as opposed to the milkshed as a whole.

So, we have been engaged with the handlers who procure milk in that local area to acquire a little higher price for the producers in those given areas. The prices are achieved through the Federal order program as a whole, however.

The CHAIRMAN. You have a milk expert right here.

Senator AIKEN. There is no such thing, Mr. Chairman. A perfect dairy expert, we do not have.

You referred to the fact that only one area had taken advantage of or had voted for the base rating plan up to the present time, and that is one out of about 73 in all. This was the Puget Sound area in the State of Washington. The largest buyer of milk in that area, I understand, is the Carnation Milk Co., which has a large evaporated milk plant there. Had the President not taken emergency action a couple of weeks ago and slowed down the tremendous influx of sub-

sidized foreign canned milk into this country, it goes without saying that the Carnation Co. would have to close that milk plant. They simply could not compete under those conditions.

Now, suppose that the Carnation Co., the largest customer-user of milk in that area, had closed its plant; how would the base plan have worked to the advantage of the producers in that area?

Mr. YORK. Well, sir, I think I will have to answer that question by first trying to present my views as to what may have caused the Carnation plant to close. I am equally grieved, as you are, I think, about the influx of foreign dairy products into this country. I was concerned about the fact that the Common Market subsidizes cheese coming into this country 15 cents a pound. I am very much concerned about that.

Senator AIKEN. They are subsidizing their industry at about the rate of $1 billion a year, subsidizing exports to the United States at the rate of about 25 percent of the value of the exports; and this is stiff competition to the canned milk processors in the United States, because they support the price of milk over there at 39 cents a hundredweight more than it is supported in this country. And then they subsidize the dumping of the product on us when they get a tremendous surplus.

They would have closed virtually every plant in the United States producing evaporated or condensed milk if the President had not taken this emergency action.

Mr. YORK. What I am saying is——

Senator AIKEN. And that is what I asked you about: How would the base rating plan have operated?

I do not know what percentage of the surplus milk the Carnation Milk Co. purchased in the Puget Sound area. Assuming that it is 25 percent of the total production, how would the base rating plan have operated then?

Mr. YORK. First, I want to say that I think that there is an overall basic problem; and that is, I think that regardless of what plan may be in effect in any part of the country, even the Federal order program, that it can be adversely affected by conditions, as you pointed out; and I think that is the problem that we have to come to grips with.

You directly asked me what would be the impact of the imports on the Carnation milk plant. I am not that familiar with the application. While I have been to Puget Sound to examine their conditions out there, I am not familiar with the application of the base plan in the Puget Sound market as it applies to the Carnation Co. milk plant, but if it is a manufacturing plant, it would appear to me that this would not have any effect on the conditions in that market. But I am not endorsing the idea of imports to ruin these markets.

Senator AIKEN. Suppose that we lose 25 percent of the market, would the bases be reduced proportionately?

Mr. YORK. The bases are predicated on the class I sales. If this is surplus milk that is being used in that market, why, I do not see how it has any application.

Senator AIKEN. Carnation used the surplus class I milk. Of course, it came into the picture.

Mr. YORK. Not on the application of each individual producer's base. Each producer would have an established base.

Senator AIKEN. You mean that the closing down of the Carnation plant would not have had any effect on the base plan?

Mr. YORK. Not on the bases.

Senator AIKEN. With the loss of a market for 25 percent of the production—and I am assuming that the Carnation Co. used 25 percent—probably it is more than that, I think—that would mean the class I base would have had to be cut proportionately, would it not?

Mr. YORK. There may be a problem.

Senator AIKEN. What would they do with the milk?

Mr. YORK. That is the point. I think that the class I base would remain, but there would be a problem of the disposal of that surplus milk which is a part of that market that is ordinarily used by the Carnation Co.

Senator AIKEN. They would have 25 percent less of class I milk being used, and would not that result in reducing the base?

Mr. YORK. It could result in reducing the total return to the producers.

Senator AIKEN. Could they have sold their bases to producers in other parts of the country who might have a larger class I market under the base-rating plan?

Mr. YORK. There would be an alternative to this, possibly, and that is, in the event that the Carnation plant was closed—and I do not know the structure of the market out there—the surplus milk from that market might be utilized among other manufacturing plants in the area.

Senator AIKEN. No; because other manufacturing plants in the area would be in the same boat if it meant the end of evaporated and condensed milk business in this country. They would have no market.

Mr. YORK. I think that your question applies not only to the impact that it may have on the returns to the producers in a market where class I base plan exists, but it also has the same impact on any other market, because it could displace milk that was being utilized in a manner or fashion in the United States.

Senator AIKEN. I think that all of the plants would have to close. I think that Carnation has about 14 plants in all, and most of them use class I milk surplus; but supposing that their producers lost 25 percent of their market, assuming that the New Orleans area had a demand for more class I milk, could the dairymen of the Puget Sound area then have sold part of their base rating to the dairymen in the New Orleans area?

Mr. YORK. Sir, I am not that familiar with the terms of it.

Senator AIKEN. Of course, they could, and that is one matter that has to be considered in connection with base rating, that is, the authority to sell your rating to someone in another part of the country. That would work out fine for the small dairyman, say, with 15 or 20 cows, who is being put out of business. They could sell their base rating if they could find someone some place else to buy, and they would get that base value addition to the value of the land. I think that has to be considered.

Mr. YORK. I think, sir, there are a lot of arguments that have been mentioned in opposition to the class I base plan as well as arguments

in favor of it. I would say this, if I may: As long as we are having more and more marketwide pools across the country, like Dr. Spencer pointed out, a class I base plan is a refinement of prices under a marketwide pool. It gives the producer the choice, so that he can produce milk for the market and not be hurt if he does not want to produce it for the manufacturing market.

Under a marketwide pool, without a class I base plan, the producer may try to produce the milk for the fluid needs of the market, but he does not have any choice, because he is blended together with everyone else, and, consequently, if the producer wants this opportunity, all I am saying is that the act should be extended to give them that opportunity.

Senator AIKEN. You do not like the collective-bargaining section, title IX.

Is your like for title I more than your dislike for title IX of this bill, because if you get one you are likely to get the other? That is the trouble with these omnibus bills, Mr. Chairman.

I get requests to vote for them, because there is one provision that the applicant likes, and he does not stop to think that he is going to get three provisions that he would not like at all.

The CHAIRMAN. As I understand this whole proposal, it is simply to give to the milk producers more tools to work with.

Senator AIKEN. And collective bargaining, too.

The CHAIRMAN. Yes, sir; and if they do not want it, they do not have to take it. It is optional with them. The act remains as is, that is, insofar as the present law in concerned, that is not changed.

Mr. YORK. So, sometimes, these tools can be a hazard to us, sir. Consequently, we suggest the continuation of the act; even strengthening the formula provisions of the act would be better tools for us.

The CHAIRMAN. You mean, leave the others out, and then simply proceed to extend the act as is?

Mr. YORK. This would be what I believe would be the position of the eastern milk producers, what their position would be.

The CHAIRMAN. You have a point there. I wish to say that quite a few witnesses have testified to that effect, to renew this—Let us keep on with the same law we now have, and if we need any amendments later, why, we can get them, but since the law has worked pretty well, why change it?

That is the thinking.

Mr. YORK. That is the way I feel—I feel it would be better.

The CHAIRMAN. I think that is a good point. Many witnesses have appeared here and have so stated that they see no reason for adding to or subtracting from what we have now.

Senator AIKEN. Some of the tools proposed to be offered to the farmer would be like giving him a pitchfork with which to shovel cement.

The CHAIRMAN. He could shovel it if it was hard enough.

Senator Young?

Senator YOUNG. I have a few questions.

There are some interests in this country advocating the abolishing of all price supports. What do you think about dairy price supports?

Do you think they should be continued or abolished?

Mr. YORK. I think this is a basic consensus.

Senator YOUNG. The price support does become a part of your milk marketing order.

Mr. YORK. It is a basic consensus, yes.

Senator YOUNG. I noticed that you are opposed to the election by producers of bargaining representatives in the milk industry.

How is your organization determined?

Do the farmers vote on it?

By what procedure does your organization represent producers?

Mr. YORK. The members sign a membership agreement, and then those members elect delegates, and, then, of course, the delegates select the board of directors.

The board of directors establish the policy which is ratified by the delegate body.

The members, of course, are grouped into local units.

There are 190 local units in the association.

The board then employs a manager, and he, of course, is responsible to carry out the policies of the association.

Senator YOUNG. That is a rather complicated system. This is not done by a direct vote of the producers themselves.

Mr. YORK. The producers, of course, authorize the board or directors, and the delegate body, to vote on the basic principles of the association.

Senator YOUNG. I notice that you are opposed to allowing deductions for promotional purposes. We have deductions for promotion in wheat and in beef and in wool. They use this money very effectively in increasing the market for wheat and wool and beef products. I do not understand why you are opposed to it. It seems to me that you could do a much better job of persuading people to use pure milk products, rather than substitutes. Much more could be done to promote greater usage of milk products.

Mr. YORK. Sir, I did say in my statement several reasons. Perhaps I might elaborate a minute on them.

In the first place, one suggests the need for compulsory deductions to get all producers to participate. Then, the vehicle of the Federal order program is not the right vehicle, because only about 50 percent of the milk in the country is regulated in the order. There would be a lot of producers in the northeast who would belabor other producers who are not participating in the compulsory program.

No. 2, we feel that a compulsory program that would compel producers to participate might very well load the full expense on the producers to advertise and it might relieve some of the responsibilities of the handlers in the industry to participate in financing promotions.

No. 3, there is a serious problem as to the administration of a compulsory program of funds collected by the Federal Government. The Federal Government collects these funds. They are going to be the custodian of these funds, and we question the advisability of farming out money that is collected from farmers to be put in the hands of a Government agency, for the distribution of these funds. There can be committees appointed and boards set up, but in the last analysis it is just cooperative payments—they are handled by the Federal Government.

Senator YOUNG. With all of the farmers in the United States, I do think that some way, somehow you would be doing a better job of

promoting the use of dairy products. I think farmers would be perfectly willing to pay a part of the cost of that. I hear many television commercials advocating substitutes for almost every farm commodity, very little advertising for pure farm commodities. I think the farmer should do more to promote the use of his own commodity. We do it effectively in wheat, beef, and wool. I do not know why it would not work for milk products. That is all, Mr. Chairman.

Mr. York. I just want to express to you the thought that there are a lot of producers who feel that just because they grow some tree in the woods that they should not go into the business of window sills and door sills manufactured from wood.

There are dairy farmers who feel they have enough expenses as it is and that they should not be compelled to advertise.

On the other hand, we have used the positive-letter approach in the New York market and in the new inland market which has been rather successful, and which still give the producer an element of choice, and that is one thing that I am sure many farmers would like to preserve in our democratic system of government—the element of choice.

Senator Young. The story needs to be told more about the substitutes that are being imported and the better quality of pure milk products, but nobody is telling the story. You people spend a lot of money to keep your own organization in business, but you do darn little to promote the dairy industry with consumers nationwide.

Mr. York. There is an ADA dairy council, and they have a sizable budget, and they do promote the dairy industry.

There are also individual handlers who spend fabulous amounts of money.

For example, I was in Boston yesterday, and I heard the head of a company make the comment—I do not know what they spend, but they said they had a substantial amount of budget that goes for milk promotion. Let them continue this.

Senator Young. I listen to the television and to radio, but I have yet to hear some commercials promoting the use of dairy products.

That is all.

The Chairman. You stated to Senator Young that the representatives were elected by the producers who attend to the details of the organization, the management. Does that mean that these representatives are members of your cooperative or are they members of the other 10 cooperatives, those who do this?

Mr. York. Sir, they are both. These other 20 cooperatives are under plans like with the Eastern Milk Producers, as an affiliated organization. They send to our delegate body delegates, so that when the delegate body votes, for example, on the Louisville plan, then it is a vote of a composite of our immediate membership as well as our affiliated membership.

The Chairman. In casting the vote, does one cooperative cast it for all of its members—is that the way it works?

Mr. York. If it is a rollcall vote, each delegate casts the number of votes for the people that the delegate represents back home as well as the cooperative the delegate represents back home.

If it is a simple show-of-hands vote, then it is one vote for each person.

The CHAIRMAN. So that you have indirectly the membership of the cooperative voting but represented by the cooperative?

Mr. YORK. By the delegates. And then the delegates, of course, select directors and the directors meet every month and set the general policy of the association that I have to carry out.

The CHAIRMAN. Senator Miller, have you any questions?

Senator MILLER. My questions are somewhat related to those of Senator Young.

You object to Senator McGovern's bills, I note, and in particular to S. 3433 which relates to checkoffs for financing market promotion programs, and you state that this is a controversial issue in the Northeast, that in the past the majority of milk producers have been opposed to such, and you further state, "Hence, in the light of that, it would be wrong to force producers to finance that sort of thing, to say nothing about the problems of administering such a program."

I have here a copy of Senator McGovern's bill, S. 3433, and at the bottom of page 2, starting there, it reads:

> Programs authorized by this subparagraph may be either local or national in scope, or both.

And, I am wondering how you would feel if that language were changed to read:

> Programs authorized by this subparagraph shall be confined to the locality in which producers' contributions are authorized.

By so doing, avoiding the problem of the Northeast people being brought into the situation which they do not wish to be brought into; would that remove your objection to this bill?

Mr. YORK. Well, I certainly cannot speak for the producers in other parts of the country and——

Senator MILLER. You are speaking of the producers that you represent here. As to the McGovern bill, you stated the objection to the bill, and I understand the basis very well, but I am suggesting that by modifying the McGovern bill in the manner in which I have suggested, it would appear to remove the basis for your objection.

Mr. YORK. On that particular point, in its application to the Northeast, but as to the other features of the compensatory program, it would still not remove our objections.

Senator MILLER. The only feature that you mentioned, I believe, was to point out that there was a controversial issue in the Northeast. You point out that the majority of the milk producers up there do not want to have a compulsory system of that type. I presume that if they did not, they would not go for it; that they would not have them, but in order to avoid the problem of having some producer deprived of the benefit of national advertising, when they are not making any checkoffs, it would seem to me that by modifying the McGovern bill to provide that the program authorized by the bill shall be confined to the locality in which the producers' contributions are authorized would remove that objection. That is what I am seeking here. If the producers in the area covered by your membership did decide to go ahead with a checkoff, they would know then that the advertising and the promotional programs would be confined to that locality and they would not be deluded by being used in the Northeast, for example.

What would be wrong with that?

Mr. YORK. I understand the delineation, the situation. I do still feel that there is some danger that once legislation like this is passed, pressures can be applied against the producers who desire to make such a program apply.

Senator AIKEN. I think it would run into some difficulties in States where the State's constitution prohibits compulsory checkoffs.

Mr. YORK. Yes, sir.

Senator AIKEN. Vermont has a State law on checkoffs, but some States have constitutional prohibitions as to what you do unless the Federal law would override the State constitution.

Senator MILLER. On that point, the bill reads:

> Provision may be made in the order to exempt or allow suitable adjustments or credits in connection with, milk on which a mandatory checkoff for advertising or research is required under the authority of any State law.

I suppose the trouble with that is that the language is not "shall."

Mr. YORK. I presume that you can write the law so that it can take care of the conditions as they may exist from State to State. I am not familiar with the laws within each State.

Pennsylvania, for example, right now is discussing such a law.

Senator MILLER. The point I want to make, Mr. York, is that, as I understand your objection to these, I am just saying what might be done by way of reconciling these objections with the bill. There are some people who feel strongly in favor of this, and I know there are others who feel very strongly against it. Maybe we can bring the two sides together by modifying the bill. That is all I am seeking information about here.

Mr. YORK. I want to put one other point out here, and that is that this is very unfortunate, but in discussion with regard to the contemplated compulsory regulation, it has inadvertently caused producers, who otherwise would be contributing to a voluntary program, to take a negative attitude on the voluntary program. I think that we could accomplish this objective very smoothly within our dairy markets with regard to milk, if a real out-and-out effort were used by our organizations to get their membership to participate in the voluntary program, but when some organizations talk today about a compulsory program and the next day they are talking about a voluntary program, the producers are confused.

If we would just forget about the compulsory aspect and offer to put our shoulders together as to what has been done in other markets, you could get 90-percent participation on a voluntary basis which, I think, is a very good participation.

Senator MILLER. What has been your record with regard to that?

Mr. YORK. I would say that our membership is participating on a voluntary basis between 75 and 80 percent—who are participating on a voluntary basis.

Senator MILLER. Thank you very much. No further questions.

Senator AIKEN. The participation rate is a little more in New England.

The CHAIRMAN. Thank you very much.

Mr. Frank Frazier, executive vice president, National Broiler Council, desires to have a statement filed. Permission is granted for him to do so.

(The statement is as follows:)

Statement of R. Frank Frazier, Executive Vice President, National Broiler Council

The National Broiler Council appreciates the opportunity to submit this statement in opposition to Title IX of S. 3590. NBC is a nonprofit trade association representing all segments of the vertically integrated U.S. broiler industry. Its membership is comprised of firms producing and marketing approximately 65 per cent of the broilers sold in the Nation. Our opposition is authorized by the following policy adopted in January by the Council's Board of Directors: "The Council opposes all marketing orders in the broiler industry and in related poultry industries as being hostile to a competitive market."

In his testimony before this committee on June 24, Secretary Freeman stated that administration support for Title IX is founded on the desire to establish a firm base for stabilizing prices, assure adequate supplies of agricultural commodities and maintain an adequate farm income. Stated another way, to the broiler grower these goals are: (1) insulation from market risk; (2) an assured market for his product; and (3) insuring a reasonable return for capital and labor. We do not disagree with these objectives; rather we believe they can be and are better served by the creative force of competition and individual choice than by the regulation of government through compulsory marketing orders providing for supply management and mandatory uniformly binding collective price bargaining. Further understanding of the basis for the National Broiler Council's opposition to Title IX must be based on an understanding of conditions and performance in the modern, vertically integrated broiler industry.

Vertical integration began with contract farming in the broiler industry in the 1930's and achieved its most significant expansion in the 1950s. Today, the broiler industry is almost entirely vertically integrated. Contrary to some opinions, the system of vertical integration as it affects the farmer was not imposed from above by feed manufacturers, processors or other non-farm segments of the industry, but was developed initially at the impetus of growers who earnestly sought some relief from the risks of a volatile broiler market. The system spread rapidly because it was effective in this regard and because it permitted the optimum utilization of science, technology and other resources of all segments of the industry. According to the National Commission on Food Marketing, vertical integration and the evolution of the broiler industry had the following effect:

"Many underemployed farmers, principally in the southeastern United States, were presented with a new opportunity—to produce chickens on contract—if they could obtain the capital to build housing facilities. Contracting firms, local banks, Production Credit Associations, and other lending institutions were willing to provide capital. Many farmers constructed houses and began to produce broilers under contract. Generally, the grower furnished the land, buildings, equipment, water, electricity, and labor. The contracting firm provided the chicks, feed, and other inputs, including management."

Competition among broiler integrators for efficient growers is intense. A study conducted in 1966 by Eastern Market Research Service discloses that a broiler grower could select, on the average, from 8.7 contractors in Georgia and 8.0 contractors in Arkansas in choosing his business partner. Nor is this figure merely based on opinion, since the same survey shows that 49 per cent of the growers interviewed in Georgia and 39 percent of those interviewed in Arkansas had changed contractors within the five years preceding the study. This condition has produced competitive grower contracts which provide in most instances for guaranteed minimum payments for grower services and facilities during the grow-out period and which, also in most instances, provide incentive payments for efficient performance. It is also particularly noteworthy that growers were insulated from a major part of the effect of the price recession that prevailed in the industry during much of 1966 and 1967. Thus, with regard to the first policy objective of insulation of growers from market risk, vertical integration in the broiler industry has made substantial progress.

The system of vertical integration has, in our opinion, established an unprecedented record in serving the second policy objective: assuring adequate supplies for the consumer and a guaranteed market for the producer. The results of coordinating feed manufacturing, breeder flock, hatching, production contracting and processing operations under single ownership and focusing them on one profit center, can be summarized from a study by the National Commission on Food Marketing as follows:

(1) an increase of from approximately 4.6 billion to 7.1 billion pounds of broilers slaughtered between 1959 and 1965; (2) an increase in annual per

capita consumption of broilers of from 18.7 pounds in the 1947–49 period to 33.3 pounds in 1965; and (3) a *decrease* in price to the consumer between 1948 and 1965 of 21.1 cents per pound. We submit that this record has no parallel in the recent history of American agriculture. By the same token, its contribution to the communities in which the broiler industry has developed in the past decade and a half is widely recognized.

Not only have the consumer and the public interest been the beneficiary of the dynamic progress of the broiler industry, but in the process the grower has enjoyed a guaranteed market for his production. This is true because the grower negotiates a contract prior to starting the production process, under which he knows where the broilers are to be delivered when they reach market age and weight.

The role of the grower in the development of the broiler industry should not be minimized. He is a businessman who contracts his capital and labor rather than being relegated to the role of a menial laborer as so often claimed by the opponents of vertical integration. He provides not only uniquely skilled management during the grow-out period, but investment in modern broiler houses and related equipment. Vertical integration as it has developed in the broiler industry is in every sense a system of vertical cooperation and horizontal competition calling forth the highest skills at every level. Return on labor and management skills to broiler growers according to the 1966 Eastern Market Research study, allowing for a 6 per cent rate of return on capital, averaged between $2.40 per hour and $2.07 per hour. This range compares favorably and is frequently above returns to farmers in broiler areas from other agricultural products. Thus, competition in the industry for efficient growers has enhanced realization of the third policy objective: insuring a reasonable return for capital and labor.

The proposals embodied in Title IX of S. 3590 would severely disrupt if not destroy both the vertical cooperation and horizontal competition on which the economic growth of the modern broiler industry has been built. They would substitute government fostered and implemented direct regulation for the market system which now exists. They are premised on the contention that the redress of an imbalance in bargaining power through government action is the only means for achieving the policy objectives expressed by Secretary Freeman. An imbalance of bargaining advantage depends on many market factors, including efficiency and productivity, market supply and demand, available alternative sources of income and the degree of competition at each level of production and distribution. As to the question of competition, the Eastern Market Research Service study indicates the existence of vigorous competition for efficient growers. Moreover, the National Commission on Food Marketing found the broiler industry to be relatively unconcentrated nationally, indicating a competitive market structure. Finally, we know of no significant sector of the broiler industry which favors the type of government controls which are set forth in Title IX. Contrary to testimony before this committee which indicated a probability that the broiler industry would embrace Title IX; the only public meeting between the Department of Agriculture and all segments of the broiler industry produced a distinctly negative reaction to marketing orders and compulsory collective bargaining.

The foregoing is not intended to suggest that the broiler industry has achieved perfection. The recession of the recent past indicates that supply judgments and marketing indicators have their flaws, but this is the price the industry is paying for a free market. The industry is constantly seeking to improve the high degree of teamwork between the integrator and the grower, since cooperation between them is essential to the success of both. For example, the National Broiler Council has adopted a set of grower-integrator trade practice guidelines designed to improve communications by insuring that each party to a contract is fully apprised of his rights and obligations and is furnished full documentation covering all aspects of performance.

Contrast the extent to which vertical integration, as freely evolving in the broiler industry, has served the above-described policy goals with the Title IX proposal for direct regulation. Title IX would delegate, in the first instance, to a group of producers acting by simple majority vote, the authority to initiate procedures to impose on all producers of a given product or class of products a wide range of controls, including the amount, grade and quality of the product which might be marketed within the area covered by the restrictions and other terms and conditions of marketing. It is evident, of course, that the enactment of a provision such as contained in section 901, in itself, would represent an

unprecedented departure from the policies which have governed the authorization of marketing orders since 1937. Section 8c(2) of the Agricultural Marketing Agreements Act contains a general exemption for poultry products, as well as certain other agricultural commodities. In 1961, when there was some industry support for a marketing order affecting turkeys, the views of both proponents and opponents were brought before Congress which then had the opportunity to evaluate the market conditions and other factors bearing on whether or not authorizing legislation was appropriate. Although a proposed turkey marketing order was ultimately defeated by referendum, the point is that Congress does and should exercise specific review of individual product authorization requests and the geographic markets involved and have the opportunity thereby in each instance to determine in a concrete factual context whether or not a marketing order would effectuate and not be inconsistent with the purposes of the act. Under the current proposal, groups of producers of any product acting in conjunction with the Secretary of Agriculture, may determine the need for a marketing order, the area of its coverage, the quantities, grades and qualities of the product which may be committed to various uses of numerous other elements of the marketing function. No specific provision is made for processor or handler approval of any proposed order.

While there may be some question as to the value of marketing orders in rectifying short-term distress supply conditions affecting specialized crops, there is a general recognition of the shortcomings inherent in such open-end orders as would be authorized by section 901. To the degree that marketing orders enhance market price, they encourage new entry and expanded production thereby contributing to the very problem which they were intended to eliminate. To the degree that they result in the establishment of a market price which is non-competitive in the context of demand cross-elasticities, they stimulate a shift in consumption to readily substituable products to the detriment of all segments of the industry involved. It should be noted with particular reference to the broiler industry, moreover, that where federal or state marketing agreements or orders have been utilized, they have normally been limited in geographic scope and have involved one use of a product for which other, unregulated product outlets are available. The areas of effective competition in broilers are national and international and there are no alternative commercial channels through which excess supplies might be marketed.

The dangers of stimulating excess production and price uncertainties may form the basis for the more pervasive government controls inherent in the provisions of Title IX relative to collective bargaining and production quotas. With one exception, the establishment of minimum prices through government supervised bargaining is unique to American agriculture. Under the present proposal, a committee of producer representatives would be empowered to bargain with handlers not only as to price but also as to all other target terms and condtiions whereby products may be acquired from producers. It is apparent that the decision reached by the collective bargaining committee would, if approved by handlers of 50 per cent of the volume covered by the order, be binding on all producers and all handlers, regardless of the objections of individual producers.

Presumably to deter new entry or expanded production by existing producers from frustrating the objectives of the overall regulatory program, the legislation authorizes the establishment of allocation provision covering each producer and each handler. Since with respect to broilers, there are no alternative outlets available for the diversion of excess production, the allocation proposal would constitute direct government supply management.

The net effect of title IX would be to confer on the Department of Agriculture, without effective oversight, the status of the largest agricultural contractor in the world. Decisions as to the scope of the market to be regulated, in both geographic and product terms, would, although initially suggested by a presently unclassifiable group of producers, be precisely designed by an order to be drafted by the Department. Similarly, the quantity, grade, quality and other terms and conditions of marketing are subject to departmental determination, at least, in the first instance. The Secretary is delegated the authority of establishing the ground rules for collective bargaining, setting maximum prices at levels higher than parity and specifying individual producer-by-producer marketing allocations.

The control of this pervasive system of regulation would be entirely the joint responsibility of the Secretary and a majority of the producers in whatever area and as to whatever product might seem desirable or feasible at the time. The

voice of individual processors and other handlers would be negligble as would the effective volition of individual producers whose views might be entirely hostile to the direct regulation of all aspects of their farm enterprise. We submit that the broad scale delegation by Congress to the Secretary and to possibly small groups of producers the power over machinery to impose mandatory controls on all segments of agriculture involving every aspect of production and marketing would be foreign to the basic concept of individual choice which has operated in the broiler industry, other agricultural industries, and the economy generally.

We further submit that the net result would produce the opposite from the objective sought. Unless the price set by collective bargaining is "on the money" with the price which would have been established by the competition, a misallocation of resources will occur. If the price is too low, production will be unreasonably discouraged and the consumer as well as the industry will suffer. If the price is too high, as may be more likely, consumption will shift to competing areas or products. This possibility is particularly relevant to the broiler industry which markets a product bearing a very high incidence of cross-elasticity of demand with red meat products. Although involving competing areas rather than products, the example of the Ontario Broiler Chicken Producer's Marketing Board in Canada shows the effect that a complete system of price and market regulation can have on the broiler industry. Under this program, Ontario producers set the price and supplies of chickens in the province. As a result of the established price being in disequilibrium with normal demand and supply, large quantities of Quebec broilers have moved into many of the Eastern Ontario markets. A similar result could be expected with the establishment of a uniform binding price based on compulsory bargaining in the United States with a resultant shift to competitive products and loss of remaining foreign markets.

Finally, the inappropriateness of the marketing order—collective price bargaining formula to the broiler industry can readily be understood from all the foregoing. Under the system of vertical integration, who is the "producer"? The production function is a cooperative venture in which the integrator furnishes feed, medication, and other supplies for his own birds which are placed with growers who furnish the skilled services and the house and equipment to care for them. It is erroneous artificially to create the categories of "producer" and "handler" in this industry. Since ownership of the birds, in almost every case, is in the integrator, not the grower, it would be incongruous if the grower (who never owns the birds) is classified as the "producer," and is empowered under a marketing order to negotiate prices for a product which he does not own.

Although we doubt the economic need for, or efficacy of, joint bargaining in the broiler industry, there is under present law an option for those who believe that it is desirable. The fact is that Congress less than three months ago enacted a statute—The Agricultural Fair Practices Act (S. 109)—which guarantees that producers of agricultural products can be free from coercive or otherwise unlawful interference from any source. We said in our testimony before this committee on S. 109 in May of 1967,

". . . it is the policy of the broiler council that broiler growers, like all other farmers, have a right to join any association or organization of their choice. We do not condone any unfair or coercive interference with this right . . .

". . . the council has no position on whether integrators should or should not deal with associations of producers, directly with individual growers, or both. In our opinion, these are commercial questions which are appropriately matters of individual choice guided by the exigencies of the marketplace."

We continue to support these views.

The key to S. 109, now Public Law 90–288, is its guarantee of voluntary producer's choice. As Senator Aiken explained on the Senate floor:

"It [S. 109] is designed to protect the agricultural producer's right to decide, free from improper pressures, whether or not he wishes to belong to a marketing or bargaining association [113 Cong. Rec. S10866 (Aug. 4, 1967)]."

S. 109 prevents all handlers, including association of producers, from committing improper practices which impair this free decision. The act also makes clear that producers have the right to make the choice not to join a bargaining association and that their decision to negotiate directly with handlers shall not be disrupted.

Title IX of S. 3590 would represent a sharp departure from this principle of free individual election. By providing machinery whereby one group of farmers (undefined by product or geographic market) can bind all producers as to every

detail of the marketing process, Title IX would submerge the choice of the individual farmer to a group decision notwithstanding the fact that he and perhaps a substantial number of other individual farmers might be opposed.

The CHAIRMAN. Mr. Greiner.

STATEMENT OF FRED J. GREINER, DIRECTOR OF PUBLIC AFFAIRS, MILK INDUSTRY FOUNDATION

Mr. GREINER. Mr. Chairman and members of the committee, I will highlight my statement, if you prefer that, and file the full text.

The CHAIRMAN. You may proceed. Your statement will be placed in the record in full.

Mr. GREINER. Mr. Chairman and gentlemen. My name is Fred J. Greiner, and I am director of public affairs for the Milk Industry Foundation, a trade association of the fluid milk industry. The foundation represents dairy plants that process and distribute fluid milk and fluid milk products in every State of the Union.

I have with me Mr. E. Linwood Tipton, who is an economist with the Milk Industry Foundation.

For many years dairy farmers have been among the principal users of the cooperative form of marketing. Most fluid milk processing plants in the United States deal with dairy farmer cooperatives almost every business day of the year.

Our testimony today will relate primarily to two general objectives which are of paramount importance to our members as well as to the general public.

1. The freedom to move milk between markets without unnecessary legal or economic restrictions which impede free and open competition; and
2. The continued reliance on the supply-and-demand pricing concept.

We urge that before a permanent extension of the class I base plan is made or written into law, that serious attempts be made to amend the existing class I base plan to include provisions that would remove some of the rigidity in the existing plan and that would allow new producers to obtain bases where plans are in effect and would allow for the movement of milk between milk order areas, without unnecessary restriction.

Inasmuch as these clarifying amendments as outlined above are not a part of S. 3590, we would oppose extension of the class I base plan permanently. If the committee, in its judgment, deems that the plan should be extended, we urge that the extension be limited to 1 year, and that we have another chance to take a look at it at another session of Congress.

With respect to section 903, it does provide for bargaining between represenatives of the producers and handlers. It is our understanding from the staff memorandum issued by this committee that they interpret this to mean that where a milk marketing order provides a "method for fixing" minimum prices, that method will be by collective bargaining. If this is, in fact, the net result of the amended language, this would mark a radical departure from historical operations for the dairy industry under the marketing order system.

I might say, too, in connection with this, that the present language in that collective-bargaining section is very minimal. For example,

how are the producer committees to be selected? Whom will they represent? Are minimum prices the only items subject to bargaining? Will the results of such bargaining be subject to the approval of the producers in the area? How are handler committees to be selected? Are handlers to bargain through a committee? And if so, must all handlers be bound by the agreement?

Then, more important, what is the status of the cooperative handler. There are many of them in the picture today.

Although the lack of answers to the above questions in the present bill leads us to oppose this section of the proposal, the members of the Milk Industry Foundation urge the deletion of section 903 of title IX providing for collective bargaining for milk prices for another very fundamental and more persuasive reason, because under the present act dairy farmers receive prices designed to provide an adequate supply of milk at prices which are in the public interest as determined by the Secretary of Agriculture. Under these circumstances at public hearings, the U.S. Department of Agriculture takes evidence from all parties concerned including farmers, cooperatives, handlers, associations of handlers, consumers, or whoever wishes to appear. After which, the Secretary makes a decision.

Under the proposal before the committee, there is no reference to adequate supplies of milk or the public interest. A committee representing producers and handlers is, in effect, given the authority to establish prices which in turn will be enforced by the Federal Government. The interest of American consumers will be completely lost under such an arrangement.

The third section of the proposal with which we are concerned is section 906 which provides a system under which the Secretary of Agriculture would be authorized to allot a quantity of any given commodity, including milk, which a producer can legally sell in any market during a specified period of time.

If this section is to remain a part of the bill for other agricultural commodities, then we urge that milk and milk products be listed among the exceptions in section 905 which amends section 8c(6)(J) of the Agricultural Adjustment Act, as amended.

We urge the exception for two basic reasons:

The first parallels our opposition to collective bargaining. There is no assurance that anywhere in the mechanism will the consumer be protected or will the public interest be given consideration as is presently accomplished under the marketing order system in effect today.

We assume that in order to place themselves in a strong bargaining position, it is not unreasonable to suppose that producers would want to control the supply. The allotment section does this. Under these conditions, there is absolutely no consideration given to the public interest or to the needs of the consumers.

Secondly, a more serious ambiguity occurs in section 906 which amends section 8c(7)(E)(3) which relates to allotments of producers which can be handled by handlers. It would appear that this section imposes a severe limitation upon the amount of milk that can be handled by any given handler. If this is so, then we might have the circumstance where a milk plant would find itself with a sudden demand for milk products for any one of a number of reasons, for

example, taking on a large chainstore as a customer, or when a new industrial plant moves into town with attendant population increases, and so forth, he might not be able to get milk to satisfy his local needs.

So, thus, in summary, gentlemen, we are opposed to permanent extension of the class I base plan until extensive revisions in the entire plan are made; we feel there is no need for the collective bargaining language contained in the act, and we prefer to use the established procedure in the Federal milk order program to establish classification and price levels for producers' milk. And, lastly, we oppose the provision for marketing allotments for milk and milk products.

(The prepared statement of Mr. Greiner is as follows:)

Mr. Chairman and members of the committee, my name is Fred J. Greiner and I am Director of Public Affairs for the Milk Industry Foundation, a trade association of the fluid milk industry. The Foundation represents dairy plants that process and distribute fluid milk products in every state of the Union.

For many years dairy farmers have been among the principal users of the cooperative form of marketing. Most fluid milk processing plants in the United States deal with dairy farmer cooperatives almost every business day of the year.

We are pleased to have this opportunity to appear before the Committee to discuss three proposals in S. 3590 which would have a direct impact upon the present commerce and relationships that exist between dairy farmer cooperatives and fluid milk operators, more commonly known as handlers in the proposal.

Our testimony today will relate primarily to two general objectives which are of paramount importance to our members as well as to the general public.

1. The freedom to move milk between markets without unnecessary legal or economic restrictions which impede free and open competition, and

2. The continued reliance on the supply and demand pricing concept.

In the case of milk and milk products, this bill provides authority for three types of regulatory plans which are contrary to the above objectives.

The first proposal with which we are concerned is that section that would make permanent the present dairymen's class I base plan. When the Food and Agricultural Act of 1965 was passed, the dairymen's class I base plan made a part of that Act was, in our opinion, a compromise that was not satisfactory to milk processors, nor for that matter to milk producers.

The 1965 Act, as interpreted by the Department of Agriculture, requires a single representative period of time to establish a permanent history of marketings by dairy producers.

Frankly, we feel that this is too rigid. For if a farmer does not initially establish the history of marketings during the representative period as required by USDA, then he must participate in the market as a new producer unless he can obtain a history by transfer or purchase from another dairy farmer.

Other provisions of the existing class I base plan dramatically restricts the movement of milk between milk order areas.

The Department of Agriculture has itself interpreted the law as to permit certain restrictive provisions. In a statement issued by the USDA in June, 1966 the following appears:

"The new authority accommodates restrictive treatment with respect to the basis on which new producers and milk from unregulated plants and plants regulated by other orders can share in the higher valued fluid milk sales."

Part of the restrictive treatment includes what USDA terms as permission to give priority assignment to quota milk of class I sales in a base plan market regardless of the source of the milk used in fulfilling the class I terms of the market. The effect is to substantially restrict milk which does not have a base from competing in any market with a base plan.

Such restrictions are not in the spirit of other sections of the Agricultural Marketing Agreement Act, as amended, which provides that no marketing agreement or order applicable to milk and its products in any marketing area shall prohibit or in any manner limit, in the case of the products of milk, the marketing in that area of any milk or product thereof produced in any production area in the United States.

Under these circumstances we would urge that before permanent extension of the class I base plan is written into law that serious attempts be made to amend the existing class I base plan to include provisions that would remove some of

the rigidity in the existing plan, that would allow new producers to obtain bases where a plan is in effect, and would allow for the movement of fluid milk and fluid milk products between milk marketing order areas without unnecessary restrictions.

Inasmuch as clarifying amendments as outlined above are not a part of S. 3590, we would oppose extension of the class I base plan permanently. If the Committee, in its judgment, deems that he plan should be extended, we urge that the extension be limited to one year. This would permit a thorough review of the class I base plan and its impact upon dairy farmers and the dairy industry before making the plan a permanent part of the Food and Agricultural Act.

With respect to collective bargaining for milk prices, Section 903 of the bill provides that one of the terms or conditions that can be issued in milk orders is one for collective bargaining in good faith by producer representatives and handlers. A staff explanation issued by this Committee interprets this to mean that where a milk marketing order provides a "method for fixing" minimum prices, that method *will be* by collective bargaining. If this is, in fact, the net result of the amended language, this would mark a radical departure from historical operations for the dairy industry under the marketing order system.

Frankly, we find it difficult to reconcile the results which conceivably can be achieved between producers and handlers by collective bargaining as provided for in this new language, with the present results from public hearings called by the Department at which time all parties affected, including consumers, have an opportunity to express their viewpoint on suggested or impending changes.

The present language in the collective bargaining section for milk is minimal. For example, how are producer committees to be selected? Who will they represent? Are minimum prices the only item subject to bargaining? Will the results of the collective bargaining be subject to approval of the producers in the area as is now the case with findings of the Department following a hearing? How are handler committees to be selected? Are handlers to bargain through a committee? If so, are all handlers bound by the agreement made by the committee? What is the status of the cooperative handler under these provisions of the bill? Today many cooperatives are also handlers under the provisions of the Agricultural Adjustment Act of 1937, as amended, and in certain markets of the United States such cooperative handlers play a predominant role in the processing and sale of milk to consumers. Finally, who approves the price level established, or what happens if agreement cannot be reached?

Although the lack of answers to the above questions in the present bill leads us to oppose this section of the proposal, the members of the Milk Industry Foundation urge the deletion of Section 903 of Title IX providing for collective bargaining for milk prices for another very fundamental and more persuasive reason.

Basically, if prices are to be established by a committee of producers and handlers and enforced by the Federal government, the present statutory standards of pricing would no longer apply.

Under the present Act dairy farmers receive prices designed to provide an adequate supply of milk at prices which are in the public interest as determined by the Secretary of Agriculture. Under these circumstances at public hearings the United States Department of Agriculture takes evidence from all parties concerned including farmers, cooperatives, handlers, associations of handlers, consumers, or whoever wishes to appear. After all of the testimony is in, the Department then weighs this evidence and makes a decision on a milk price which will provide an adequate supply of milk, inherently provide sufficient income to farmers and at a price which will be in the public interest.

For the past several years the prices established by the Secretary of Agriculture under the Federal milk orders program and under the price support program have resulted in surplus milk production. Except for 1966, CCC purchases of dairy products have amounted to over 4% of total milk production for each of the last seven years.

Under the proposal before the Committee, there is no reference to adequate supplies of milk or the public interest. A committee representing producers and handlers is, in effect, given the authority to establish prices which in turn will be enforced by the Federal government. The interest of American consumers will be completely lost under such an arrangement.

The existing market order system based upon supply and demand has worked satisfactorily for many years. As has been pointed out earlier, dairy farmer

cooperatives have been active—since the early 1930s. Dairy farmer cooperatives are numerous and large.

Through dairy farmer cooperatives, milk producers have been able to take advantage of the Federal order mechanism made available to them by the Agricultural Adjustment Act of 1937, as amended. As this is written there are 74 Federal milk orders in existence in the United States, all of them operating under the general criteria of providing an adequate supply of milk at prices which are in the public interest as determined by the Secretary of Agriculture.

For the reasons cited above, it is the position of the Milk Industry Foundation that the section authorizing collective bargaining for milk prices of S. 3590 be deleted. It simply is not necessary.

The third section of the proposal with which we are concerned is Section 906 which provides a system under which the Secretary of Agriculture would be authorized to allot a quantity of any given commodity, including milk, which a producer can legally sell in any market during a specified period of time.

Once collective bargaining is substituted for the present system of having the Department of Agriculture set milk prices that will provide an adequate supply of milk in the public interest, then a new way must be found to provide a means of controlling the supply of milk.

Evidently this is the intent of Section 906.

If this section is to remain a part of the bill for other agricultural commodities, then we urge that milk and milk products be listed among the exceptions in Section 905 which amends Section 8c(6)(J) of the Agricultural Adjustment Act, as amended.

We urge this exception for two basic reasons.

The first parallels our opposition to collective bargaining. There is no assurance that anywhere in the mechanism will the consumer be protected or will the public interest be given consideration as is presently accomplished under the marketing order system in effect today.

We assume that in order to place themselves in a strong bargaining position it is not unreasonable to suppose that producers would want to control the supply. The allotment section does this. Therefore, producers and handlers can bargain for whatever price they wish and at whatever high level they want so long as the supply is controlled. Under these conditions there is absolutely no consideration given to the public interest or to the needs of consumers.

Secondly, a more serious ambiguity occurs in Section 906 which amends Section 8c(7)(E)(3) which relates to allotments of producers which can be handled by handlers. It would appear that this section imposes a severe limitation upon the amount of milk that can be handled by any given handler. It would appear that the language could be construed so as to prohibit a handler from purchasing any excess milk to handle special needs. For example, if a dairy plant suddenly found itself with a sudden demand for milk products for any one of a number of reasons, i.e., taking on a large chain store as a customer, or when a new industrial plant moves into town with attendant population increases, etc., it would appear that the language in this section could be construed to preclude that dairy from buying milk from any other source than from his local producers to meet the new needs—even though they could not fulfill that need. In other words, this section imposes a severe impediment to the free flow of milk and dairy products.

Thus, in summary gentlemen, we are opposed to permanent extension of the class I base plan until extensive revisions in the entire plan are made; we feel there is no need for the collective bargaining language contained in the Act, and we prefer to use the established procedure in the Federal milk order program to establish classification and price levels for producers' milk. Lastly, we oppose the provision for marketing allotments for milk and milk products.

Thank you very much for your time, attention, and consideration.

The CHAIRMAN. Whom do you represent?

Your statement says that you are director of public affairs for the Milk Industry Foundation.

What is your membership?

Mr. GREINER. Our membership consists of the fluid milk processors. These are people who buy milk from farmers and process it into bottled and fluid milk products.

We have members in every one of the States of the Union.

The CHAIRMAN. Any questions, Senator Young?

Senator YOUNG. No questions.

The CHAIRMAN. Senator Miller?

Senator MILLER. No questions.

The CHAIRMAN. Thank you very much.

We will next hear from Mr. Heffelfinger.

STATEMENT OF FRANK HEFFELFINGER, CHAIRMAN, EXECUTIVE COMMITTEE, GRAIN & FEED DEALERS NATIONAL ASSOCIATION, MINNEAPOLIS, MINN.

Mr. HEFFELFINGER. Mr. Chairman and members of the committee, this statement is submitted with the utmost sincerity and feeling of urgency, although it is only three pages long.

The CHAIRMAN. That is the kind that we like, right to the point.

Mr. HEFFELFINGER. Mr. Chairman and members of the committee, I am Frank Heffelfinger, executive vice president of Peavy Co., Minneapolis, Minn. I am also chairman of the executive committee of the Grain & Feed Dealers National Association on whose behalf I appear here today to testify on S. 3590.

On April 9, 1968, I had the privilege of appearing before your committee to testify in opposition to S. 2973, the so-called bargaining bill. Our opposition still remains and we would suggest no more than a 1-year extension of the Food and Agricultural Act of 1965, if necessary, so that further study can be given to the farm program.

We would like to concentrate our remarks on two aspects of S. 3590: (1) Title IX: Marketing Orders, and (2) Section 404: Cost of Wheat Marketing Certificates to Processors.

First of all, marketing orders:

We are deeply concerned that all commodities would become eligible for marketing orders even though we were pleased to note an exception for wheat, feed grains, and other commodities from the collective bargaining aspect of S. 3590. Since flax and its products are in competition with other oilseeds, we do not understand why flax is not exempt from collective bargaining.

Senator YOUNG. That is a question I raised the other day. If you included one oil crop you would have to include all oil crops, would you not? Because if you include one oil crop, such as flaxseed, it is competitive with soybeans.

Senator YOUNG. Flax and soybeans are competitive as oil crops, particularly in the making of paints and as feed supplements for cattle, et cetera.

The CHAIRMAN. I am informed that cottonseed wants to be exempt. I think the reason we did not exempt flaxseed is because it is produced in such a small area.

Senator YOUNG. That was the reason.

The CHAIRMAN. It is not nationwide.

Mr. HEFFELFINGER. Perhaps, it might be just as well for me to insert at this point, parenthetically, that while flax is produced primarily in the Dakotas and in Minnesota, there is still a fairly substantial tonnage of flax produced in California and Texas. So, it really is not quite as restrictive as you might think.

Senator MILLER. May I ask you this question?

The CHAIRMAN. Yes.

Senator MILLER. Even though it is not quite as restricted, it is certainly a lot different from soybeans, for example. I wonder just how much this would aggravate the situation if it were not exempt?

Mr. HEFFELFINGER. I think the important consideration is that we will have to go back to the original comments that I made that Senator Young has replied to; that is, to say that they are competitive regardless of where they are grown—they are competitive. Flax is competitive in oil and in meal with cottonseed oil and cottonseed meal, and, of course, primarily, with soybean oil and soybean meal.

Senator MILLER. How much is that competition?

Are you talking about a very minor amount of competition or are you talking about a lot of competition?

I am wondering if it is much.

I understand how it is competitive. But the degree of competition is what I am getting at.

Mr. HEFFELFINGER. The history of the production of flax has been a gradual decline in tonnage production. So, you would have to say that the amount of competition was lessening, but I am not sure that this is good.

Senator MILLER. What percentage of the oil seeks the market from flaxseed? What percentage is that of the oilseed market?

Mr. HEFFELFINGER. A very small part of it.

Senator MILLER. Would it be 2 or 5 percent or what?

Mr. HEFFELFINGER. Do you have those production figures?

In 1968, soybean production was 1,040 million. This is the indicated production for 1968—with the flax, for the same period, being 23,200,000 bushels.

Senator MILLER. Thank you.

Mr. HEFFELFINGER. We were happy to hear Secretary Freeman respond to a question to the effect that he would not object to having commodities specified in section 905 exempt from other provisions of title IX of the bill. We strongly recommend such an exemption.

Our statement of April 9, 1968, set forth in detail the disruptive effect of the bargaining bill on the entire agribusiness community. Since that statement is a matter of record we will not repeat it; but sincerely ask that your committee consider it in your deliberations on the bill now before you. Although my statement then was directed against titles I and II of S. 2973, and only title II of that bill is in S. 3590, I think it significant that on April 5, 1968, Undersecretary John A. Schnittker said, "Under title II (of S. 2973), the same results would be achieved (as under title I of the Mondale bill) * * *" Dr. Kiser, an agricultural economist on our staff, agrees with Dr. Schnittker's conclusion.

Briefly stated, our opposition to bargaining bills is based on the artificial arrangements that are imposed on an efficient marketing system which would replace competitive influences, destroy initiative, and decrease efficiency. If one segment of the agribusiness community is controlled, such control would have an adverse effect on the competitive position of the controlled commodities bringing forth the substituition of lower priced commodities or synthetic products for the higher priced controlled commodities.

And now as to "Wheat Marketing Certificates to Processors."

Under this amendment, the Secretary of Agriculture could increase the loan rate without reducing the processor's certificate payment. The processor certificate is used to enable the farmer to receive 100 percent parity of the share of his production that is used domestically. The 1967 domestic marketing certificate is $1.36 per bushel, which is the difference between the $1.25 loan value and the July 1967 parity price of $2.61 per bushel. The $1.36 consists of the 75-cent processor certificate and the 61 cents appropriated from the U.S. Treasury. This proposal would freeze the appropriation portion of the certificate payment, but increase the 75-cent processor certificate for the 1970 and succeeding wheat crops by the amount of any increase in parity price over the parity price of July 1, 1969.

Millers have repeatedly expressed dissatisfaction with the 75-cent processor wheat certificate and this amendment would add uncertainty to wheat marketing and milling. When the Secretary makes his annual announcement on the value of the domestic marketing certificate, any possible profit on trades which had been made for the future could be wiped out by a change in the certificate value.

In conclusion, Mr. Chairman, I would particularly urge your committee to reject title IX of S. 3590.

I appreciate this opportunity to again appear before your committee to speak for the Grain & Feed Dealers National Association.

The CHAIRMAN. But with the few exceptions you made, you are for the bill's extension?

Mr. HEFFELFINGER. That is right, with these exceptions, but my comments were directed to all of the provisions that pertain to grains and oilseeds.

The CHAIRMAN. Are there any exceptions?

Senator YOUNG. The Peavey Co. is an old and reputable company. When did you first start in the grain business?

Mr. HEFFELFINGER. It was incorporated in 1874.

Senator YOUNG. Thank you.

The CHAIRMAN. Thank you.

Our next witness is Mr. Creed.

STATEMENT OF JOSEPH M. CREED, GENERAL COUNSEL, AMERICAN BAKERS ASSOCIATION AND BISCUIT AND CRACKER MANUFACTURERS' ASSOCIATION

Mr. CREED. Mr. Chairman and gentlemen of the committee, I, too, have a very brief statement. It will not take very long to give the whole of it, without attempting to summarize it.

My name is Joseph M. Creed. I am general counsel of the American Bakers Association and the Biscuit & Cracker Manufacturers' Association on whose behalf I appear here today.

We appreciate the opportunity to give this committee our views on that part of S. 3590, the Agricultural Act of 1968, which seriously affects our industry. I refer to title IV which would amend section 379e of the Agricultural Adjustment Act of 1938 to require the Commodity Credit Corporation to sell wheat marketing certificates to processors for the marketing years for the 1970-through-1973 crops at 75 cents per bushel, plus the amount by which the parity price after 1969 exceeds the parity price as of July 1, 1969.

On May 3 of this year in connection with the hearings on the farm program, we addressed a letter to this committee expressing our objection to an extension of the program after the present expiration date. At this time we wish to record our objection to any increase in this processing tax and reiterate our earlier request that the Congress permit the program to expire with the 1969 crop year as presently provided for in the law.

Our industry has consistently opposed the wheat certificated program and the processing tax which has been levied on the users of wheat products, because we believe it is inequitable and unfair to impose a tax on the consumers of wheat products for the benefit of the wheatgrowers. It is our position that this kind of tax which shifts the responsibility for paying for a program established by Congress from the taxpayer, as such, to the user who creates the market for the wheat has no place in a farm-support program. If a program of subsidizing wheatgrowers has merit, it should be financed out of the general revenues of the Treasury as are the other commodities covered by this legislation, and not through this inequitable and regressive tax on consumers of the product. It should be the responsibility of all the taxpayers, and they should know what they are financing. The burden of this tax necessarily falls most heavily on the segment of our population least able to afford it, because bread and other wheat foods comprise a proportionately larger part of their daily food intake. This hidden cost should not be the burden of the poor and disadvantaged.

The baking industry uses annually some 400 million bushels of wheat flour in its products. Obviously, it is the wheatgrowers best domestic customer. The irony of the wheat processing tax is that the people who consume the wheat products, and thereby provide a market outlet for wheat, must pay this special exaction. This should not be. This program places a penalty on being such a good customer. And the better the customer is, the greater the penalty. The fact that the tax is borne principally by the lower income members of the public only compounds the inequity. This is economics turned topsy-turvy.

The 75-cent-per-bushel processing tax applied to our annual usage means that a tax of $300 million has been paid each year by the consumers of our products since the inception of this program in 1966. By the end of this crop year, consumers of bread and other bakery products will have paid almost $1 billion in this processing tax over a 3-year period, with another year yet to go. We ask: Why should wheat food consumers continue to pay this tax, much less have it increased as S. 3590 proposes to do?

At this point, it might be well to refer to an observation by Dr. John A. Shellenberger, the distinguished agricultural economist and professor emeritus at Kansas State University. Dr. Shellenberger's complete statement on this subject was made a part of the record of the April hearings. At one point he says:

> At no time, however, have processing tax laws remained in effect for long because they have not proved to be a satisfactory, long-term solution to inadequate price support for farmers' wheat at the marketplace. * * * Experience has proved repeatedly that this is a questionable manner to remedy the price situation for the farmer.

Referring to the economic impact of such a program on the wheat farmer, Dr. Shellenberger observes that the program has "placed wheat at a price disadvantage compared with other grains."

This eminent agricultural economist is concerned over what the long-term effect this program will have on the wheat economy. I am sure his concern for the welfare of the wheatgrower is identical with that of this committee.

Now, S. 3590 would not only extend this program and processing tax for 4 more years; it would increase it, beginning in 1970. It is our view that the plan in its entirety should be abandoned in 1969 when the law expires.

Lest the committee feel that our opposition to this program indicates a lack of sympathy for the problems of the farm community, particularly the wheatgrowers, I would emphatically state that we want very much to see the farmer prosper with the rest of the country. We firmly believe that a prosperous farm economy helps promote total prosperity. Our objection goes to the method chosen by Congress in its well-intentioned desire to achieve this prosperity. We reiterate that if the Congress determines as a matter of public policy that wheatgrowers should receive as close as possible to 100 percent of parity for their domestically consumed wheat, the Congress should also require that the funds necessary to carry out this policy come from the general revenues, thereby sharing the burden among all the taxpayers—not just the consumers of wheat foods.

Accordingly, we respectfully ask this committee not to exceed the wheat certificate program after its expiration date of 1969. However, if the committee feels that other overriding considerations require a temporary extension of the present law, it should be for no more than 1 year; that is, through the 1970 crop year. Under no circumstances should the processing tax on wheat processors be increased above the present 75 cents per bushel. Furthermore, any temporary extension, if granted, should be accompanied by a statement of congressional intent to terminate the program permanently at the end of the extension period.

The CHAIRMAN. Of course, you understand why the certificate plan was put in the law, that it would make wheat competitive in the world markets; in other words, whenever we sell on the world market, we can sell surplus over what we need at home at a rate equal to what the world market price is, so that this charge of about 65 to 70 cents a bushel——

Senator Young?

Senator YOUNG. That was about the level of the export subsidy.

The CHAIRMAN. Yes, sir.

Senator YOUNG. It did run that high. Now it is down to practically nothing.

Mr. CREED. It is a reverse subsidy, as I understand it, beginning in July under the new international grains arrangement.

The CHAIRMAN. The reason for that is that wheat was not sold; and our effort was to make it possible for the wheatgrowers to receive full parity for that which was consumed at home.

Mr. CREED. We certainly appreciate the need and the desire to help the wheatgrowers increase their export market, and I think that it has been very effectively accomplished. Our objection goes to the

method that is used to finance the domestic program. Instead of having the general revenue furnish the difference between the low support level and parity, a portion of it is placed on the backs of the consumers. You have a consumer who makes a market being penalized because he makes this market; and, as we pointed out in our statement, the better customer he is the more he has to pay for being a good customer. We just do not think it is sound economically.

The CHAIRMAN. It has been the experience of this committee, and I have been chairman of it now for almost 17 years, that the price of flour makes very little difference in the price of the end product to the consumer. I have been buying bread here ever since I have been in Washington, and whether wheat sells for $2 or $2.20 a bushel, it does not affect the price of bread at all.

Mr. CREED. There is no doubt, Senator, that the percentage of wheat that is represented in a loaf of bread is relatively a small proportion, but I thing that is true of any manufactured product. The house that a man buys bears little resemblance in price to what the lumberman gets for the tree in the forest. I do not think that can be helped. But here, again, we are not objecting so much to the congressional intent of providing the farmer with whatever it is believed he should have in the way of return. We just say "Do not put this tax on the user of the product. It should come out of the general revenues of the Treasury." So, everybody bears the burden as a part of what Congress has determined should be public policy.

Under the certificate plan, you have the people who eat the most bread and other cereal products—and this is usually the low-income group, as the Secretary of Agriculture has said and the Department has issued studies showing—proportionately paying a much higher percentage of the cost than if this were a direct appropriation from the general revenues.

The CHAIRMAN. We had some experience on the cotton bill, as you may well recall. It was stated by the Cotton Council here and by others that if cotton was sold at one price, that is, at the world price, that the consumer would benefit. We have had it on the statute books now for about 4 or 5 years, a law which permits the textile mills to buy cotton at world market prices, but instead of going down, cotton goods went up. Somebody gets the difference. It is not the consumer.

Mr. CREED. Well, of course, we are in an inflationary period, to begin with.

The CHAIRMAN. Yes, sir.

Mr. CREED. It is not any one thing, as a rule, that brings that about. It is the sum of several items that goes into any manufactured product. I suspect that is true in textiles as it is in our products.

The CHAIRMAN. Are there any further questions?

Senator YOUNG. Yes, sir.

Even with the wheat certificate which costs the miller 75 cents a bushel, you are buying wheat cheaper today than before this program went into effect; are you not?

Mr. CREED. We use flour. It is the miller who buys the wheat. We are the next step down the line. We buy the flour. I do not know that our flour prices are cheaper than what they were before. I think that they are higher. It may be that the market price of wheat is lower than what it was before the program went into effect, but you cannot

take just the market price. You have to add the cost of the certificate to it, to come out with a total of what the miller has to pay.

Senator YOUNG. I wonder if we could have inserted in the record at this point, Mr. Chairman, the average cash price for wheat in Buffalo, N.Y., and in Minneapolis, Minn., for the 15 years prior to the time this program went into effect. Also, I would like to show the present cash price in Buffalo, N.Y., and Minneapolis, Minn., plus the wheat certificate payment of 75 cents. I think that would show that the millers and other users of wheat are getting their wheat at a lower price now than they were previously.

The CHAIRMAN. Yes. It will be made a part of the record.

(The information follows:)

WHEAT: AVERAGE CASH PRICES PER BUSHEL, MINNEAPOLIS AND TOLEDO BY CROP YEARS U.S. AVERAGE RETAIL PRICE 1-POUND LOAF OF WHITE BREAD

Crop year	Dark Northern Spring Minneapolis No. 1—15 percent protein	Value of certificate	Cost of wheat and certificate	No. 2 Soft Red Winter Toledo [1]	Value of certificate	Cost of wheat and certificate	Average U.S. retail price per pound white bread [2]
	Dollars	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Cents*
1949	2.38			2.02			14.0
1950	2.56			2.22			14.3
1951	2.53			2.40			15.7
1952	2.51			2.12			16.0
1953	2.68			1.96			16.4
1954	2.83			2.10			17.2
1955	2.47			2.04			17.7
1956	2.42			2.17			17.9
1957	2.39			2.13			18.8
1958	2.25			1.85			19.3
1959	2.26			1.94			19.7
1960	2.18			1.89			20.3
1961	2.41			2.00			20.9
1962	2.51			2.06			21.2
1963	2.30	(3)		1.98	(3)		21.6
1964	1.78	0.70	2.48	1.45	0.70	2.15	20.7
1965	1.87	.75	2.62	1.62	.75	2.37	20.8
1966	1.97	.75	2.72	1.70	.75	2.45	22.0
1967	[4] 1.83	.75	2.58	[4] 1.41	.75	2.16	22.2
May 1968	1.75	.75	2.50	1.36	.75	2.11	[5] 22.1

[1] Buffalo cash prices not available—Toledo selected as nearest point to Buffalo—DNS prices not available at Toledo.
[2] Calendar years.
[3] Wheat certificate program made effective July 1, 1964.
[4] Average for 11 months (July–May).
[5] Average for January, February, and March 1968.
Note: Grade differential for No. 1 over No. 2 will generally average about 1 cent per bushel.

The CHAIRMAN. How has the cost of bread changed?

I can tell you how it has, from personal experience.

Senator YOUNG. What would be your answer to the wheat farmers' problem?

We have a free market for wheat now. The price is freely established on various markets. Wheat prices in Kansas and in North Dakota now range from $1.10 to $1.30 or $1.40 a bushel, depending on the quality and location. Farmers cannot exist with that.

What would be your answer to this?

Mr. CREED. If I recall the Department of Agriculture figures correctly, the average market price, cash price, for the marketing year now closing, has been $1.39 and to that you add the value of the certifi-

cate which would be 53 cents a bushel when applied against the grower's total quota, which gives you $1.92 a bushel. That compares with $2.22 a year ago, but it is the second highest blend price since the program was made into law.

Senator YOUNG. You want to eliminate the wheat certificate payment. How would the farmer exist with the present low prices without the wheat certificate payment?

Mr. CREED. We are not questioning or suggesting that Congress diminish the total amount of money that is considered desirable for the wheat farmer to get. Our objection goes to the technique or the method that is used in giving that money; namely, the wheat certificate approach, to put the tax on the consumer of the products. We think that it is unfair to the consumer, and, based on the observations of a man like Dr. Shellenberger who seems to feel that from an economic standpoint of a wheatgrower himself, over the long run, it is going to be economically disadvantageous to the wheat farmer.

Senator YOUNG. The wheat farmers are just trying to exist. You folks opposed higher price supports a few years ago. You opposed this program. You oppose any Government program to help farmers get a better price.

Mr. CREED. No, sir; that is not quite correct. We do not oppose the Government programs, as such. In fact, we have never come here to appear against any Government programs, except when there has been something like an approach which would put the payment on the user of the product rather than on the general revenues; but we want the farmer to prosper. We think it is absolutely necessary to have a prosperous farm economy.

Senator YOUNG. In other words, the whole country would be better off if the processors and the users could get together with the farmers, to try to work out something?

Mr. CREED. As a matter of fact, Senator Young, we are now working with the wheatgrowers, and the millers, and the bakers to try to develop an organization which has been named "The Wheat and Wheat Food Foundation" in the hope that the cooperative effort of all of these three groups will mean that bigger and better markets can be developed for the entire wheat economy, from the grower right down to the end manufacturer.

Senator YOUNG. I know there are some exporters who were violently opposed to the International Grains Arrangement. They wanted lower world prices. You cannot have the wheat price lower than it is right now and keep the wheat producer in business.

Mr. CREED. I think that is true of any segment of the economy. None of them can stay in business if there is not a good enough return to provide a profit for the labor and the capital invested.

Senator YOUNG. I never thought I would see the day when anyone would argue for a lower world price for an American product. This is unbelievable to me; this is the first time that I have ever experienced this.

Mr. CREED. You are not imputing that to us?

Senator YOUNG. Not to you, no.

Mr. CREED. Thank you. I wanted to make sure of that.

The CHAIRMAN. Are there any further questions?

Senator YOUNG. No.

The CHAIRMAN. Is there anything further that you desire to add?

Mr. CREED. I have nothing further. Thank you very much.

The CHAIRMAN. I understand that Mr. Edward Brown Williams, counsel for the National Association of Frozen Food Packers, will not appear in person but that he desires to file a statement. Permission is hereby granted to Mr. Williams, to file a statement.

(The statement submitted by Mr. Williams follows:)

STATEMENT OF EDWARD BROWN WILLIAMS, COUNSEL, NATIONAL ASSOCIATION OF FROZEN FOOD PACKERS

My name is Edward Brown Williams. I appear before your Committee on behalf of the National Association of Frozen Food Packers, for which I am counsel. The members of the Association pack more than 85 per cent of the United States production of frozen vegetables, fruits, and juices and a large volume of other frozen foods. These products are marketed in all 50 states of the country. We appreciate very much the opportunity to present our views on S. 3590.

As processors of agricultural commodities we are seriously concerned with the proposals in Title IX of S. 3590, which would amend the Agricultural Marketing Agreement Act of 1937 to expand the scope of the Act and of the marketing orders which may be imposed under its provisions.

I want to emphasize, as we have done before, our conviction that the impressive progress which has been made by the vigorous and highly competitive frozen food industry during the relatively few years of its existence, would not have been possible had the industry been subjected to the regulatory programs which have been urged before this Committee in past years, some of which were discussed before this Committee earlier this year in connection with S. 2973, the Mondale bill, and some of which are again before you in S. 3590.

In 1942 the production of frozen fruits and vegetables amounted to 348 million pounds. In 1966 it was 4 billion 123 million pounds. To this figure must be added more than 800 million pounds of frozen citrus products and 2 billion 146 million pounds of prepared frozen foods. Production of frozen potatoes alone rose from 71 million pounds in 1953 to 1 billion 460 million pounds in 1966.

This development has been achieved in an economic climate relatively free of outside restraints and controls, such as those which have been proposed in the past and are again before us.

We submit that an industry with such a record of progress should not be subjected to compulsory marketing controls imposed by government in an attempt to solve the farm problem, with no assurance that such controls will have the desired effect and that they will not result in a dislocation of the present food marketing structure, to the disadvantage of farmer and purchaser alike. Such control programs appear periodically, and apparently inevitably, despite the abundant evidence of the superiority of competition to government controls.

I want to emphasize that I am talking about restrictions and obligations imposed by statute, or by the Secretary of Agriculture and grower groups pursuant to statutory authority. I am not talking about voluntary arrangements such as marketing agreements (as distinguished from marketing orders).

The frozen food industry, through the National Association of Frozen Food Packers, has consistently objected to compulsory marketing orders for crops for freezing, when legislation authorizing such orders has been proposed. We are, of course, opposed to the imposition, through such orders, of a requirement of collective bargaining between purchasers and producers of agricultural commodities, to fix the prices of such commodities, as well as to allotments for processors specifying what they can purchase from producers and allotments for producers limiting the quantities and grades of commodities which they may sell to processors.

We fully realize the concern of the Committee with problems faced by farmers. The existence of problems and hardship, however, do not justify the imposition of controls, such as those proposed in Title IX of the bill, which we feel sure will not work but rather will stifle the vibrant activity and progress of our industry. We do not propose an alternative to Title IX because we are satisfied that the present competitive system, despite its shortcomings, has been proved to be superior to a government-regulated system, both in experience here and abroad.

Title IX would extend eligibility for a marketing order to "any agricultural commodity or product (except canned or frozen products)" if a majority of the producers of the commodity or product votes in a referendum in favor of its eligibility. In this maner all commodities for freezing or other processing could be covered under the marketing order authority.

This would expose all of the products used by the food processing industry to the imposition of marketing orders at the will of the producers and the Secretary of Agriculture. The basic objections which we have always had to such orders are simple. They are: the lack of need for them for crops for freezing, and their arbitrary and undemocratic character as applied to procesors.

Under the proposal, as we have noted, it is the producers who determine whether a crop for freezing is to be made eligible for a marketing order. The processor has no voice whatsoever in this decision if a majority of the producers decide in favor of making a commodity eligible for an order.

Marketing orders may, under present law, contain among others, provisions limiting the quantity of a commodity of any grade, size or quality thereof which may be marketed and provisions for allotments of the amounts of a commodity which a processor may purchase or which he may market. Any crop for freezing would, therefore, at the will of producers, be made eligible for an order which could, if the producers and the Secretary of Agriculture so desired, contain such provisions. This could be done without the consent of and against the will of processors of the crop. The effect of such an order would be to hand over to producer administrative committees and the Secretary of Agriculture real and substantial control of the business of processors.

Title IX of S. 3590 would also authorize provisions in marketing orders for establishing the minimum prices and minimum terms and conditions under which crops for freezing may be acquired by handlers or processors from producers. This would be done by compulsory collective bargaining between producers and handlers.

Presumably the basic legal principles developed under the National Labor Relations Act would be drawn upon by the courts, to the extent they are found applicable, to enforce a provision of a marketing order requiring collective bargaining in good faith to fix prices. Such a provision would be enforceable by injunction under § 8a(6) of the Agriculture Marketing Agreement Act (7 U.S.C. 608a(6)) and violations by processors (but not producers) by failure or refusal to bargain, would subject the processors to the criminal penalties provided by § 8c(14) (7 U.S.C. 608c(14)).

It is of interest to note that, if a minimum price and terms should be agreed upon, the effect of the order would be to prohibit handlers or processors from acquiring the regulated commodity from producers except at the agreed price and upon the agreed terms. Processors would thus be subject to legal proceedings for buying at a lower price but producers could not be penalized for *selling* at a lower price. This kind of discriminatory provision is difficult for us to understand.

In a statement filed with this Committee on the Mondale bill, S. 2973, the Manager of the California Canning Peach Association, Mr. Ralph Bunje, pointed out that pricing for an agricultural commodity is not comparable to pricing for the cost of labor and stated that the two problems could not be dealt with on the same kind of basis. He said also, "* * * the idea of providing authority in marketing orders for establishing minimum prices and terms and conditions of sale or for establishing collective bargaining units is in our judgment not an appropriate use of the marketing orders." [1]

The idea is even less appropriate than otherwise, where the principle method of obtaining crops for processing is through contractual arrangements between the producer and the processor, as in the case of fruits and vegetables. The National Commission on food marketing reported that "about 75 percent of the supply requirements of freezers and 70 percent of those for canners were obtained through contractual arrangements in 1964.[2] The individual requirements of producers and processors who deal with each other under the contractual system could not, we submit, be satisfied by the collective bargaining scheme contemplated by the bill.

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[1] Hearings before the Senate Committee on Agriculture and Forestry on the operation of programs established pursuant to the Agricultural Act of 1965 and their continuation and proposed strengthening of farm bargaining power, 90th Cong., 2d Sess., pp. 542–545.

[2] Food From Farmer to Consumer, Report of the National Commission on Food Marketing, June 1966, p. 53.

Technical Study No. 4 of the Commission, on the Fruit & Vegetable Industry, in Table 8–14 (p. 228) lists a number of the services specified in the grower-freezer contracts studied. Those listed are: seed, fertilizer, herbicides, pesticides, harvesting equipment and other unspecified equipment, harvesting containers, harvesting labor, information on production technology, delivery, and credit.

Those items, sometimes referred to as non-price items will vary with circumstances and with the parties to the contract. They do not lend themselves to the formulation of the kind of fixed obligation which would be imposed under a compulsory collective bargaining scheme such as that contemplated by Title IX of the S. 3590.

The success of crop contracting has been notable, both for producers and processors. We do not want to see the system destroyed by the institution of untried and dubious programs, to the detriment of both grower and processor and the agricultural economy generally.

Title IX of the bill also resurrects a portion of S. 1643, in the 87th Congress, 1st Session (1961), upon which hearings were held before this Committee. The provision in question (§ 905 of S. 3590)[3] would authorize the inclusion in marketing orders of provisions for allotments for producers, restricting the amount of a commodity (or any class, grade, or quantity thereof) which a producer may dispose of in any market during a specified period or periods. The order may also provide for alloting the quantity which any handler may obtain from any producer, in order to insure that no producer markets more than his allotment. These provisions are an extension of the present authority for allotment provisions set forth in § 8c(6) (B) and (C) of the Agricultural Marketing Agreement Act (7 U.S.C. 608c(6) (B) and (C)).

The limitation of amounts which may be purchased and marketed by a processor or producer, would constitute a fully effective limitation upon production of the processed food. A commodity which cannot be bought by the freezer obviously cannot be processed. It is in this way the very basis of the freezer's business is placed under the control of the government and the grower committees who administer the marketing order.

Under such provisions the Secretary would be empowered to determine the supply of each commodity available for processing from each producer and the quanity of each grade, size, or quality which the processor could obtain from the producer. One of the tests available to the Secretary for determining individual producer allotments would be the amount of a commodity produced or marketed in such prior period as the Secretary determines to be representative.

We seriously question the competence of the Secretary of Agriculture to make the business decisions in determining the amounts, sizes, grades and quality of the commodities for freezing required by processors.

In fact, we are certain that neither he nor the growers who will advise and assist him and control the machinery for administering marketing orders possess such competence. Even were the Secretary and the growers equipped to make such decisions, we would protest their interference with the processing business in the manner proposed, as unjustified and contrary to the basic economic principles upon which the frozen food industry has built so well.

I want to reemphasize the effect of the contemplated controls upon the growth factor which is such a prominent feature of the frozen food industry, as indicated by the production figures which I have quoted. The historical basis which such proposals as those contained in S. 3590 would establish as determinative of quotas would inevitably operate as a deterrent to the founding of new businesses and the expansion of present business units. The Secretary and the grower committees would be the arbiters of whether a new business was desirable. The same would be true with respect to expansion of existing businesses. Certainly this would amount to an effective stifling of the competitive urge and an abrupt departure from the conditions which have made for industry growth and improvements of its products. The allotment feature of such proposals would constitute a positive notice to entrepreneurs that, even if they could obtain a place for themselves in the frozen food industry, they would be subject, in vital business functions, to the dictates of government and producer regulation. The hazard inherent in dependence upon administrative decision for commodity supply would be discouraging to the most venturesome of investment capital.

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[3] The Mondale Bill, S. 2973, also contained such a provision.

The Agricultural Fair Practices Act, recently enacted, is designed to protect producers against discrimination by handlers by reason of the producers' membership in cooperative associations.

In the Legislative Findings and Declaration of Policy set forth in § 2 of the Agricultural Fair Practices Act[4] it is declared that "the marketing and bargaining position of individual farmers will be adversely affected unless they are free to join in cooperative organizations as authorized by law" and that it is the policy of Congress and the purpose of the legislation "to establish standards of fair practice required by handlers in their dealings in agricultural products."

The proponents of those bills have insisted that such legislation was needed to carry out the purposes stated in the Legislative Findings and Declaration of Policy. Certainly the legislation must be regarded as offering every reasonable opportunity to cooperative associations and their members to exercise their full rights of bargaining with handlers on prices and other terms of sale of agricultural commodities, without interference by handlers. In view of the deficiencies of compulsory bargaining, price fixing, and allotment programs to which I have referred, we submit that the field of price negotiations and related commodity controls should be left to the individual grower and his cooperative organization, operating with the protection of the Agricultural Fair Practices Act.

The CHAIRMAN. In fact, all others who may desire to file statements are given until tomorrow at 12 o'clock noon to file statements.

At this point, I would like to insert in the record a statement by Senator Williams of Delaware and one by Representative Robert Price of Texas for the grain sorghum producers.

This will be filed for the record this afternoon or tomorrow.

(The statements referred to follow:)

STATEMENT OF HON. JOHN J. WILLIAMS, A U.S. SENATOR FROM THE STATE OF DELAWARE

Mr. Chairman and members of the Committee, I appreciate this opportunity to testify on S. 3590.

I have two recommendations which I would ask the Committee to consider.

First, this bill proposes to extend the existing farm program for another four years beyond 1969. In my opinion such action is not wise. The present farm program has not been a success in that farm prices today have declined to historically low levels, with the result that American farmers are caught in a serious squeeze between low market prices and high costs of production.

Since the existing farm program would automatically be extended through 1969, in my opinion it would be far wiser to postpone any action at this time and wait until the next Administration has taken office, at which time it could then submit its own farm program.

Second, if, however, the Committee decides to report a bill then I am asking that consideration be given to the inclusion of my amendment which would place a limit of $10,000 as the maximum payment which could be made to a single farmer or corporate-type farm corporation.

The present policy of unlimited payments does not help the small farmer, who as the result of high cost of equipment is not in a position to idle any part of his acreage. Quite the contrary, unlimited payments have the effect of the federal government's underwriting the expansion of the large corporate-type operations. The small farmer needs this advantage.

It has been estimated that the adoption of a ceiling of $10,000 on all farm payments would save the taxpayers over $600 million per year, and certainly at a time when our government is confronted with a staggering deficit of $25 billion for fiscal 1968 and at a time when the American taxpayers are being asked to shoulder the burden of a ten per cent tax increase, more appropriate uses could be found for these funds.

I urge that the committee include this amendment as a part of any bill which it reports.

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[4] This was S. 109.

STATEMENT OF D. G. "BILL" NELSON, EXECUTIVE VICE PRESIDENT, GRAIN SORGHUM PRODUCERS ASSOCIATION, AMARILLO, TEX.

Mr. Chairman and Members of the Committee, the Grain Sorghum Producers Association is privileged to submit this statement for consideration by this distinguished committee. As the research, market development and service organization representing grain sorghum, the nation's largest commercial feed grain next to corn, farmer members of GSPA have appeared before or submitted statements to this august committee since 1955 supporting your efforts in developing effective public policy for strengthening farm income. GSPA has also maintained liaison with USDA, whom you have charged with administering these important programs. This three-way coalition—the farmer and his organization, the legislative branch and the executive branch of government—has worked to strengthen farmer income and meet other stated objectives such as adequate supplies reasonably priced and expansion of domestic and export markets.

Mr. Chairman, as you remember, GSPA was here asking for enactment of an Emergency Feed Grain Program in 1961. It was back again in 1965 asking for extension of the Emergency Program through the Food and Agriculture Act of 1965. Today GSPA would like to report to you the effects of these two programs on grain sorghum producers' incomes, as well as let you know the extent to which they are using the feed grain program you developed for their use.

Total average farm price received by farmers for gain sorghum between 1956 and 1960—the four years prior to the enactment by Congress of the Emergency Feed Grain Program—was $1.57 per hundred. By 1964—the last year of the Emergency Program—the average price received, including the cash sale price and all government payments, had reached $2.00 per hundred. During each of the years during the operation of the Feed Grain Programs under the 1965 Act, the total average price has exceeded $2.00 per hundred and ranged up to $2.36. Yet, the direct payment system has allowed grain users at home and abroad to pay about the same prices as they were paying before the programs.

Not just a few, but the vast majority of the grain sorghum producers are using provisions of the Feed Grain Program. My understanding from USDA is that preliminary figures indicate that in 1968 over 75% of the grain sorghum base acres are signed on participating farms—or 18.6 million acres of the 24.7 million acre base. GSPA believes that *this strong participation is because farmers' individual income is being strengthened by the program*, and not just because farmers like regulations. GSPA is aware that grain or any commodity must be produced for market and that market expansion must accompany production expansion. That is why the domestic and export expansion that has been developing while these Feed Grain Programs have been in effect is so important. Grain sorghum exports have increased from 71 million bushels in 1960 to 248 million bushels in 1967. Domestic use of grain sorghum has leaped from 428 million bushels in 1960 to 614 million bushels this past year.

Mr. Chairman, because of these three facts reviewed (1) price improvement, (2) export expansion and (3) domestic market expansion, *the Grain Sorghum Producers Association requests and strongly urges the continuation of the Food and Agriculture Act of 1965 by this Committee and by this Congress, as would be done by Title II S–3590.*

There is one change GSPA would like to see the Committee make in Title IX of the Bill. That is on line 7 of Sec. 905. We prefer to not have grain sorghum and the other commodities listed as being exempt. Rather, that the same exemption be maintained by simply exempting "all commodities operating under price support programs".

Mr. Chairman, thank you and this Committee for your kind consideration of these views as you continue your awesome task of developing programs for agriculture that strengthen and complement the total legislative task of this Congress. We are grateful also for the kind consideration of our own headquarters district Congressman, the Honorable Robert Price, himself a distinguished member of the Committee on Agriculture & Forestry of the House of Representatives, for his submitting this statement on our behalf during this busy farming season.

The CHAIRMAN. In addition and without objection, I will ask that the letter addressed to me, dated June 24, 1968, from the American Cotton Shippers Association be inserted in the record at this point.

(The letter referred to follows:)

WASHINGTON, D.C.,
June 24, 1968.

Hon. ALLEN J. ELLENDER,
Chairman, Senate Committee on Agriculture, U.S. Senate, Washington, D.C.

DEAR SENATOR ELLENDER: On behalf of the American Cotton Shippers Association, I wish to express our disagreement with the inclusion of cotton under the scope of Marketing Orders in Title IX, Section 901 of S. 3590.

The American Cotton Shippers Association was founded in 1924, and is basically comprised of merchants, shippers, and exporters of raw cotton. The 678 member firms of the ACSA handle over 70% of the domestic cotton crop and 90% of the export market. The Association is an affiliation of six federated associations, located in fourteen states throughout the cotton belt: Arkansas-Missouri Cotton Trade Association, Atlantic Cotton Association, Oklahoma State Cotton Exchange, Southern Cotton Association, Texas Cotton Association, Western Cotton Shippers Association.

In our statement of May 2, 1968, we indicated our views on the Extension of the Food and Agriculture Act of 1968 and the National Agricultural Bargaining Act, S. 2973. We have no objections to the changes relative to cotton as contained in Title III of S. 3590 nor in any other section with the exception of Title IX, Section 901.

At our Forty-Fourth Annual Convention in Atlanta, Georgia on April 27, 1968, the following resolution passed by a unanimous vote:

"If passed as presently written, the National Agriculture Bargaining Act would establish a National Agriculture Relations Board for the purpose of collective bargaining between producers and processors to establish prices. It also expands *marketing orders* to include any commodity when a majority of producers so desire. Furthermore, it includes the provisions of S. 109 before it was amended by the Senate and the House. The American Cotton Shippers Association strongly opposes this bill because of the adverse effects it would have on the orderly marketing and processing of cotton.

"The cotton producer presently enjoys the security of being able to market his cotton through the CCC loan, cooperatives, gins, FOB merchants, shippers and mill buyers. Today cotton is operating in a free and open market with a viable futures trading for the first time since the Korean War. Present competition for the producer's cotton has resulted in record high income for cotton farmers, and the price fixing mechanisms prescribed in the Mondale Bill are not suitable to the cotton industry."

It seems inconsistent that S. 3590 would include cotton under the scope of marketing orders, and exclude cotton from the Collective Bargaining provisions. It would be impossible for the U.S. Department of Agriculture to administer a program for a Marketing order for cotton for the following reasons:

1. Marketing orders are usually limited to crops grown in specific regions of the country—cotton, however, is grown across this country from the Atlantic—to the Gulf of Mexico—to the Pacific—19 states having cotton allotments with cotton mainly produced in 14 states.

2. Marketing Orders are usually restricted to crops which have a very limited number of qualities or grades, e.g. tobacco, milk, cherries—cotton, however, has 14 staple lengths and 38 grade or quality categories—thus there are 532 combinations of grade and staple length differences with a loan rate set for each one—in addition we must consider the quality factors of micronaire and pressley which control additional premiums or discounts on the price of the cotton. (See attached difference sheet.)

3. As a price supported crop, cotton is already subject to intensive controls and regulations on a day-to-day basis which afford the producer all the protections which would accrue from a marketing order.

To our knowledge, no cotton producing organization has requested the USDA or the Congress to establish marketing orders for cotton, and all members of the cotton industry seem equally satisfied that the traditional marketing apparatus provides for each producer the opportunity to achieve a maximum price for his cotton.

The Association respectfully requests that this letter be included in the record of the Committee hearings on S. 3590.

Sincerely,

W. D. LAWSON, III,
President, American Cotton Shippers Association.

AVERAGE PREMIUMS AND DISCOUNTS FOR CCC SETTLEMENT PURPOSES FOR OFFERS RECEIVED ON JUNE 24, 1968

GRADE AND STAPLE DIFFERENCES

Grade and code	Staple (inches) and code													
	13/16 (26)	7/8 (28)	29/32 (29)	15/16 (30)	31/32 (31)	1 (32)	1 1/32 (33)	1 1/16 (34)	1 3/32 (35)	1 1/8 (36)	1 5/32 (37)	1 3/16 (38)	1 7/32 (39)	1 1/4 (40)
White:														
G.M. (11)	−583	−542	−491	−399	−240	+64	+374	+590	+678	+736	+761	+843	+1, 001	+1, 148
S.M. (21)	−589	−548	−497	−405	−246	+57	+369	+585	+672	+731	+754	+834	+989	+1, 136
M.+ (30)	−621	−575	−523	−435	−272	+33	+345	+563	+648	+700	+722	+800	+955	+1, 102
M. (31)	−640	−593	−543	−454	−290	B	+321	+530	+621	+664	+687	+757	+912	+1, 052
S.L.M.+ (40)	−733	−677	−630	−548	−383	−132	+208	+412	+496	+536	+558	+626	+773	+876
S.L.M. (41)	−774	−724	−674	−597	−443	−200	+148	+332	+413	+466	+487	+550	+695	+795
L.M.+ (50)	−846	−804	−761	−671	−528	−335	−54	+97	+163	+188	+205	+233	+253	+278
L.M. (51)	−886	−841	−802	−713	−575	−381	−118	+19	+91	+116	+131	+156	+176	+198
S.G.O.+ (60)	−964	−928	−890	−816	−720	−523	−386	−299	−276	−274	−274	−274	−274	−274
S.G.O. (61)	−1, 012	−975	−937	−862	−760	−599	−471	−395	−375	−372	−372	−372	−372	−372
G.O.+ (70)	−1, 094	−1, 059	−1, 027	−958	−860	−717	−609	−550	−531	−522	−522	−522	−522	−522
G.O. (71)	−1, 143	−1, 110	−1, 078	−1, 012	−913	−776	−669	−610	−596	−588	−588	−588	−588	−588
Light spotted:														
G.M. (12)	−667	−619	−567	−495	−350	−92	+220	+413	+485	+524	+542	+605	+790	+917
S.M. (22)	−680	−631	−579	−507	−362	−106	+208	+399	+472	+510	+528	+590	+773	+883
M. (32)	−742	−692	−647	−576	−436	−190	+127	+318	+381	+433	+451	+501	+641	+736
S.L.M. (42)	−861	−811	−764	−696	−561	−359	−131	+37	+80	+101	+109	+126	+146	+171
L.M. (52)	−989	−940	−902	−832	−727	−575	−470	−380	−356	−355	−355	−355	−355	−355

Spotted:														
G.M. (13)	−827	−779	−737	−667	−560	−351	−223	−124	−105	−45	−40	−30	−10	+10
S.M. (23)	−838	−790	−749	−680	−572	−368	−239	−138	−118	−60	−55	−45	−25	−5
M. (33)	−885	−838	−796	−727	−620	−443	−325	−226	−206	−191	−188	−183	−183	−178
S.L.M. (43)	−1,001	−954	−901	−832	−732	−585	−517	−463	−445	−433	−433	−433	−433	−433
L.M. (53)	−1,127	−1,080	−1,035	−975	−875	−730	−670	−634	−625	−611	−611	−611	−611	−611
Tinged:														
G.M. (14)	−990	−940	−906	−860	−780	−667	−631	−604	−599	−599	−599	−599	−599	−599
S.M. (24)	−1,004	−954	−914	−872	−793	−683	−646	−620	−615	−615	−615	−615	−615	−615
M. (34)	−1,057	−1,016	−980	−929	−856	−743	−712	−687	−683	−683	−683	−683	−683	−683
S.L.M. (44)	−1,162	−1,120	−1,080	−1,028	−944	−834	−805	−780	−776	−776	−776	−776	−776	−776
L.M. (54)	−1,278	−1,239	−1,205	−1,157	−1,084	−980	−938	−906	−902	−902	−902	−902	−902	−902
Stained:														
G.M. (15)	−1,162	−1,119	−1,086	−1,049	−968	−861	−824	−798	−794	−794	−794	−794	−794	−794
S.M. (25)	−1,177	−1,132	−1,100	−1,060	−978	−873	−837	−813	−808	−808	−808	−808	−808	−808
M. (35)	−1,232	−1,188	−1,155	−1,116	−1,029	−922	−887	−863	−858	−858	−858	−858	−858	−858
Light gray:														
G.M. (16)	−661	−616	−574	−494	−357	−96	+194	+381	+458	+487	+508	+576	+723	+826
S.M. (26)	−740	−693	−652	−575	−438	−210	+92	+279	+344	+372	+393	+456	+601	+701
M. (36)	−859	−810	−768	−690	−567	−381	−133	+24	+61	+80	+95	+120	+140	+162
S.L.M. (46)	−993	−948	−910	−834	−738	−583	−450	−364	−351	−349	−349	−349	−349	−149
Gray:														
G.M. (17)	−789	−741	−695	−620	−484	−261	+28	+187	+231	+260	+281	+344	+489	+589
S.M. (27)	−872	−824	−781	−700	−567	−384	−144	+7	+48	+67	+82	+107	+127	+149
M. (37)	−1,004	−967	−925	−850	−754	−595	−468	−378	−365	−363	−363	−363	−363	−363
S.L.M. (47)	−1,145	−1,111	−1,074	−1,004	−905	−762	−647	−583	−572	−569	−569	−569	−569	−569

MIKE DIFFERENCES

Mike readings: Groupings	CCC Catalog code	12 Mkt. Ave.	Mike readings: Groupings	CCC Catalog code	12 Mkt. Ave.
2.6 and below	(1)	−660	5.0 through 5.2	(6)	−58
2.7 through 2.9	(2)	−504	5.3 and above	(7)	−140
3.0 through 3.2	(3)	−315			
3.3 through 3.4	(4)	−129	Average Mike		−55
3.5 through 4.9	(5)	0			

Source: United States Department of Agriculture, Consumer and Marketing Service, Cotton Division.

The CHAIRMAN. And also a statement by F. Marion Rhodes, president, New York Cotton Exchange, which is dated June 26, 1968, I ask that it be placed in the record at this point.

(The statement referred to follows:)

STATEMENT OF F. MARION RHODES, PRESIDENT, NEW YORK COTTON EXCHANGE, NEW YORK, N.Y.

Mr. Chairman: My name is F. Marion Rhodes. I am President of the New York Cotton Exchange and am appearing here today on behalf of that organization. I welcome the opportunity to present our views on the extension of Title IV of the Food and Agriculture Act of 1965. My remarks will be confined to cotton.

The enactment of the "Food and Agriculture Act of 1965" in November of 1965 was a major turning point in the history of the United States cotton industry. During the past two crop years the cotton industry has succeeded in halting the deterioration that had been taking place at an increasingly rapid rate for more than two decades. In my opinion the present program is the first economically sound program American cotton farmers have had since 1935. Despite the fact this legislation has been in effect for less than three years, it should be apparent to everyone that the U.S. cotton industry is now moving in the right direction. The first two years of the four-year program has resulted in the following major improvements in our cotton situation:

1. U.S. grown cotton has moved into domestic textile mills and into export channels at the same price.

2. Domestic consumption of cotton in the U.S. has increased substantially. Although it is impossible to forecast accurately, it is generally recognized that without the 1965 Act domestic consumption would have continued to decrease at a rapid rate.

3. Exports of cotton during the 1966–67 and 1967–68 marketing years are expected to average about 4.5 million bales compared with an average of about 3.5 million bales for the two preceding years.

4. The August 1, 1966, record high carryover of 16.9 million bales of cotton is expected to be reduced to about 6.7 million bales by August 1, 1968. About 6.0 million bales of this carryover will be held by the private trade rather than the Commodity Credit Corp.

5. The August 1, 1966, record high Commodity Credit Corporation stock of cotton consisting of 12 million bales has been reduced to less than 100,000 bales as of this date.

6. The Commodity Credit Corporation is expected to acquire about 1.6 million bales of cotton from the 1966 and 1967 crops of cotton. This compares with 10.2 million bales of cotton acquired from the 1964 and 1965 crops of cotton. These statistics are positive proof that under the 1965 Act American cotton has been moving through normal trade channels from the producer to the American mills or into export channels instead of into the CCC loan program.

7. With the liquidation of CCC stocks of cotton and the lower loan, prices became sufficiently free of the influence of government price support programs to fluctuate freely with changes in supply, demand and substitutability. The New York Cotton Exchange responded to these changing conditions by designing a new cotton futures contract based on Middling $1\frac{1}{16}$ inch cotton. Trading in the new contract during the current marketing year has already exceeded 19 million bales. The New York Cotton Exchange has returned to normal operations

and again performs the important function of providing a hedging medium for producers, merchants and textile mills. This hedge protection has enabled business to operate on a smaller margin and still make a profit. Producers have hedged millions of bales of their anticipated 1968 production either directly or through participating merchants and mills.

8. The fluctuation of spot cotton prices well above the CCC loan levels have encouraged cotton producers to concentrate on producing those staple lengths and qualities of cotton that are in greatest demand by domestic mills and for export. For example, more than 62 percent of the 1967 crop was 1 1/16 inch and longer, up from the previous high of 56 percent in 1966.

I submit, Mr. Chairman, that this is an impressive list of accomplishments for a program that has been in operation for just a little more than two years. It is particularly impressive when we consider that farm income has been maintained while these other adjustments have been worked out. It is true that substantial government payments have been necessary to bridge the gap between world market prices and the price which a cotton producer must receive if he is to recover his production costs and receive a fair return on his investment in land, equipment, etc. Cotton producers will continue to need the helpful cooperation of the government if they are to stay in business. The direct payment approach is the most effective way this assistance can be provided. All of the taxpayers' money spent under this type program goes directly into the hands of the producer, the party the program is designed to help.

It is also noteworthy that the initial producer opposition to the current cotton program has long since evaporated. In fact, I haven't heard an actual cotton producer complain about the basic provisions of the program since it went into effect.

The following basic provisions of the current program are essential and should be maintained:

1. A competitive one-price system which makes cotton available to U.S. textile mills at the same price paid by foreign mills must be maintained.

2. The CCC loan program, if there is to be one, must be fixed at a sufficiently low level so as to avoid interference with the marketing of cotton. The loans available to cooperators should be substantially below the estimated world price of cotton.

3. For the time being, until cotton producers can be competitive on their own with producers in foreign producing countries the direct payment program must be continued.

4. The 16 million minimum national acreage allotment is necessary to assure an ample supply of the desired qualities of cotton for domestic consumption and for export.

5. There should be no maximum dollar limitation on producer participation in, or benefit from, a support or payment program.

We realize that the current program is not perfect and that some changes and modifications are desirable in order to simplify program administration and reduce costs. We are convinced, however, that any attempt to rework detailed program provisions at this late date would result in no Congressional action during this session of Congress. Consequently, I have refrained from discussing the many program changes set forth in S. 3590.

Mr. Chairman, we would like to urge this Committee to extend Title IV of the Food and Agriculture Act of 1965 for one year, during this session of Congress. To postpone consideration of future cotton legislation until the 1969 session of Congress will increase greatly the uncertainty surrounding the American cotton industry and permanently weaken its ability to compete with the man-made fiber industry. Not only cotton producers, but both the domestic and foreign consumers of cotton must be able to make forward plans.

The failure of Congress to extend the program this year, and the prospect of the U.S. returning to above-market price loans to cotton producers, will encourage an expansion of cotton acreage in foreign countries. The production from this increased acreage will replace future exports from the United States. We must not overlook the fact that once cotton is produced in any foreign country, it will be sold regardless of price—foreign producers simply do not have the financial resources to store and hold a crop for a higher price.

I think it is also clear that the uncertainty caused by the failure of Congress to extend the cotton program during this session of Congress will force domestic textile mills to accelerate the shift from cotton to man-made fibers. They will be unable to forecast either the availability or price of raw cotton in future years. Once a market is lost, it is extremly difficult to regain.

Since the continuation of the basic principles of the current program are essential to the future growth and prosperity of the American cotton industry, we strongly urge that all amendments to the Food and Agriculture Act of 1965 be postponed until the next session of Congress and that a simple one-year extension of the Act be passed immediately.

The CHAIRMAN. Does anyone else desire to be heard?

If not, this completes the hearings on the extension of the Agricultural Adjustment Act of 1965.

I wish to state that we will try to have the hearings printed as early as possible. It may be possible that before the July 4th holiday starts that we may mark the bill up; if not, we will wait until around the sixth or the seventh of July to mark up the bill and present it to the Senate.

The committee is adjourned until further order from the Chair.

(Whereupon, at 11:45 a.m., the hearing was concluded, and the committee adjourned subject to the call of the Chair.)

(Additional statements filed for the record are as follows:)

STATEMENT OF HON. ABRAHAM RIBICOFF, A U.S. SENATOR FROM THE STATE OF CONNECTICUT

Mr. Chairman, I appreciate the opportunity to submit a statement before this distinguished committee. The bill under consideration, S. 3590, is designed to extend, without major revision, the farm policies which have been in effect since 1965. The present legislation, the Food and Agriculture Act of 1965, does not expire until 1969, and I urge this committee to postpone efforts to extend this legislation until further study has allowed us to become more familiar with its successes and failures.

Mr. Chairman, I am not satisfied with our farm policies. I am not satisfied with a policy which is inefficient and expensive. And I am not satisfied with a program which ignores a large part of our farm population. This is no time to hurriedly promote the policies of the past. We must, instead, carefully study our failures and try to develop programs which will be more efficient, more humane and less costly.

Our present farm policies are inefficient and expensive. The Commodity Credit Corporation recently released figures showing program losses amounting to almost $2.9 million for the first three quarters of fiscal 1968. In fiscal 1967, the C.C.C. lost the staggering sum of three and half million dollars. In fact, farm program costs for the last four years have almost equalled the money spent for the programs in the previous thirty years.

Even if the farmers were benefitting from these programs, the cost would be hard to justify. But the farmers are not benefitting by any means. At the end of 1967, the farm parity ratio stood at 74, which was the lowest point this indicator had reached since 1933. And by May, 1968, parity had falled to 73.

The Act of 1965 has provided no significant improvement in farm prices paid to farmers and has failed to bring farm production under control. In a time when the cost of living is reaching new high levels, the farmer—who is the only producer who must buy at retail and sell at wholesale—is facing a serious price squeeze. In short, neither the farm population nor the public is getting its money's worth.

In light of its high cost and the failure to improve the lot of the farmer, our present farm policy must be drastically revised.

We often speak of the eleven million farmers in the United States. But, like all segments of population, there are broad and important distinctions between farmers. Perhaps the most important is the wide gulf between the large corporate farmer and the small, so-called, family farmer. Yet, our farm policy seemingly ignores the latter group.

The technological revolution of the twentieth century has promoted the growth of the vast corporate farm. Our farm policy has been primarily directed toward providing security and well-being for the owners of these large farms. Yet we cannot forget that two-thirds of the farms in America gross less than $10,000 per year. These are the people which our expensive farm programs have largely bypassed.

The results have been unfortunate. Average net income on farms grossing less than $10,000 is a meagre $1,500 and has shown no improvement in the last seven years. Farm failures have been largely confined to the small farm which is unable to take advantage of the vast subsidy programs of the federal government because they cannot afford to least 20% of their acreage idle to qualify.

It may be true that larger farms are more efficient economic entities, but this is no excuse to leave the rest in the lurch. The number of small farms has declined by approximately thirty percent since 1960. Small farmers have been forced to leave their homes and find work elsewhere. Often they are driven into the cities where they are ill-equipped by training or temperament to find urban jobs. This migration has increased the burdens put on city welfare rolls and heightened the tensions instigated by unemployment.

Last year, the President's National Advisory Commission on Rural Poverty, reported that the farm programs have "helped to create wealthy landowners while largely bypassing the rural poor."

The record bears this out all too clearly. Only the larger farms can afford to participate in the present subsidy program. In 1967, for example, only 48% of the wheat farms signed up for the federal programs, but these farms constituted 84.3% of the nation's wheat acreage.

The recent hearings before the Senate Committee on Appropriations provide ample testimony that there are vast subsidy payments, sometimes amounting to over a million dollars per person, going to a mere handful of large corporate farms. In county after county, our farm policy is pouring in subsidies to a mere handful of people while others are literally starving to death on small family farms which are unable to take part in this bonanza. In some of the counties which were most heavily represented in the Poor Peoples Campaign in Washington, two or three hundred large landowners shared in federal subsidies amounting to over a million dollars in 1967 while the rest of the rural popuulation suffered along on a mere pittance from our food distribution programs.

Mr. Chairman, I cannot support a program which gives so much to so few, while ignoring so many.

We have a year more to run on the Food and Agriculture Act of 1965. Its failures are many and serious, and this is no time to lock the farmers into another four years of its shortcomings. We have time to develop a better policy.

This year I introduced legislation which would end the price support payments and acreage diversion programs for wheat and feed grains. The savings engenered by ending these wasteful and extensive programs would be enormous. This program would also provide a starting point for a complete and badly needed reexamination of our farm policies.

This is no time for hasty action. I suggest we hold back legislation which would authorize a program based on the failures of the past.

STATEMENT OF OAKLEY M. RAY, VICE PRESIDENT, AMERICAN FEED MANUFACTURERS ASSOCIATION

The American Feed Manufacturers Association is the national association of the feed manufacturing industry. Members of the Association produce more than 70% of the formula feed which is sold by feed manufacturers.

Farmers must receive a fair return for their labor and investment if feed manufacturers are to receive a fair return. We know from experience that a manufacturer's financial results are closely correlated with the financial results of his customers.

However, we have serious reservations about the need for or the wisdom of Title IX of S. 3590 which would lay the groundwork for an entirely new price-making system for U.S. agriculture and for a tightly controlled system of production where no one would be permitted to produce without a quota. We believe that over the long-run the competitive free market system will bring more satisfactory results for both consumers and producers.

Prices in a free market change from day to day to adjust supply and demand. It is unlikely that any committee or bargaining group could arrive at a price which would be as satisfactory to either buyers or sellers over the long-run. There has been ample evidence of this in other countries which have attempted to operate with administered prices. There has also been experience in this country under wartime conditions. When prices are set too low, supply disappears

rapidly, and many consumers cannot find any product to buy. When prices are set too high, available supply cannot be sold. This is an especially serious problem in the case of perishable products, and in the case of such products as hogs, cattle, broilers and turkeys, where unsold animals continue to grow, thus adding to surplus production.

It would be difficult, if not impossible, to control the production of many agricultural products which are produced throughout much of the country by tens of thousands of producers. An army of inspectors would be required to check each farm unit regularly to verify that each was producing no more than its quota. Substantial price increases would be required just to cover administrative costs.

Production quotas for each producer would likely be based upon historical production. Efficient farmers would not be able to expand as they do under a free market situation. This would increase average production costs for the product controlled.

If the output of agricultural products was restricted to the point where prices increased substantially, import-export problems would result. Production would be increased in other countries which would eliminate some of our export markets. Imports into the U.S. would increase, and there would be pressure on Congress to erect import barriers against them.

Substantially higher prices would also result in the more rapid development of imitation and substitute commodities. We have already seen a number of examples where substitutes have taken over much of the market for a given agricultural product.

In conclusion, we urge the Committee to delete Title IX of S. 3590. The proposed changes have far-reaching implications, and no favorable action should be considered without extensive study and deliberation. We believe that the competitive free market system will bring more satisfactory results for both consumers and producers over the long-run.

STATEMENT OF BERT TOLLEFSON, JR., PRESIDENT, AMERICAN CORN MILLERS FEDERATION AND EXPORT INSTITUTE

Mr. Chairman and Members of the Committee:

My name is Bert Tollefson, Jr., and I am the President of the American Corn Millers Federation and Export Institute.

I am grateful for this opportunity to appear before you to discuss the implications of S. 3590, as it relates to corn.

The American Corn Millers Federation represents the dry corn milling industry. Our mills are located in nearly every State of the continental United States. Our Federation is composed of mills which account for more than 80 percent of the corn products milled by the dry process in the United States.

Legislation to improve farm income is not only important to our Nation's farmers, but to all other segments of our economy as well. As a trade association, we endorse the objectives of the proposed bill, i.e., to improve legislation for maintaining farm income, stabilizing prices and assuring adequate supplies of agricultural commodities.

We believe in a fundamental concept that corn farmers, along with other producers, should share in the prosperity of the economy as fully as their contribution. In view of this belief, we feel that our contribution to this discussion should reflect our desire not to do away with the feed grain programs, but to improve it.

We approach this matter of improvement with the following assumptions: (a) Programs should enable—not prevent the American farmer and processor from competing effectively in domestic and foreign markets. This means market prices which are at world levels—not requiring export subsidies. This has enabled feed grain exports—primarily for dollars—to soar to the billion dollar level. We should be competitive in world markets, every minute of every day. It is only that way that we can share fully in future growth of the corn and corn products trade. (b) We must be much more vigorous in breaking down the barriers to trade in the Common Market. The EEC Common Agricultural Policy operations relative to corn include a rising variable levy system involving internal prices at uneconomic levels. This stimulates production and reduces consumption and imports.

The recent GATT negotiations did not lower these tariff walls. As a matter of fact, they were recently increased.

In order to help farmers share better in the overall prosperity, we feel it essential that the recurring fear of government market price domination be reduced substantially. Resale policy actions should not be left to the judgment of individuals. Policy with respect to government sales should be guided by clear standards.

We believe that such actions should not be left to the judgment of individuals, that the Department of Agriculture should not seek to interfere with day-to-day market price shifts, that our policy should be guided by clear standards and consistent application. The Congress should determine the minimum prices and conditions under which sales will be made and statutory standards should be stated in terms of price relationships to the loan. Such standards are essential if the market is to have its true function and if those who make up the market are to have reliable information on which to base their business decisions.

We believe that there should be established minimum resale standards sufficiently high to prevent sales of the type which have depressed prices in the past. The Congress moved in this direction when it approved the Food for Peace Act in 1966. However, we feel that effective policy requires resale price levels to apply generally, rather than only when the Secretary estimates that carryover will be below a certain percentage of annual disappearance. The minimum resale price should be 115 percent of the loan, plus carrying charges.

PROPOSED MARKETING ORDER LEGISLATION

We are deeply concerned with the possibility that marketing order authority should be extended to corn. We recognize that corn is exempt from the collective bargaining provisions. This covers minimum prices and other minimum terms and conditions under which any commodity or any product or any grade, size, quality, variety, species, disposition or volume thereof may be acquired by handlers from producers or association of producers. *It is probable that it was the intention of the Committee that corn be exempt from the marketing order legislation, as it has been in the past.* This is especially true in view of the continuing feed grain program.

There are already in existence for corn the following programs which help farmers' bargaining power:

1. A diverted acreage program, including production payments based on projected yields, and payments for diversion beyond the 20 percent requirement;
2. Loan program;
3. Resale program;
4. Resale limitation provisions (which we propose to strengthen);
5. P.L. 480 corn sales and product donation;
6. Feed Grain Council efforts for market development.

However, as we interpret the proposed Section 901, corn could be subject to the marketing order provisions except for those factors relating to collective bargaining provisions. The marketing order authority might be extended to corn by specifically exempting corn from its current exclusion, if the Secretary determines by referendum that a majority of the affected producers approve such extension.

Under a marketing order, statutes provide for several types of regulatory activity. Any one or a combination of the following methods may be used:

(a) Quality regulation—That is accomplished by specifying the grade, size or quality which may be marketed.

(b) Regulation of quantity—This involves the quantity which may be shipped to market during a specified period or periods. The total quantity to be marketed is allocated among all handlers on the basis of past performance.

We are especially concerned by Section 906 which provides the following:

"Allotting, or providing methods for allotting, the quantity of such commodity or product or any grade, size, or quality thereof, which each producer may be permitted to market or dispose of in any or all markets or use classifications during any specified period or periods.

"Allotments hereunder may be in terms of quantities or production from given acres or other production units.

"When allotments for producers are established under this subsection the order may contain provisions allotting or providing a method for allotting the quantity which any handler may handle so that any and all handlers will be limited as to any producer to the allotment established for such producer, and such allotment shall constitute an allotment fixed for each handler within the meaning of section 8a (5) of this title."

95-942—68——13

Farmers do not sell the same proportion of their corn production every year. Many farmers do not sell any corn in some years, while others sell all the corn they produce. The statistics of corn production by state and nationally could vary substantially every month during the harvest and marketing season. The December Crop Report, the final one for the season, is often revised the following December; sometimes by a hundred million bushels or more. The harvesting extends over many months, and is influenced by geography and weather. Past performance is not a good indicator of the current situation.

The Congress has wisely decided in the past that any marketing order should be limited to the smallest regional production area possible. *A national order for corn would be impossible to administer.*

Marketing orders are not simple to operate. It is essential that the producing group be of one mind and sufficiently in accord concerning the program to be undertaken that it will not fall of its own weight. Likewise, it is essential that the handlers of the commodity also recognize that the program is performing a useful function if it is to be administratively feasible. In fact, this need for unified and coordinated industry action is the chief reason why the Agricultural Marketing Agreement Act as now written calls for order operations in as limited an area as is feasible.

For most specialty commodities, there are sufficient differences between areas and regions that in developing marketing orders on a regional or national basis not much progress has so far been made. In the case of potatoes, the several crops operate under various area or regional marketing orders; but there is no evidence that potato producers would be able to agree on operating under a single national marketing order. This failed in the past.

Actually, the most difficult question which arises with national marketing orders has to do with administrative machinery. Much of the success of marketing orders depends upon local administration and farmer participation and responsibility, including frequent meetings of farmers and handlers on a face-to-face basis. Just how this administrative machinery could be set up on a national basis is not easy to contemplate. Also, marketing orders are regulations. Every rule or reguation involved is a rule that under the Administrative Procedure Act, and the number of farmers and handlers who have complaints and difficulties under the regulatory rules will ordinarily increase as the area covered is widened. Clearly, the advantages of local initiative and responsibility are much easier to come by under area orders than would be the case under a national order.

The proposed marketing order provisions permit limitation of acreage and marketing of corn. Thus, with a favorable vote of a majority of those voting, all farmers could be *forced to comply* with both acreage and marketing restrictions. Actually, the feed grain program would be completely changed from a voluntary to a compulsory program. In view of past legal history, feeding one's own corn could be considered as marketing, and could be severely circumscribed or even proscribed if a farmer did not conform to the acreage provisions. A farmer would have to comply with all the rules in order to sell or use his own production. The farmer could be told how much, to whom to deliver his commodity, and the dates of delivery.

Failure to comply could involve use of the injunctive procedure and severe penalties to producers.

Such centralized marketing directives would completely disrupt the corn milling operations. Our mill functioning would be dependent upon the quantity of corn which we would be permitted to handle or purchase from handlers. We could not make the long term sales contracts with customers, so essential for efficient mill operation. The reduction in efficiency would be costly, not only to us, but also to consumers.

Currently, we are on the market as raw material buyers and product sellers, continually. Our highly competitive industry would be continually subject to changing Federal Register regulations.

There is a basic conflict between this unique proposal and the free market objectives of the feed grain program. The net effect of this scheme as it affects corn is the use of compulsion, injunction and market destruction.

We recommend that the current exclusion of corn from marketing order authorization be continued.

Thank you.

SALT LAKE CITY, UTAH, *June 26, 1968.*

Re S. 3590.

Hon. ALLEN J. ELLENDER,
Chairman, Senate Committee on Agriculture and Forestry,
Old Senate Office Building, Washington, D.C.

DEAR SENATOR ELLENDER: In title V of your bill, S. 3590, the National Wool Act is extended in its present form from December 31, 1969, to December 31, 1973. This is in line with the testimony we presented before your committee in April. We therefore strongly endorse and appreciate your action in this regard.

We would be happy to have this letter made a part of the hearing record.

Sincerely,

EDWIN E. MARSH,
Executive Secretary, National Wool Growers Association.

COLUMBUS, OHIO,
June 25, 1968.

Senator ALLEN J. ELLENDER,
Chairman, Senate Committee on Agriculture and Forestry,
Old Senate Office Building, Washington, D.C.

MR. CHAIRMAN: Regarding S. 3590, due to the brief period in which hearings have been scheduled on this bill, we are unable to make a trip to Washington at this time to testify in person before the committee. However, we would appreciate if this telegram could be read to the committee and be made a part of the committee's official hearing record.

Briefly, in the way of background, Independent Livestock Marketing Association is a trade organization of approximately 150 auction and daily markets located in Ohio, Indiana, Illinois, Iowa, Mississippi, Missouri, Kentucky, and Michigan. Last year, our members marketed nearly 8 million head of hogs, cattle, and sheep for their farmer customers.

Our members not only own and operate competitive markets for the sale of all farmers livestock, but almost all of us own and operate a farm, and feed livestock; therefore, we have a daily working knowledge of livestock production and marketing, and are personally concerned with the prices farmers receive for the livestock.

We appreciate the concern that the Congress and the administration have shown in attempting to improve the economic position of the farmer through this type of legislation. But, we submit to you that the marketing orders and compulsory bargaining arrangements are not compatible with the livestock production, marketing, and processing patterns which are deeply rooted throughout the United States today.

It is one thing to talk of controlling the production and marketing of a commodity such as cotton with its restricted areas of production, and/or a commodity such as milk with its limited number of processors, but it is an entirely different matter to pose the same set of rules to a widely produced marketed and processed commodity such as livestock.

We further run into the practical complication of attempting to control the production cycle of livestock in order to meet arbitrary quotas set-up match an equally arbitrary minimum price for the various grades of livestock. This quite clearly would be far more involved than restricting the number of acres to be planted to a specific crop.

Equally unworkable is the matter of relating a minimum price to a certain grade or quality of livestock. Since live grades are often determined by buyers evaluating the animal individually while bidding against one another, the proposed legislation could imply the destruction of the competitive livestock marketing system, and force the sale of animals direct to slaughters on a rail and grade basis in order to determine that the minimum price is being paid for the exact grade involved or, if not this, it could imply a team of official graders of livestock, who coud not possibly attend all markets where livestock is being sold on a given day. Therefore this could mean the abandonment of some markets, and force their farmer customers to travel to more distant points which, according to their own present day free choice they have not chosen to do.

Although there may be those involved in the growing, marketing and processing of certain farm commodities that feel this type of legislation will benefit them, we agree with representatives of the American National Cattlemen's Association, and the National Livestock Feeders Association, as well as others, that

title nine of this bill is potentially dangerous to the free market system and at the very least should not apply to livestock because it is nationwide in scope and would not lend itself to control under marketing orders.

Therefore, Mr. Chairman, we ask that this committee give serious consideration to eliminating title nine of this bill, and exclude livestock from this legislation in all sections where applicable.

In conclusion, we submit as part of our written testimony a concise treaties by our executive secretary entitled "Let's talk about bargaining." Fifty copies are being mailed under separate cover which we ask to distribute to each member of the committee, and made available to those seeking copies of the testimony before this committee. We feel the treatise is a far reaching insight as to the most probable results of marketing orders and compulsory bargaining arrangements for livestock on a national basis. We ask that this, too, be made part of the record. Respectfully submitted.

CHARLES LUGBILL,
President, Independent Livestock Marketing Association.

Hon. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry, U.S. Senate, Old Senate Office Building, Washington, D.C.

DEAR SENATOR ELLENDER: The National Independent Meat Packers Association respectfully submits this statement to the Committee to express its opposition to Title IX of S. 3590, which would enact various amendments to the Agricultural Marketing Agreement Act of 1937.

Title IX of S. 3590, which in its essentials is the same as Title II of S. 2973, would establish a procedure under which any agricultural commodity—including livestock—could be subjected to comprehensive supply controls through marketing orders. The amendments further would provide authority in the Act for a compulsory collective bargaining procedure as to price and other terms of purchase and sale of all such commodities, including livestock.

Our Association firmly believes that artificial controls on the supply of agricultural commodities, such as through marketing orders, have not proved to be in the best interest of either producers or processors, and would not be so in the case of livestock. We share in this regard the grave concern which recently has been expressed to your Committee, by officials of the principal national organizations of cattlemen, livestock feeders, farmers, and processors of agricultural products.

We strongly support voluntary, free and open negotiations between producers and purchasers of agricultural commodities and products. We believe that, unless these negotiations can be conducted in response to prices resulting from free and competitive market conditions, there can be no assurance of either maximum efficiency in production, processing and marketing of agricultural products or of adequate supplies of meat and other foods.

The proposal to write into the Act, through Title IX of S. 3590, authority whereby the producers of an agricultural commodity, such as livestock, could impose compulsory collective bargaining on all producers and processors thereof, in our view, is wholly unjustified. This proposal apparently is based on the assumption, which we believe to be erroneous, that producers lack adequate bargaining power in their negotiations with processors of their commodities.

The bargaining power of producers as compared to that of processors, of course, depends on a number of factors. We submit that there are numerous alternatives open to producers—such as the use to be made of their land and facilities—which are not open to processors. But it is undeniable that processors, unlike meat packers and other processors, are able to take advantage of their exemption under the federal antitrust laws to bargain collectively for the sale of their production.

Under the Capper-Volstead Act, agricultural producers may combine to form agricultural cooperative associations to process or to sell their production, exempt from the prohibitions of the Sherman Act against collective action. Producer members of such cooperatives, unlike other commercial organizations, may and do agree in advance as to the price they will charge purchasers of their livestock and crops, and may and do delegate to their association the exclusive right, as their marketing agent, to negotiate for the sale of their produce.

Moreover, at the request of certain farm groups, the Congress only recently enacted S. 109 in order further to assure and preserve freedom of choice

and action in the purchase and sale of agricultural commodities for processing.

Our Association believes that competition on equal terms is a keystone of the structure of a free economy, and that if that economy is to remain free and sound, no agency of the government, and no private group acting under further exemption from the antitrust laws, should be given administrative or legislative power to regulate agricultural production or marketing activities, or to negotiate prices and other terms of trade through group marketing activities.

Accordingly, by action of its Board of Directors, I am authorized to state that our Association is opposed to the enactment of Title IX of S. 3590 and to urge the Committee on Agriculture and Forestry to delete it from the bill.

Respectfully submitted,

JOHN A. KILLICK,
Executive Secretary, National Independent Meat Packers Association.

PHOENIX, ARIZ., *June 19, 1968.*

Hon. ALLEN J. ELLENDER,
U.S. Senate,
Washington, D.C.

DEAR SENATOR ELLENDER: We thank you for sending us a copy of S. 3590 and the explanatory release.

In lieu of sending a representative to Washington to testify before your committee in support of S. 3590, our directors have instructed me to submit this letter which we hope will be made part of the record.

This association supports S. 3590 wholeheartedly.

We believe the proposed changes made in the cotton section of the Agricultural Act of 1965 as contained in the cotton section of S. 3590 are desirable and acceptable to us.

The cotton farmers of Arizona now endorse the provisions of the Agricultural Act of 1965 and are very much in favor of an extension of that Act. A four year extension, as provided in S. 3590, will be quite satisfactory to us.

Should a situation develop where major amendments to the Agricultural Act of 1965, or to S. 3590, are being considered, we would wish to offer some amendments of our own, or reserve judgment on the proposed legislation until we could study such proposed amendments but at this time we believe S. 3590 as written fairly represents the wishes of our Arizona cotton people.

We think you, as chairman of the Committee on Agriculture, deserve the thanks of all of us for your fine leadership in developing S. 3590 and puttting it forward at this time for consideration by the Senate.

Very truly yours,

E. S. MCSWEENY,
Executive Vice President, Arizona Cotton Growers Association.

KANSAS CITY, MO., *June 19, 1968.*

Hon. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture, U.S. Senate,
Washington, D.C.

DEAR SENATOR ELLENDER: This letter on behalf of the National Egg Council is with regard to S. 3590 and, particularly, Title IX—Marketing Orders.

Please enter into the record of the hearings, which get underway June 24, the opposition of our organization to marketing orders in the egg industry. We will not have a witness present to testify.

Our position is based on results of a nation-wide survey of commercial egg producers in February by our organization.

The Agricultural Census for 1964 shows 1.2 million farms with poultry flocks containing birds four months old or older. Around 95% of these flocks had fewer than 400 birds each.

The National Egg Council is a not-for-profit trade association organized in 1958 and whose membership is made up entirely of persons or firms engaged in the production and marketing of table eggs.

Each producer joining the National Egg Council reports on our membership application form the number of layers in his flock. Our membership currently stands at 1,512 members with a total of nearly *58 million* layers. The Statistical Reporting Service of the United States Department of Agriculture reported, in

its May report, that there were 314 million layers in farm flocks on May 1, 1968. Thus, our membership accounts for slightly more than 18% of the total.

Individual members may have as few as 1,000 birds or as many as one million birds under their control. The average is over 38,000.

The issue of marketing orders has been before the egg industry almost annually since 1959. The industry is becoming somewhat familiar with what enabling legislation is and what marketing orders purport to do.

The membership of the National Egg Council has shown itself to be most responsive in regard to surveys we conduct among them on issues of economic import.

In February, when much of the current legislation on marketings was being developed in the House and in the Senate, we sent a survey form to all members of the National Egg Council and to all other egg producers on our mailing list, for a total mailing of 7,039. We estimate that these 7,000 producers account for two-thirds of all the eggs produced in this country.

We enclosed a survey form and an outline of the legislation, pretty much as it now exists. The survey form and the accompanying description of the legislation are attached. Exhibit I constitutes the mailing to members and Exhibit II is the mailing to non-members.

Over 61% of the National Egg Council members and 19% of the non-members responded. We had a pretty good idea of the attitude of the NEC members, but had no previous measure of the non-member attitude. The only information we had on the non-members was that they were egg producers and the number of layers on their farms.

Combined returns from members and non-members alike showed 1,533 opposed to the legislation and 339 in favor.

This survey form went to producers in 47 states. We consider it to be a reliable measure of industry sentiment.

The final tabulation showed 84% of the NEC members responding to be opposed and 16% in favor.

The figures for non-members showed 77% opposed and 23% in favor.

A previous membership survey last November showed 75% opposed and 25% in favor. We had no description of any specific legislation and merely asked whether they favored controls.

All of us in the egg production business today—large or small—know that we have had over-production. These cycles are not new. Our present period of economic strain is perhaps one of the most severe we have ever had. Most certainly it is one of the longest.

Those who have large flocks have no alternative. They can't just sit out a low price period. If they are to keep their customers, they must continue to produce. When bulk of the eggs were produced by the small family farm flock, adjustments occurred quickly. Now they are drawn out.

Another factor contributing to the dilemma was the highly favorable income per bird throughout 1966. Most producers operate on the cash basis and it became unbearable to think of turning all that money over to the tax collector as 1966 came to a close. Many expanded. Next, word got around outside the industry among those who had idle funds to invest and they got into the egg business.

The result has been too many eggs.

Everyone, or his creditor, has stuck it out.

Many depended on outside financing from feed interests or Production Credit Associations. Many such contracts terminate with the marketing of the old hens at the end of their normal laying cycles.

A period of adjustment would have occurred at the end of the laying cycle under ordinary circumstances.

However, many larger producers have found themselves over-extended and unable to pay off old indebtedness and, by the same token, unable to replace the worn-out hens. They have managed to stave off the day of financial reckoning by recycling layers.

Evidently, the industry began practicing, on a large scale, "force-molting" or recycling last fall. Hens are put through feeding maneuvers which cause them to molt and cease egg production. This lasts about two months. Then the birds are brought back into production. The producer gets large and extra large eggs from the recycled hens, although the volume may taper off.

So many have indulged in this practice that, despite the fact that the number of laying-type chicks hatched by commercial hatcheries in the 12-month period ending April 30, 1968, fell 91 million birds below that of the same period ending

April 30, 1967, and 37 million below that of the same period ending April 30, 1966, we still have virtually the same number of layers on farms as a year ago!

It is conceivable that this "force-molt"tactic will change the entire economic cycle of the egg industry. I doubt that any marketing order administrative committee could have forecast this turn of events a year ago.

We do not deny that the egg industry is in financial trouble.

It is apparent, from the results of our survey, that people who account for the bulk of the eggs produced in the United States do not look upon enabling legislation which would legalize marketing orders as the way out.

An effective marketing order would require licensing producers, hatcherymen, egg dealers, egg processors—every single segment of the industry. Ultimately, every phase of production and marketing would have to be covered.

It would become necessary to establish quotas for producers and perhaps for hatcherymen and egg dealers. The records of all would, of necessity, be subject to periodic inspection.

Marketing orders generally require diversionary efforts. All evidence in every commodity shows, we believe, that such diversionary stocks continue as a weight on the market unless disposed of permanently, such as being shipped abroad or dumped in the ocean.

Last November, our members voted 2-to-1 against a check-off for advertising.

It is proposed in the industry that such marketing orders contain a mandatory check-off for industry-sponsored promotion and advertising. There are many of us who don't believe it wise to tax ourselves for such expenditures. We don't believe we'd get any more for our eggs. We also believe such activity on our part would touch off similar "tax" moves on other farm commodities.

Eggs are one of the few commodities which economists describe as having an inelastic demand. Within narrow ranges, price fluctations up or down do not cause much change in people's egg-eating habits. That's one reason some believe eggs would be so amenable to supply control. Only minor adjustments in supply would be necessary to affect price changes of consequence. Further, it is difficult, if not impossible, to measure the value of such promotion and equally difficult to end the tax.

There is nothing in the record, at the moment, to show that a national administrative committee would possess the knowledge to regulate supply within such a narrow range. If we can cite an example outside the egg industry, we note that in 1934, one year after the enactment of the Agricultural Adjustment Act of 1933, the farm parity rates stood at 75% of parity. Three and one-half decades and countless farm programs later, the parity ratio, in 1967, averaged 74% of parity, and farm bins this spring held a record supply of wheat. These programs were to preserve the family farm, but we have half the number of farms of 1934.

This is not to cast reflections on the ability of administrators; rather, it is to highlight the immensity of the task. One small error by the committee can magnify itself into frightening size when spread over the entire industry.

There is good reason to believe that one of the motivating factors today for marketing orders and quotas in the poultry industry is that such quotas would be incorporated into capital net worth.

A casual estimate is that a quota for 500,000 birds would be the equivalent of a $2,000,000 increase in the capital assets of the owner of such a quota. Thus, a quota would, in a sense, reward beyond all reason the very operations which have contributed so heavily toward the financial agony of family units.

The question is asked whether, notwithstanding all these perplexities of administration, producers shouldn't have the right to vote on enabling legislation. It's a little like trying to oppose motherhood, the Bible, or the U.S. flag to take a stand against such a proposition.

We favor the democratic procedures. The hearing on S. 3590 itself is a part of such a procedure. We trust that every *interested* representative group which has the desire to present its views *will be heard* by this committee on the issue at hand. But, would a referendum allow similar treatment?

We think not.

Presumably, some producers will vote. Other *interested* parties will not. This includes some producers exempted because of size, or a returning veteran of the Vietnam war who may wish someday to become a poultryman, or my children, or yours. Others deeply involved in the success of the poultry industry will not vote. The customer won't be allowed to vote. A person might be allowed to vote in a later referendum, only by purchasing the quota of another producer.

It is quite obvious that many really small producers who keep just a few hundred birds won't have the voting franchise in a marketing order referendum, and can never get it except by purchasing the capitalized quota of someone who does.

Thus, a majority of the *producers* won't even be franchised to vote. Yet, a majority of the franchized voters who vote will decide the issue.

It seems logical to assume that an administrative committee will be populated only by those who favor marketing orders and, thus, the entire poultry industry would fall under its permanent domination.

We don't like our present economic situation, but we think it may be better to lose money now and then, than to lose freedom for all time.

Sincerely,

DON M. TURNBULL,
Assistant Secretary, National Egg Council.

STATEMENT OF I. W. BEAN, CHAIRMAN, NATIONAL SOYBEAN PROCESSORS ASSOCIATION

The National Soybean Processors Association represents the soybean processing industry. In the current marketing year, we expect to process 570 million bushels, primarily for edible oil and protein meal for feeding livestock and poultry—in every state and all over the world. The NSPA is composed of processing plants which account for over 95 percent of the soybeans processed in the United States. In the current marketing year, the U.S. soybean processors will be a market for about $1.5 billion worth of soybeans.

We wish to assure this committee that this association supports the view that farmers should share fully in the prosperity they are helping to create, recognizes that food and agricultural policies affect the entire economy of the nation, and must be determined in the best total national interest. Sound agricultural policy must give full consideration not only to the role of the producer, but also of the grain elevator, other marketing facilities, the processor, the exporter, and right down to the ultimate consumer. This is the basic justification for a national investment in agricultural programs.

We must give greater attention to the inter-relationship of agricultural policy to other national economic policies and our foreign policy, rather than looking at farm policy as something apart. This includes a basic view of the equity of fair reward for agriculture.

In pursuit of this effort, we have worked with soybean producers, exporters and importers, and the USDA in market development, improved grade standards, orderly marketing, technical research and many other fields. In addition, NSPA is extending substantial financial support to much-needed soybean agronomic research.

The results of these realistic joint efforts are such that the soybean has been called the miracle crop of the twentieth century. It grew from an exotic obscure crop in the 1930's to its current status of the number two source of cash receipts from sales of crops. In 1967, about 13 cents of each dollar received by U.S. farmers from sales of crops came from soybeans. Just after World War II, soybean producers received only 4 cents of each such dollar. We are here referring to a crop with a cash register value of over $2.5 billion. The economic impact of this industry now reverberates throughout the world.

The growth of this industry has been due in large measure to the atmosphere of freedom in which it was nurtured. Let us examine some significant facts regarding this crop:

(1) The producers have rejected the concept of acreage controls;

(2) There was legislative authority for a marketing order for soybeans prior to 1961. This was never used. It was eliminated from the Agricultural Marketing Agreement Act of 1937, as amended, by producer request. There has been no request for reinstatement.

(3) This atmosphere of economic freedom has enabled the United States to move from a pre-World War II net importer of fats and oils to the world's greatest exporter of oilseeds and products. We broke the Chinese soybean monopoly. Soybeans and soybean meal and soybean oil exports are returning almost one billion dollars of hard currency annually.

The major markets of the world have recognized that the importation of this great crop has great value to them, and have either zero or minimal tariff or other

obstructions to imports of soybeans. The EEC in the Kennedy Round increased import duties on soybean oil and since has been almost continuously considering proposals which would jeopardize the duty-free binding of U.S. soybean meal.

(4) The efficiency of our livestock and poultry feeding operations has been immeasurably enhanced by the availability of soybean meal. This is now being utilized domestically at about an 11-million-ton rate annually. Consumption of soybean meal both domestic and foreign would undoubtedly be at much higher levels were it available at reasonable price levels. The American quality and standard of living are greatly improved by the mixed feed industry, which rests on a soybean meal base.

(5) The soybean processing industry has steadily increased its plant capacity from 320 million bushels in 1953 to well over 700 million in 1968. Processing capacity has exceeded actual crushings by about 20 percent despite the sharp uptrend in soybean production. The result has been a sharp contraction in processing margins to levels sharply below two decades ago, despite rising costs.

The USDA is aware of this fact. In a report in the August 1966 issue of the Journal of Farm Economics, Dr. Allen B. Paul of the USDA Economic Research Service said:

"In brief one can observe that crushing margins have not moved in sympathy with soybean prices . . . *price competition among processors is severe. The average crushing margin, over a decade, was well below the long run cost.*

"Price competition in soybean processing has been quite effective. Price turns out to be an unbelievably complex instrument for allocating resources and returns. *Major distortions in the market were due to price supports, but these occurred sporadically.* For this reason, the soybean industry provides a good laboratory to obtain certain insights.

"Programs that are designed to stabilize farm prices often are not neutral in their effects on marketing firms. This cannot tell us whether such programs are good or bad. But it can tell us that programs have important consequences that we should be aware of. The principle is general and applies to other programs."

(6) The growth of the U.S. soybean acreage has been uneven by areas—over time—a free response to economic forces. The most recent increases have been in the Delta and Southeastern states, resulting largely from land clearing and drainage. Also, soybeans provided a better alternative crop than other use of the land. *Any average used for allotment determination would result in the most severe cuts in the new areas.*

(7) Protein deficiency is a critical aspect of the world food problem. Since it is out of the question to provide enough protein from animal sources to meet the increasing requirements of an expanding world population, considerable attention is being given to the development of protein foods from vegetable oil seeds.

Soybeans have been an important source of protein for human consumption for centuries in the Far East. In recent years, we have made great progress in the development of high-protein foods from soybeans that appear to be acceptable to consumers.

A high-protein concentrate (approximately 20 percent protein) of corn meal, soy flour, and various supplements and additives (CSM) was developed for large-scale programming to meet emergency food situations in South Vietnam and other parts of Asia, South America, and Africa.

By and large, the product has been well received. Since the introduction of CSM, over 500 million pounds have been shipped to needy countries. More recently, additional food mixtures involving wheat and soybean products have been shipped.

The quantity of soybeans actually involved in the CSM product over the past year and a half is still small. But the important thing is that the new food mixture has been readily accepted where the need is urgent for food and especially for protein. As the pressure of world population versus food supply builds up and as nutrition is given greater attention, there is a great potential for soy and other oilseed proteins for human consumption. The research and marketing for this is best fostered in an atmosphere of competitive freedom.

(8) It is with the same atmosphere of freedom of production and access to foreign markets that the soybean producers and processors have applauded the position taken by the United States that it could not adhere to any agreement designed to limit exports of edible oils, oilseeds or protein meals.

It may be of interest to discuss some of the issues involved in the recent proposals for an International Fats and Oils Agreement. They deal with the possibility of setting an import price range for vegetable oils, the question of market sharing among exporting countries, and the compensation to the less-developed countries for the low prices for vegetable oils. It is recognized that the tropical oil producers have a serious problem as prices have declined to the level of world prices which is below the levels resulting from colonial preferences. Also, there is greatly increased competition from Communist sunflower oil.

Not only is there a wide range in competition and sources of supply, but most of the major oils are byproducts. As a result, the technical complexity in the market for oils and fats is so great that the fixing of market prices, quotas, or market shares appears unworkable.

In fact, it appears economically undesirable to attempt to set a price range and try to adjust to changes in demand for oils. It would discourage consumption, encourage the uneconomic use of resources, and discourage substitution of one oil for another. And the fact that the market demand for protein supplements is so strong in relation to oil further complicates the situation. From an economic standpoint, it appears that the solution to the world surplus and resulting low prices for vegetable oils must be sought in other directions such as the development of new uses, increased production efficiency, expansion of world trade, and increased consumption.

MARKETING ORDERS FOR SOYBEANS

In reading the hearing record on S. 2973, introduced by Senator Mondale, we had the distinct impression from the committee discussion that nationally produced crops, such as soybeans would continue to be exempt from the marketing order legislation. There seemed to be general committee agreement that the provisions should be applicable only to crops grown within a relatively small geographic area. However, while the intent may have been otherwise, as we read S. 3590, soybeans would be exempt only from the collective bargaining provisions of Title IX.

Also, in Secretary Freeman's recent discussions of greater bargaining power for farmers, including testimony on S. 2973, he has indicated that he was referring to that 60 percent of the farm production for which there was no price support and other program protection. The American soybean producer already has the following programs which enhance farmers' bargaining power:

1. A $2.50 per bushel loan;
2. Reseal program, both farm and nonfarm;
3. An announced schedule of CCC resale prices substantially above current and prospective markets;
4. Food for Freedom sales and donation of oil;
5. Domestic donation of fats and oils to needy;
6. Soybean Council assistance in market development;
7. USDA efforts to expand markets through GATT and other negotiations.

The language of Section 901 of S. 3590 makes it clear that except for collective bargaining on minimum prices and other minimum terms and conditions, *soybeans* would be subject to marketing order authority. All that would be required would be a determination by the Secretary that a majority of the affected producers approved such extension in a referendum.

According to Undersecretary Schnittker: "It is a form of limited horizontal integration among producers and sometimes handlers. It provides authority to undertake specified types of activity to *manipulate* market supply or demand, or both."

It should be noted that the extent of *manipulation* is unlimited in view of the following language of the proposed Section 906 of the S. 3590.

Examine the following:

"Allotting, or providing methods for allotting, the quantity of such commodity or product or any grade, size, or quality thereof, which each producer may be permitted to market or dispose of in any or all markets or use classifications during any specified period or periods.

"Allotments hereunder may be in terms of quantities or production from given acres or other production units.

"When allotments for producers are established under this subsection the order may contain provisions allotting or providing a method for allotting the quantity which any handler may handle so that any and all handlers will be limited as to any producer to the allotment established for such producer,

and such allotment shall constitute an allotment fixed for each handler within the meaning of section 8a(5) of this title."

Let us examine what a favorable vote in a marketing order referendum could do to every segment of the soybean industry.

(a) To the producer, it could mean restricted acreage with the limitation based on his area's historical acreage. Since the regulations could be written in such a manner as to prevent a noncomplier from actually marketing his crop, failure to comply with all the regulations could result in an injunction or a heavy financial penalty.

(b) To the grower, with only one or two years of history, it could mean a sharp acreage cut. Those who are currently clearing (or recently cleared) land to plant to soybeans, would not be able to do so.

(c) To the grower, it could mean a limitation on marketings at the rate of a fixed percentage per month, whether or not he had the storage facilities to handle the crop.

(d) To the grower, it could mean marketing only a certain grade or grades, with no provision for utilization of other qualities.

(e) To the grower, it could mean being told when and where to deliver his crop in order that the required records could be kept.

(f) *To the first handler* (elevator or processor), it could mean handling only a limited bureaucratically determined quantity—by month or for the season. It would also mean keeping exhaustive records for each producer.

(g) To the processor, it could mean competing for a limited quantity, or even being told how many bushels he could crush.

(h) To the exporter, it could mean being told how many bushels could be exported.

(i) To all groups, it would mean a continuing examination of the Federal Register for regulations and amendments to amendments.

(j) To all groups, it would mean subsidizing synthetic feeds, such as urea or other products of the laboratory. It is estimated that urea feeding in the U.S. has now reached an annual level equivalent to the meal from 100 million bushels of soybeans. This also affects the cotton farmers market for cottonseed which is generally regarded as the tenants' crop. Protein from petroleum is also an established fact.

Obviously, such a multiplicity of regulations from the producer to the processor or exporter would assume a degree of knowledge of supply and demand of such accuracy as to defy description. The marketing season for soybeans starts in September. At that time the size of the current crop and the carryover from the preceding crop are not known. There are revisions in the current crop in October, November and December, with a revision of the previous year crop in December.

There is a consensus among agricultural economists that producer gains, if any, from such an exercise will be obtained at the expense of the consumer, and only in the short run. *It should be noted here that the farmer is the major consumer of the soybean meal, and would face higher costs.* Since no provision is made for controlling the acreage diverted, producers of other crops would suffer from increased competition. The already small processor margin would prevent any absorbing of higher prices. Producers might turn to sunflower seed which produces a much higher percentage of competitive oil and a protein meal. Sunflower production is under way in the Northwest and across the South.

From an international standpoint, reduced acreage and higher priced soybeans will provide a subsidy to the oil and oilseed producers in the rest of the world. It would give these foreign producers the benefits of an international agreement without any contribution.

If there is a two price system, with a lower price for export soybeans, then we will be losing a substantial part of our soybean meal market to foreign crushers. This will reduce our labor requirements here, and transfer them abroad.

The producers of this miracle crop have been able to grow and prosper in an atmosphere of freedom. This proposal would choke these forces.

The tremendous achievements of the some 600,000 soybean producers, the marketers, the processors and the USDA have occurred in a free economic setting.

In 1966, President Johnson said:

"Yet, all of this can be—and should be—only a beginning. In a time of technological revolution and rapid change, which is occurring on our farms no less than in our factories and laboratories, we must constantly look to the future.

Now ways must be explored to keep agriculture and agricultural policy up to date, to get the full benefit of new findings and of new technology, to make sure that our bountiful land is used to the best of our ability to promote the welfare of consumers, farmers, and the entire economy."

We earnestly believe that this proposal to authorize a marketing order for soybeans would be counterproductive, and not fit for the last third of the twentieth century.

We recommend that this committee continue the current exemption of soybeans from marketing orders, and further that government controls and restrictions of any and all kinds not apply to soybeans and soybean products.

STATEMENT OF HAROLD M. WILLIAMS, PRESIDENT, INSTITUTE OF AMERICAN POULTRY INDUSTRIES

The Institute of American Poultry Industries is a non-profit association established in 1926. Its membership consists of persons and organizations, including cooperatives, engaged in breeding, hatching, production, processing and distribution of eggs and egg products, chickens, turkeys and ducks.

Thirty-nine industry leaders are elected to form the board of directors of the Institute. They represent all egg and poultry commodities and all major producing areas.

We appreciate the opportunity to present to this distinguished committee our views relative to S. 3590 with particular reference to Title IX—Marketing Orders, collective bargaining and producer allotments.

The Institute's policy regarding this type of legislation is expressed in this resolution which was passed by the board of directors and reaffirmed by the membership at its annual meeting:

"*Resolved*, That the Institute of American Poultry Industries is opposed to the principle of centralized and direct controls of production, distribution or pricing affecting poultry or eggs and their products in the belief that such a position is in the best interests of the future welfare of all segments of the industry from the producer to and including the consumer."

This position was reaffirmed this year by both our board of directors and executive committee.

The record is quite clear! Over the years the poultry and egg industry has firmly indicated its desire to be free of government controls and price supports. Substantial testimony from recognized industry organizations exists in hearing records. And in 1962, one segment of the industry, the turkey producers, strongly confirmed that position when a proposed turkey marketing order was soundly defeated in a referendum conducted by the Secretary of Agriculture.

Not only does this bill authorize allotments and quotas and regulate what may be sold by producers and handlers, but it injects a new concept of price making which could completely disrupt and destroy the present competitive marketing system. No one can really measure the consequences of such legislation. It is too far-reaching, we believe, for Congress to consider this late in the session without far more study and extensive hearings.

The legislation being considered does exempt commodities which in some manner receive government price supports. If this type of legislation appears to be desirable, it seems to us that it should be first applied to those commodities which have necessitated government price support action.

As indicated earlier, by and large the poultry and egg industry has stood firmly on its own feet. It has made outstanding advances operating on the basis of supply and demand. There have been benefits for both the producer and consumer. Our industry is supplying consumers with the greatest food buy today.

We have not asked for price support programs nor do we now seek what this legislation proposes. We urge that, if the Committee decides to report S. 3590, the Committee should in any event exclude poultry and eggs from the provisions of the bill.

We appreciate the opportunity to present our views.

STATEMENT OF ROGER L. CONNOR, EXECUTIVE SECRETARY, INDEPENDENT LIVESTOCK MARKETING ASSOCIATION, COLUMBUS, OHIO

No other subject has stirred more controversy in livestock marketing circles in recent years than the matter of "bargaining". To have a better understanding of how this interest came about, let's start with the *changes* marketing has gone through to reflect the *needs* and *desires* of sellers and buyers.

MARKETING HISTORY

1. Marketing began with trade and bartering.
2. 1830's animals were trailed over the Alleghany Mountains to Baltimore.
3. 1840's hogs were slaughtered, pickled and shipped down the rivers to New Orleans.
4. 1850's saw the first Terminal Market established by a railroad company at Chicago.
5. Latter 1800's, Dealers roamed country to buy and ship livestock to Terminals.
6. In 1900's, establish county shipping Assns. to send livestock via railroad to Terminals.
7. 1920's Auction Markets started for slaughter livestock—better roads, trucks, radio.
8. In the 1930's, Daily Markets took over old Shipping Association pens.
9. After World War Two, Packers' costs increased (labor, materials, taxes, etc.): (a) more direct buying and establishment of buying stations to avoid immediate buying competition, and fill specific orders brought on by supermarket merchandising programs.
10. In the middle 1950's, "collective bargaining" approach started in mid-cornbelt.
11. In mid 1960's, Futures Market on live cattle and hogs established.

The main question that is being asked today in "Can bargaining work for livestock?" Overly simplified, the answer is *YES!*

If "bargaining" can work for livestock, just what must be done to make it work?

To get that answer, let's compare agriculture with "big business". You have heard numerous times that agriculture is the nation's *largest business.* This statement is true when agriculture is taken as a whole. But in reality, individual farms are more comparable to independent small manufacturers of raw materials, since a total of approximately three million farmers and ranchers in this country are turning out mostly raw products, in competition with one another, which must be bought and processed for consumption.

It must also be noted that agriculture is often compared with "labor". But there is a basic difference between the two: *labor sells services; agriculture sells products.* Services are not perishable and cannot be stored up to cause surpluses. If a factory worker strikes today, he doesn't have to "work off" a day's labor when he returns to work the next day. Much like time, labor once lost can never be used again . . . and more important in this context, *nor does it have to be.*

Those who constantly talk of "bargaining" for livestock, refer to the manufacturer's of automobiles as an example of a business that is "able to price its product to the consumer". The question naturally follows, "If they can do it, why can't we?"

I believe we should pursue this reasoning further, because it gets to the heart of the problem! "Why haven't farmers been able to set a price for their livestock?"

(1) There are thousands of decision makers in farming. Ohio alone has 114,000 farms. Most raise livestock. This means thousands of people deciding on their own how much, what kind, what quality, what weight of livestock to raise and when, where, how and to whom to sell it. How many "decision makers" are there at General Motors?

(2) There is a relative ease of economic entrance into farming. You can be as big, or as small as you want, and get into farming . . . only capital and your desire to farm limit what kind of livestock and how much you raise. How many people manufacture automobiles for a living? How many on a part-time basis to supplement their income?

(3) Everybody has the right to farm; there are no restrictions on who can and who can't farm. Farmers can't be doctors, lawyers, pharmacists, engineers, etc., without taking a prescribed course and passing a state exam, but each of

these can be a farmer merely by purchasing a piece of land. Although there is no law that prevents the farmer, or anyone else for that matter, from manufacturing automobiles, the sheer economics of the situation quickly dictates who is going to make automobiles.

(4) Unlike some farm crops, as oranges, dates and nuts, livestock can be raised, or potentially raised (if the price is right), in all 48 continental States. Automobiles, on the other hand, are manufactured only where it is economically feasible and potentially profitable, and by a restricted number of people.

Yes, farmers can "set a price", or even "bargain for a price" on their livestock, *BUT*, it's going to take *CONTROLS!!!* What kind of controls?

(a) The power and individual right to make personal decisions regarding how much, what kind, what quality of livestock, and when and where the livestock will be sold, will be taken away. This means the individual farmer, and farmers as a group, must give their decision making rights to someone, for example, a committee, who will tell them what to raise, how many head, what quality, when to have them ready for market, where to sell them, etc.

(b) It means restricting who can farm, and how many people can farm, by virtually franchising every farm with set amounts of production quotas. Undoubtedly, if such quotas are not used, or leased out to someone who does use them, the farm would lose its quota.

(c) It is very important farmers keep in mind that the closer they come to realizing "a fair price" for their products through compulsory bargaining and controls, the more dominant role the govenment will play "to protect" the interests of consumers. It is logical to assume that 5% or less of the population who will be raising the food of this nation, are not going to be given a "green light" to price their products to the remaining 95% at a price they (the farmers) think is fair. In other words, 5% or less of the voters are not going to tell 95% or more of the voters what they are going to pay for food. Under a compulsory bargaining arrangement, *government will eventually control agriculture from farm to supermarket,* to "protect" the rights of those involved, and the rights of *all citizens.*

Of course, we are talking here about the extreme in bargaining. There are those who propose that farmers be encouraged to ban together through organizations, and be given the right to work out their own problems through joint action. This approach sounds very appealing because it is basically democratic, and will require a lesser amount of government intervention. But, when one truly examines this approach in the light of livestock production and marketing, which is widespread in this country, one must assume that nothing short of eventual controls will have a material and long lasting effect on price. If farmer organizations can not materially change the price structure in competition with independent businesses today, there is no reason to believe they could raise prices by *merely* having all the livestock go through farmer controlled groups. In fact, one could just as logically argue that the centralization of livestock through limited groups would create widespread inefficiencies in the marketing process because of the lack of competition. It must be remembered, businesses become efficient *mostly* because *competition forces* them to become efficient, and because of their desire for more profits. *Without competition,* the need for efficiency would be lessened materially, and the resulting marketing system would eventually prove effective and chaotic.

The farmer, then, has two main alternatives:

(1) Accept the rigidity of controls brought on by compulsory bargaining and government domination or,

(2) Strengthen and improve the competitive marketing system, which provides the opportunity for profits or losses through one's personal decisions.

Let us assume farmers, and the industry, chose freedom. Let us assume they chose to make their own decisions, and strive to strengthen the competitive marketing system. What must be done?

(1) Carry out a systematic industry-supported program of promotion and advertising of red meats, and continue our progress in research. Farmers, markets and some packers can no longer afford to let other packers and supermarkets carry the full burden of promoting and advertising meats. Supermarkets advertise meats *mainly* from a *price discount* standpoint; packers advertise their brand names from a quality standpoint; farmers and markets must team together with packers and supermarkets to *promote a desire* on the part of the consumer to want more meat at an increased price level.

(2) Farmers, markets, packers and retailers must work together on improved marketing mechanics and techniques. Systems should be explored to relate actual market value of an animal to the price the farmer gets for that animal in the marketplace. *Remember*, marketing has already gone through numerous changes to meet the *needs* and *desires* of buyers and sellers. We must be progressive enough to think up and adopt other changes which will strengthen and improve the competitive marketing system.

(3) Constantly review all factors which influence the competitive production and marketing system, and strive for and support regulations or legislation that are needed to keep the system competitive. In other words, it is basically unfair to ask and expect farmers, markets, packers and retailers to operate in a competitive marketing system where *supply* and *demand* dictate the price, unless that system is *truly* competitive.

It should also be mentioned that a so-called "off-shoot" of the competitive marketing structure might be complete integration of agriculture by large companies, competing with one another in production and marketing, all the way from the farm level, up through and including the offering of the finished food product for sale to the consumer. I am not speaking of so-called "contract farming". I am referring to actual ownership of the land, processing and retailing establishments by large corporations. In other words, the farmer would work on salary for the parent company as does its labor force in the factory. Of course, in such a system there would be little need for livestock markets or independent packers because there would be no need for determining the price of livestock through competition. The competitive price, in this case, would apply to the price of the finished meat product.

I have not even begun to cover the various possibilities that may and could arise in the future to change the livestock marketing picture. Such ideas as the government setting a basic price for certain grades and quality of market animals is just one way planners are now talking as possible. What I have really attempted to do here is show you that the competitive marketing system offers as great a potential for profits as does the compulsory bargaining system, plus the one great advantage of maintaining individual freedoms. However, the eventual effectiveness and rewards of this system depend heavily on *all segments* sincerely working together to strengthen and improve it. Each one of us has a part in that effort. In fact, without our individual efforts, the competitive system will falter and fail. Suffice to say, all of us have an important job to do.

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LEGISLATIVE HISTORY
Public Law 90-559
H. R. 17126

TABLE OF CONTENTS

INDEX AND SUMMARY OF H. R. 17126

May 8, 1968	Rep. Poage introduced H. R. 17126 which was referred to House Agriculture Committee. Print of bill as introduced.
May 9, 1968	House committee voted to report H. R. 17126.
May 10, 1968	House committee reported H. R. 17126 without amendment. House Report 1374. Print of bill and report.
May 13, 1968	Summary of House committee report.
June 6, 1968	Sen. Ellender introduced and discussed S. 3590 which was referred to Senate Agriculture and Forestry Committee. Print of bill and remarks of Senator Ellender.
June 18, 1968	Rules Committee reported a resolution for consideration of H. R. 17126. H. Res. 1218. House Report 1563. Print of resolution and report.
July 10, 1968	Senate committee reported S. 3590 with amendments. Senate Report 1378. Print of bill and report.
July 18, 1968	Senate began debate on S. 3590.
July 19, 1968	Senate continued debate on S. 3590.
July 20, 1968	Senate passed S. 3590 with amendments.
July 30, 1968	House began debate on H. R. 17126.
July 31, 1968	House passed H. R. 17126 with amendment.
Aug. 1, 1968	Senate passed H. R. 17126 with amendment (language of S. 3590). Print of H. R. 17126 as passed Senate.
	Senate conferees were appointed.
Aug. 2, 1968	Rep. Findley objected to request for conference on H. R. 17126.
Sept. 4, 1968	Rep. Findley objected to request for conference on H. R. 17126
Sept.17, 1968	House agreed to motion to send H. R. 17126 to conference.
	House conferees were appointed.

Sept.18, 1968	House received conference report. House Report 1905. Print of report.
Sept.19, 1968	Senate agreed to conference report.
Sept.25, 1968	House agreed to conference report.
Oct. 14, 1968	Approved: Public Law 90-559.

Hearings: S. 3590 Committee on Agriculture and Forestry.

DIGEST OF PUBLIC LAW 90-559

EXTENSION OF FOOD AND AGRICULTURE ACT OF 1965. Extends the Food and Agriculture Act of 1965 for one year, through December 1970.

90TH CONGRESS
2D SESSION

H. R. 17126

IN THE HOUSE OF REPRESENTATIVES

MAY 8, 1968

Mr. POAGE introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To amend the Food and Agriculture Act of 1965.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Food and Agriculture Act of 1965 is extended—

(1) by striking out "through 1969" wherever it appears and substituting "through 1970";

(2) by striking out "1966, 1967, 1968, and 1969" wherever it appears and substituting "1966 through 1970";

(3) by striking out "1969" in sections 103 and 201 and substituting "1970";

(4) by striking out "1967, 1968, and 1969" in

section 402 (b) and substituting "1967 through 1970";

(5) by striking out "1970" in section 404 and substituting "1971";

(6) by striking out "1966 through the 1969" in section 516 and substituting "1966 through the 1970";

(7) by striking out "1968" and "1969" wherever they appear in section 602 (k) and substituting "1969" and "1970", respectively; and

(8) by striking out "or 1969" in section 801 and substituting "1969, or 1970".

90TH CONGRESS
2D SESSION

H. R. 17126

A BILL

To amend the Food and Agriculture Act of 1965.

By Mr. POAGE

MAY 8, 1968

Referred to the Committee on Agriculture

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued May 10, 1968
For actions of May 9, 1968
90th-1st; No. 79

CONTENTS

HIGHLIGHTS: House committee reported bill to provide fringe benefits for ASC county committee employees. House committee voted to report farm bill. Conferees agreed to file report on tax-expenditure bill. Sen. Mondale introduced and discussed East-West trade bill. Sen. Hartke submitted and discussed measure to increase farm disaster loans.

HOUSE

1. COUNTY COMMITTEES. The Post Office and Civil Service Committee reported with amendment S. 1028, to provide fringe benefits for ASC county committee employees (H. Rept. 1371). p. H3642

2. CREDIT UNIONS. The Banking and Currency Committee reported with amendment H. R. 14907, to amend the Federal Credit Union Act (H. Rept. 1372). p. H3642

3. APPROPRIATIONS. Passed without amendment H. J. Res. 1268, making supplemental appropriations for fiscal year 1968 for highways and certain claims (pp. H3572-3). The bill was reported earlier by the Appropriations Committee (H. Rept. 1373) (p. H3642).

4. TAXATION; EXPENDITURES. The "Daily Digest" states that the conferees "agreed to file a conference report on the differences between the Senate- and House-passed versions of H. R. 15414," the tax and expenditure control bill (p. D417). Rep. Vanik deplored the conferees' "demanding... the $6 billion budget cut as a condition for the surtax"(p. H3519).

5. EDUCATION. Passed, 348-5, with amendments H. R. 16729, to amend legislation regarding higher education (pp. H3522-72). Rejected a motion by Rep. Gross to recommit the bill with instructions that "no funds authorized by this Act shall exceed by 80 percent the sums herein authorized" (p. H3571).

6. FARM PROGRAM. The Agriculture Committee voted to report (but did not actually report) H. R. 17126, to extend for 1 year the Food and Agriculture Act of 1965 (p. D416) and the committee was granted until midnight Sat. May 11 to file a report (p. H3572).

7. HOLIDAYS. Passed without amendment H. R. 15951, by a vote of 212-83, to provide for uniform annual observances of certain legal public holidays on Mondays (pp. H3573-602). Rejected a motion, 141-153, by Rep. Poff to recommit the bill with instructions that Washington's Birthday be observed on Feb. 22 (pp. H3600-1)

8. ELECTRIFICATION. Rep. Price, Ill., commended the Rural Electrification Adm. programs and inserted Administrator Clapp's annual report. pp. H3620-1

9. HOUSING. Rep. Dorn inserted the President's remarks upon the signing of H. R. 10477, the Veterans' Administration housing law amendment. pp. H3621-3

10. PEANUTS. Received a GAO report of "peanut price-support programs of the Commodity Credit Corporation." p. H3642

SENATE

11. TAXATION;EXPENDITURES. The "Daily Digest" states the Appropriations Committee met in executive session to hear Sen. Long, La., "explain agreement to reduce Federal expenditures by $6 billion", which agreement was reached by the conferees on Wed., May 8, in connection with H.R. 15414, the proposed Revenue and Expenditure Control Act of 1968. p. D414

Sen. Mansfield said that he hoped that before the conferees reached final agreement on the tax and expenditures bill they would furnish the membership of both Houses with a bill of particulars as to where they think these reductions should be applied. pp. S5185-6

12. SUPPLEMENTAL APPROPRIATIONS. The "Daily Digest" states the Appropriations Committee approved H.J. Res. 1268, making supplemental appropriations for fiscal year 1968 for highways and certain claims. p. D414

McClory
McCloskey
McClure
McCulloch
McDade
McDonald, Mich.
McEwen
McFall
McMillan
Machen
Madden
Mahon
Mailliard
Marsh
Martin
Mathias, Calif.
May
Mayne
Meeds
Meskill
Michel
Miller, Ohio
Mills
Minish
Minshall
Monagan
Montgomery
Morgan
Morris, N. Mex.
Morton
Mosher
Murphy, Ill.
Murphy, N.Y.
Myers
Natcher
Nedzi
Nelsen
O'Hara, Mich.
O'Konski
O'Neal, Ga.
O'Neill, Mass.
Passman
Patman
Patten
Pelly
Pepper
Perkins
Pettis
Philbin
Pickle
Pike
Pirnie
Poage
Poff
Pollock
Pool
Price, Ill.
Price, Tex.
Pucinski
Quie
Quillen
Railsback
Randall
Rarick
Reid, Ill.
Reifel
Reinecke
Rhodes, Ariz.
Rhodes, Pa.
Riegle
Roberts
Robison
Rodino
Rogers, Colo.
Rogers, Fla.
Rooney, N.Y.
Rooney, Pa.
Rostenkowski
Roth
Roudebush
Roush
Rumsfeld
St Germain
Sandman
Satterfield
Schadeberg
Scherle
Schneebeli
Schweiker
Scott
Shipley
Shriver
Sikes
Sisk
Skubitz
Slack
Smith, Calif.
Smith, Iowa
Smith, N.Y.
Smith, Okla.
Snyder
Springer
Stafford
Staggers
Stanton
Steed
Steiger, Ariz.
Steiger, Wis.
Stephens
Stratton
Stuckey
Sullivan
Taft
Talcott
Taylor
Teague, Calif.
Thompson, Ga.
Thomson, Wis.
Tiernan
Tuck
Udall
Ullman
Utt
Van Deerlin
Vander Jagt
Vanik
Vigorito
Waggonner
Walker
Wampler
Watkins
Watson
Whalley
White
Whitener
Whitten
Widnall
Williams, Pa.
Willis
Wilson, Bob
Wilson, Charles H.
Winn
Wolff
Wright
Wydler
Wylie
Wyman
Young
Zablocki
Zion
Zwach

NAYS—54

Annunzio
Ashley
Barrett
Bingham
Bolling
Brademas
Brasco
Brown, Calif.
Burton, Calif.
Byrne, Pa.
Cohelan
Culver
Daddario
Dent
Diggs
Dow
Eckhardt
Edwards, Calif.
Farbstein
Flood
Foley
Gallagher
Gonzalez
Green, Pa.
Hathaway
Hechler, W. Va.
Helstoski
Irwin
Jacobs
Kastenmeier
Leggett
Macdonald, Mass.
Mink
Moorhead
Moss
Nix
Ottinger
Podell
Rees
Reid, N.Y.
Reuss
Ronan
Rosenthal
Roybal
Ryan
St. Onge
Scheuer
Tenzer
Thompson, N.J.
Tunney
Waldie
Whalen
Wiggins
Yates

NOT VOTING—73

Abernethy
Andrews, Ala.
Ashmore
Bevill
Bolton
Brotzman
Buchanan
Cederberg
Celler
Clausen, Don H.
Conyers
Corman
Cowger
Cunningham
Dawson
Denney
Dickinson
Dowdy
Dwyer
Edwards, Ala.
Edwards, La.
Eilberg
Everett
Fraser
Frelinghuysen
Gardner
Gettys
Gilbert
Gray
Green, Oreg.
Hagan
Halleck
Hanna
Hansen, Idaho
Hansen, Wash.
Hardy
Harrison
Harsha
Hawkins
Hays
Hébert
Holland
Ichord
Jones, Ala.
Karsten
Kluczynski
Laird
Landrum
Latta
Lukens
McCarthy
MacGregor
Mathias, Md.
Matsunaga
Miller, Calif.
Mize
Moore
Morse, Mass.
Nichols
O'Hara, Ill.
Olsen
Pryor
Purcell
Resnick
Rivers
Ruppe
Saylor
Schwengel
Selden
Stubblefield
Teague, Tex.
Watts
Wyatt

So the amendment was agreed to.

The Clerk announced the following pairs:

Mr. Hébert with Mr. Laird.

Mrs. Green of Oregon with Mr. Saylor.

Mr. Rivers with Mr. Halleck.

Mr. Corman with Mr. Frelinghuysen.

Mr. Celler with Mrs. Dwyer.

Mr. Nichols with Mr. Don H. Clausen.

Mr. Kluczynski with Mrs. Bolton.

Mr. Miller of California with Mr. Morse of Massachusetts.

Mr. Matsunaga with Mr. Wyatt.

Mr. Bevill with Mr. Edwards of Alabama.

Mr. Stubblefield with Mr. Schwengel.

Mr. Eilberg with Mr. MacGregor.

Mr. Hays with Mr. Cederberg.

Mr. Abernethy with Mr. Buchanan.

Mr. Gilbert with Mr. Moore.

Mr. Hanna with Mr. Mathias of Maryland.

Mr. Gettys with Mr. Lukens.

Mr. Ashmore with Mr. Harrison.

Mr. Fraser with Mr. Mize.

Mr. Gray with Mr. Latta.

Mr. Holland with Mr. Harsha.

Mrs. Hansen of Washington with Mr. Cunningham.

Mr. Selden with Mr. Denney.

Mr. Andrews of Alabama with Mr. Ruppe.

Mr. Ichord with Mr. Hansen of Idaho.

Mr. Edwards of Louisiana with Mr. Dickinson.

Mr. Teague of Texas with Mr. Cowger.

Mr. Jones of Alabama with Mr. Brotzman.

Mr. Watts with Mr. Gardner.

Mr. Landrum with Mr. Pryor.

Mr. Hardy with Mr. McCarthy.

Mr. Olsen with Mr. Dawson.

Mr. Karsten with Mr. Conyers.

Mr. Dowdy with Mr. Purcell.

Mr. Resnick with Mr. Hawkins.

Mr. Hagan with Mr. Everett.

Mr. SCHEUER changed his vote from "yea" to "nay."

Mr. WRIGHT and Mr. DULSKI changed their votes from "nay" to "yea."

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT

Mr. GROSS. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. GROSS. I am, Mr. Speaker.

The SPEAKER. The gentleman qualifies.

The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. GROSS moves to recommit the bill, H.R. 16729, to the Committee on Education and Labor with instructions to report the bill back forthwith with the following amendment: On page 22, after line 19, insert a new section to read as follows:

"SEC. 809. That no funds authorized by this Act shall exceed by 80 percent the sums herein authorized."

Mr. PERKINS. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

The SPEAKER. The question is on the motion to recommit.

Mr. GROSS. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were refused.

The motion to recommit was rejected.

The SPEAKER. The question is on the passage of the bill.

Mr. GERALD R. FORD. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 349, nays 5, not voting 79, as follows:

[Roll No. 127]

YEAS—349

Abbitt
Adair
Adams
Addabbo
Anderson, Ill.
Anderson, Tenn.
Andrews, N. Dak.
Annunzio
Arends
Ashbrook
Ashley
Aspinall
Ayres
Baring
Barrett
Bates
Battin
Belcher
Bell
Bennett
Berry
Betts
Biester
Bingham
Blackburn
Blanton
Blatnik
Boggs
Boland
Bolling
Bow
Brademas
Brasco
Bray
Brinkley
Brock
Brooks
Broomfield
Brown, Calif.
Brown, Mich.
Brown, Ohio
Broyhill, N.C.
Broyhill, Va.
Burke, Fla.
Burke, Mass.
Burleson
Burton, Calif.
Bush
Button
Byrne, Pa.
Byrnes, Wis.
Cabell
Cahill
Carey
Carter
Casey
Chamberlain
Clancy
Clark
Clawson, Del
Cleveland
Cohelan
Collier
Conable
Conte
Conyers
Corbett
Cramer
Culver
Curtis
Daddario
Daniels
Davis, Ga.
Davis, Wis.
de la Garza
Delaney
Dellenback
Dent
Devine
Diggs
Dingell
Dole
Donohue
Dorn
Dow
Downing
Dulski
Duncan
Eckhardt
Edmondson
Edwards, Calif.
Erlenborn
Esch
Eshleman
Evans, Colo.
Evins, Tenn.
Fallon
Farbstein
Fascell
Feighan
Findley
Fino
Fisher
Flood
Flynt
Foley
Ford, Gerald R.
Ford, William D.
Fountain
Friedel
Fulton, Pa.
Fulton, Tenn.
Fuqua
Galifianakis
Gallagher
Garmatz
Gathings
Giaimo
Gibbons
Gonzalez
Goodell
Goodling
Gray
Green, Pa.
Griffin
Griffiths
Grover
Gubser
Gude
Gurney
Haley
Hall
Halpern
Hamilton
Hammerschmidt
Hanley
Harvey
Hathaway
Hechler, W. Va.
Heckler, Mass.
Helstoski
Henderson
Herlong
Hicks
Holifield
Hosmer
Howard
Hull
Hungate
Hunt
Hutchinson
Irwin
Jacobs
Jarman
Joelson
Johnson, Calif.
Johnson, Pa.
Jonas
Jones, Mo.
Jones, N.C.
Karth
Kastenmeier
Kazen
Kee
Keith
Kelly
King, Calif.
King, N.Y.
Kirwan
Kleppe
Kornegay
Kupferman
Kuykendall
Kyl
Kyros
Langen
Leggett
Lennon
Lipscomb
Lloyd
Long, La.
Long, Md.
McClory
McCloskey
McClure
McCulloch
McDade
McDonald, Mich.
McEwen
McFall
McMillan
Macdonald, Mass.
Machen
Madden
Mahon
Mailliard
Marsh
Martin
Mathias, Calif.
Mathias, Md.
May
Mayne
Meeds
Meskill
Michel
Miller, Ohio
Mills
Minish
Mink
Minshall
Monagan
Morgan
Morris, N. Mex.
Morton
Mosher
Moss
Murphy, Ill.
Murphy, N.Y.
Myers
Natcher
Nedzi
Nelsen
Nix
O'Hara, Mich.
O'Konski
O'Neal, Ga.
O'Neill, Mass.
Ottinger
Patman
Patten
Pelly
Pepper
Perkins
Pettis
Philbin
Pickle
Pike
Pirnie
Poage
Podell
Poff
Pollock
Pool
Price, Ill.
Price, Tex.
Pucinski
Quie
Railsback
Randall
Rarick
Rees
Reid, Ill.
Reid, N.Y.
Reifel
Reinecke
Reuss
Rhodes, Ariz.
Rhodes, Pa.
Riegle
Roberts
Robison
Rodino
Rogers, Colo.
Rogers, Fla.
Ronan
Rooney, N.Y.
Rooney, Pa.
Rosenthal
Rostenkowski
Roth

Roudebush	Stafford	Walker
Roush	Staggers	Wampler
Roybal	Stanton	Watkins
Rumsfeld	Steed	Watson
Ryan	Steiger, Ariz.	Whalen
St Germain	Steiger, Wis.	Whalley
St. Onge	Stephens	White
Sandman	Stratton	Whitener
Satterfield	Stuckey	Whitten
Schadeberg	Sullivan	Widnall
Scheuer	Taft	Williams, Pa.
Schneebeli	Taylor	Willis
Schweiker	Teague, Calif.	Wilson, Bob
Schwengel	Tenzer	Wilson, Charles H.
Scott	Thompson, Ga.	Winn
Shipley	Thompson, N.J.	Wolff
Shriver	Thomson, Wis.	Wright
Sikes	Tiernan	Wydler
Sisk	Tuck	Wylie
Skubitz	Tunney	Wyman
Slack	Udall	Yates
Smith, Calif.	Ullman	Young
Smith, Iowa	Van Deerlin	Zablocki
Smith, N.Y.	Vander Jagt	Zion
Smith, Okla.	Vanik	Zwach
Snyder	Vigorito	
Springer	Waggonner	

NAYS—5

Colmer	Montgomery	Utt
Gross	Passman	

NOT VOTING—79

Abernethy	Frelinghuysen	MacGregor
Albert	Gardner	Matsunaga
Andrews, Ala.	Gettys	Miller, Calif.
Ashmore	Gilbert	Mize
Bevill	Green, Oreg.	Moore
Bolton	Hagan	Moorhead
Brotzman	Halleck	Morse, Mass.
Buchanan	Hanna	Nichols
Burton, Utah	Hansen, Idaho	O'Hara, Ill.
Cederberg	Hansen, Wash.	Olsen
Celler	Hardy	Pryor
Clausen, Don H.	Harrison	Purcell
Corman	Harsha	Quillen
Cowger	Hawkins	Resnick
Cunningham	Hays	Rivers
Dawson	Hébert	Ruppe
Denney	Holland	Saylor
Derwinski	Horton	Scherle
Dickinson	Ichord	Selden
Dowdy	Jones, Ala.	Stubblefield
Dwyer	Karsten	Talcott
Edwards, Ala.	Kluczynski	Teague, Tex.
Edwards, La.	Laird	Waldie
Eilberg	Landrum	Watts
Everett	Latta	Wiggins
Fraser	Lukens	Wyatt
	McCarthy	

So the bill was passed.

The Clerk announced the following pairs:

Mr. Hébert with Mr. Laird.
Mr. Miller of California with Mrs. Bolton.
Mr. Rivers with Mr. Halleck.
Mr. Celler with Mrs. Dwyer.
Mr. Albert with Mr. Horton.
Mr. Teague of Texas with Mr. Frelinghuysen.
Mr. Eilberg with Mr. Morse of Massachusetts.
Mr. Bevill with Mr. Burton of Utah.
Mr. Corman with Mr. Cederberg.
Mrs. Green of Oregon with Mr. Saylor.
Mr. Gilbert with Mr. Moore.
Mr. Andrews of Alabama with Mr. Quillen.
Mr. Ashmore with Mr. Harrison.
Mr. Hays with Mr. Latta.
Mr. Selden with Mr. Harsha.
Mr. Nichols with Mr. Mize.
Mr. Walden with Mr. Brotzman.
Mr. Hanna with Mr. Cunningham.
Mr. Abernethy with Mr. Talcott.
Mr. Hardy with Mr. Wyatt.
Mr. Edwards of Louisiana with Mr. Cowger.
Mr. Stubblefield with Mr. MacGregor.
Mr. Jones of Alabama with Mr. Don H. Clausen.
Mr. Kluczynski with Mr. Derwinski.
Mr. Matsunaga with Mr. Denney.
Mr. Everett with Mr. Lukens.
Mr. Gettys with Mr. Edwards of Alabama.
Mr. Landrum with Mr. Dickinson.
Mr. Ichord with Mr. Hansen of Idaho.
Mr. Purcell with Mr. Buchanan.
Mr. Pryor with Mr. Ruppe.
Mr. Dowdy with Mr. Scherle.
Mr. Watts with Mr. Wiggins.
Mr. Hagan with Mr. Gardner.
Mr. Moorhead with Mr. Olsen.
Mrs. Hansen of Washington with Mr. Holland.
Mr. O'Hara of Illinois with Mr. Hawkins.
Mr. Resnick with Mr. Dawson.
Mr. Fraser with Mr. McCarthy.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. PERKINS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the bill just passed, H.R. 16729.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

PERSONAL EXPLANATION

(Mr. CONYERS asked and was given permission to address the House for 1 minute.)

Mr. CONYERS. Mr. Speaker, I have requested this time in order to make the personal explanation that I missed voting on rollcall No. 126. Had I been present, I would have voted "nay."

PERMISSION FOR COMMITTEE ON AGRICULTURE TO FILE REPORT ON H.R. 17216 BY MIDNIGHT SATURDAY

Mr. O'NEAL of Georgia. Mr. Speaker, I ask unanimous consent that the Committee on Agriculture may have until midnight Saturday to file a report on H.R. 17216.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

MAKING SUPPLEMENTAL APPROPRIATIONS FOR THE FISCAL YEAR ENDING JUNE 30, 1968

Mr. MAHON. Mr. Speaker, I ask unanimous consent for the immediate consideration of the joint resolution (H.J. Res. 1268) making supplemental appropriations for the fiscal year ending June 30, 1968, and for other purposes, and that it be considered in the House as in the Committee of the Whole.

The Clerk read the title of the joint resolution.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Clerk read the joint resolution, as follows:

H.J. RES. 1268

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the following sum is appropriated out of any money in the Treasury not otherwise appropriated, to supply supplemental appropriations for the fiscal year ending June 30, 1968, and for other purposes; namely:

CHAPTER I—DEPARTMENT OF TRANSPORTATION

FEDERAL HIGHWAY ADMINISTRATION

FEDERAL-AID HIGHWAYS (TRUST FUND)

For an additional amount for "Federal-aid highways (trust fund)", to remain available until expended, $400,000,000 or so much thereof as may be available in and derived from the "Highway trust fund", which sum is part of the amount authorized to be appropriated for the fiscal year 1967.

CHAPTER II—CLAIMS AND JUDGMENTS

For payment of claims settled and determined by departments and agencies in accord with law and judgments rendered against the United States by the United States Court of Claims and United States district courts, as set forth in House Document Numbered 254 as amended by House Document Numbered 258, Ninetieth Congress, $50,980,863, including $174,334 payable from the postal fund, together with such amounts as may be necessary to pay interest (as and when specified in such judgments or provided by law) and such additional sums due to increases in rates of exchange as may be necessary to pay claims in foreign currency: *Provided,* That no judgment herein appropriated for shall be paid until it shall become final and conclusive against the United States by failure of the parties to appeal or otherwise: *Provided further,* That unless otherwise specifically required by law or by the judgment, payment of interest wherever appropriated for herein shall not continue for more than thirty days after the date of approval of this Act.

Mr. MAHON. Mr. Speaker, I move to strike the last word.

Mr. Speaker, chapter II of this bill provides $50,980,863 for the payment of claims and judgments. This amount previously passed the House in the urgent supplemental bill, H.R. 15399, but that bill has not been enacted into law. These claims are quite urgent and must be paid.

Chapter I relates to the Department of Transportation, and the gentleman from Massachusetts [Mr. BOLAND] is the chairman of the subcommittee that handles appropriations for this Department.

I now yield to the gentleman from Massachusetts.

Mr. BOLAND. Mr. Speaker, the item of $400 million for the Federal aid to highways was considered by the Department of Transportation Subcommittee, and was unanimously approved by the Members of that subcommittee. As the membership of this House knows, the funds for highway construction are obtained from the highway trust fund, but before funds can be withdrawn from the trust fund they must be appropriated by the Congress.

The $400 million supplemental amount before the House today is to be derived from the highway trust fund. The Federal Highway Administration indicated to us in the hearings that they would run out of money by next Monday.

The work to be paid for has been done. The contractors have presented to the various State highway administrators throughout the Nation bills for the work that has been performed.

The Federal share of these bills are obligations of the U.S. Government, and in my judgment—and I believe in the judgment of the committee—they ought to be paid, and this amount should be approved by the Congress.

MANPOWER DEVELOPMENT

Committee on Labor and Public Welfare: Subcommittee on Employment, Manpower, and Poverty resumed hearings on S. 3063, S. 2938, and S. 3249, bills dealing with manpower development and emergency employment in the U.S., having as its witness Secretary of Labor W. Willard Wirtz.

Hearings continue tomorrow.

COMMITTEE BUSINESS

Committee on Public Works: Committee, in executive session ordered favorably reported S. 3159, authorizing construction of an additional building for the National Gallery of Art; S. 3363, designating the U.S. Customs House building in Providence, R.I., as the "John E. Fogarty Building (amended); the nomination of Maj. Gen. Clarence C. Haug, U.S. Army, to be a member of the Mississippi River Commission; and a list containing numerous public building prospectuses.

Prior to this action, Subcommittee on Roads met in executive session to consider S. 1558, providing for repayment of certain Federal-aid funds expended in connection with construction of the Garden State Parkway, New Jersey, but did not conclude action thereon.

COMMITTEE ACTIVITIES

Special Committee on Aging: Committee met in executive session to discuss a schedule of its activities for this session of the Congress.

House of Representatives

Chamber Action

Bills Introduced: 23 public bills, H.R. 17167–17189; 17 private bills, H.R. 17190–17206; and three resolutions, H.J. Res. 1268–1270, were introduced. Pages H 3642–H 3643

Bills Reported: Reports were filed as follows:

H. Res. 1159, providing for additional compensation for services performed by certain employees in the House Publications Distribution Service (H. Rept. 1368);

H. Res. 1160, providing for the expenses of studies and investigations authorized by rule XI(8) incurred by the Committee on Government Operations, amended (H. Rept. 1369);

H.R. 14314, to amend the Labor-Management Relations Act, amended (H. Rept. 1370);

S. 1028, to extend certain benefits to former employees of county committees established pursuant to section 8(b) of the Soil Conservation and Domestic Allotment Act, amended (H. Rept. 1371);

H.R. 14907, to amend the Federal Credit Union Act, amended (H. Rept. 1372); and

H.J. Res. 1268, making supplemental appropriations for the fiscal year ending June 30, 1968 (H. Rept. 1373). Page H 3642

Arms Control-Disarmament Act: By a record vote of 270 yeas to 90 nays, the House adopted the conference report on H.R. 14940, the Arms Control and Disarmament Act amendments, and sent the legislation to the Senate. Pages H 3520–H 3522

House Publications Distribution Service: Adopted H. Res. 1159, providing for additional compensation for services performed by certain employees in the House Publications Distribution Service. Page H 3522

Committee on Government Operations: Adopted H. Res. 1160, providing for the expenses of studies and investigations authorized by rule XI(8) incurred by the Committee on Government Operations, amended. Page H 3522

Higher Education: By a record vote of 348 yeas to 5 nays, the House passed H.R. 16729, the Higher Education Act amendments.

Rejected a motion to recommit the bill to the Committee on Education and Labor with instructions that no funds authorized by this act shall exceed by 80 percent the sums herein authorized.

Adopted amendments regarding:

Extension of the vocational work-study program;

Funds to be withheld if a student is convicted of certain crimes;

Withholding of funds from individuals causing disruption of university or college administration (by a record vote of 306 yeas to 54 nays); and

Withholding of funds from any individual convicted of inciting, or participating in, a riot.

Rejected a preferential motion to strike the enacting clause. Pages H 3522–H 3572

Late Report: Granted permission to the Committee on Agriculture to file a report on H.R. 17126, to extend for 1 year the Food and Agriculture Act of 1965, by midnight Saturday, May 11. Page H 3572

Public Holidays: By a record vote of 212 yeas to 83 nays, the House passed H.R. 15951, to provide for uniform annual observances of certain legal public holidays on Mondays.

Rejected a motion to recommit the bill to the Committee on the Judiciary with instructions that Washington's Birthday be observed on February 22 (by a record vote of 141 yeas to 153 nays).

Rejected amendments to—

Observe Washington's Birthday on February 22;

Observe Veterans' Day on November 11;

Observe Memorial Day on May 30;

Designate the holidays by number instead of by name; and

Strike Columbus Day from the bill.

Rejected a preferential motion to strike the enacting clause from the bill. Pages H 3573–H 3602

Quorum Calls—Record Votes: Two quorum calls and five record votes developed during the proceedings of the House and appear on pages H3520, H3521–H3522, H3570–H3571, H3571–H3572, H3573–H3574, H3600–H3601, and H3601–H3602.

Program for Friday: Adjourned at 9:23 p.m. until Friday, May 10, 1968, at 12 o'clock noon, when the House will consider H.R. 16911, the Special Drawing Rights Act (open rule, 2 hours of debate, waiving points of order against sec. 3(b)).

Committee Meetings

FOOD AND AGRICULTURE ACT

Committee on Agriculture: Met in executive session and ordered reported favorably to the House H.R. 17126, to extend for 1 year the Food and Agriculture Act of 1965.

IDA

Committee on Banking and Currency: Concluded hearings on H.R. 16775, International Development Association. Testimony was heard from Nicholas Katzenbach, Under Secretary of State.

GUARANTEED EMPLOYMENT

Committee on Education and Labor: Select Subcommittee on Labor continued hearings on H.R. 12280, the guaranteed employment bill. Testimony was heard from a public witness.

AFRICA

Committee on Foreign Affairs: Subcommittee on Africa met in executive session and received a briefing from David King, U.S. Ambassador to the Malagasy Republic.

AUTHORIZATIONS

Committee on House Administration: Ordered reported favorably to the House H. Res. 1159, to authorize overtime pay for folding room employees, and H. Res. 1160, to authorize additional funds for the Committee on Government Operations.

Prior to the full committee meeting the Subcommittee on Accounts approved for full committee action the two resolutions.

INDIAN AFFAIRS

Committee on Interior and Insular Affairs: Subcommittee on Indian Affairs held a hearing on H.R. 3306, to amend section 4 of the act of May 31, 1933 (48 Stat. 108). Testimony was heard from Representative Haley, Secretary of the Interior Stewart Udall, and Edward P. Cliff, Chief of the Forest Service.

TV BROADCAST

Committee on Interstate and Foreign Commerce: Special Subcommittee on Investigations held a hearing on the broadcast of a program titled "Pot Party at a University," aired by station WBBM–TV of Chicago on November 1, 2, 3, 1967. Testimony was heard from Dr. Frank Stanton, president, CBS; Edward Kenefick, general manager of WBBM–TV; and other station officials.

CLAIMS—IMMIGRATION

Committee on Judiciary: Subcommittee No. 1 met in executive session and acted on several private immigration bills.

Subcommittee No. 2 held hearings on several private claims bills.

MARITIME PROGRAM

Committee on Merchant Marine and Fisheries: Subcommittee on Merchant Marine continued hearings on H.R. 13940, to provide a new maritime program. Testimony was heard from a public witness.

CRIMINAL STATISTICS

Committee on Post Office and Civil Service: Subcommittee on Census and Statistics continued hearings on criminal statistics. Testimony was heard from public witnesses.

HIGHWAYS

Committee on Public Works: Subcommittee on Federal-aid highway program continued hearings on highway safety, design, and operation. Testimony was heard from departmental and public witnesses.

VETERANS

Committee on Veterans' Affairs: Subcommitee on Education and Training met in executive session and approved for full committee action H.R. 16025, amended, widows' benefits, and H.R. 14954, veterans' vocational rehabilitation.

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued May 13, 1968
For actions of May 10, 1968
90th-2nd; No. 80

CONTENTS

HIGHLIGHT: House committee reported farm bill.

HOUSE

1. FARM PROGRAM. The Agriculture Committee reported without amendment H. R. 17126, to amend the Food and Agriculture Act of 1965 (H. Rept. 1374). p. H3684

2. FOREIGN TRADE. Passed without amendment H. R. 16911, to provide for U. S. participation in the facility based on Special Drawing Rights in the International Monetary Fund (pp. H3646-67). The committee report states the bill would authorize the President to accept the amendment to the Articles of

Agreement of the International Monetary Fund attached to the April 1968 report by the Executive Directors to the Board of Governors of the Fund for the purpose of (i) establishing a facility based on Special Drawing Rights in the Fund and (ii) giving effect to certain modifications in the present rules and practices of the Fund; would authorize the President to participate in the Special Drawing Account established by the amendment; and would make the domestic arrangements necessary for the U. S. to fulfill the commitments that flow from participation in the Special Drawing Account.

3. INDIAN AFFAIRS. A subcommittee of the Interior and Insular Affairs approved for full committee action H. R. 3306, amended, to hold in trust the watershed within the Carson National Forest for the Pueblo Indians. p. D421

4. GOVERNMENT OPERATIONS. Received a compilation of GAO findings and recommendations for improving Government operations, fiscal year 1967 (H. Doc. 307). p. H3684

5. LEGISLATIVE PROGRAM. Rep. Boggs announced that on Mon. the House will consider the Missouri River Basin authorization, and on Tues. and the remainder of the week Public Law 480 extension, and the Colorado River Basin project. p. H3645

6. ADJOURNED until Mon., May 13. p. H3684

SENATE

7. OIG. Received from GAO a report on the review of activities of the Office of the Inspector General, USDA. p. S5298

8. CCC. Received from GAO a report of the review of the peanut price-support programs, Commodity Credit Corporation, USDA. p. S5298

9. CREDIT UNIONS. Received a Minnesota League of Credit Unions resolution calling for legislation to remove the power of the Federal Reserve Board to regulate the interest rate on loans. p. S5298

10. COSPONSORS. Several members were added as cosponsors of S. 3334, to amend title VII of the Civil Rights Act of 1964 to provide for the application of such title to State and Federal employees. p. S5298

Sen. Mondale was added as a cosponsor of S. 3336, to amend the Civil Rights Act of 1964 in order to more effectively protect and secure certain constitutional rights. p. S5299

Several members were added as cosponsors of S. 3335, to amend the Small Business Act to apply an acceptable credit risk standard for loans to small business concerns in certain high-risk areas. p. S5298

Several members were added as cosponsors of S. 3349 and S. 3350, the education amendments to the cold war GI bill. p. S5299

Sen. Kennedy, N. Y., was added as a cosponsor of S. 2910, to provide special encouragement to veterans to pursue a public service career in deprived areas. p. S5299

90TH CONGRESS 2d Session } HOUSE OF REPRESENTATIVES { REPORT No. 1374

EXTENSION OF FOOD AND AGRICULTURE ACT OF 1965

MAY 10, 1968.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. POAGE, from the Committee on Agriculture, submitted the following

REPORT

[To accompany H.R. 17126]

The Committee on Agriculture, to whom was referred the bill (H.R. 17126) to amend the Food and Agriculture Act of 1965, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

STATEMENT

The 1965 act was a landmark measure in several respects. It continued and modified the voluntary feed grains program of 1961 because of its demonstrated ability to reduce surplus while improving farmer's incomes. The voluntary wheat certificate program was also extended and improved. It combined the best features of the voluntary programs of previous years and extended them to cotton. Cotton price-support loans were extablished at near world market levels instead of the two-price system used in the past. A cropland adjustment program was established and the Wool Act was extended. Foreign markets were reopened to American agricultural produce and exports were substantially improved.

The act in shifting from a policy of high price-support loans permits the market to perform the jobs it can do best and uses lower farmer payments to adjust production and strengthen farm income.

Linked with production adjustment are the conservation programs which permit diversion of the cropland not needed at present. Long-term diversion programs allow older or marginal farmers to retire their acreage but maintain income necessary to their livelihood. They also contribute essential support to the rural economy, help stem the flow into urban areas in search of unskilled jobs.

93-812—68——1

The conservation programs encourage creation of areas available for public recreational purposes, whether publicly or privately owned.

The administration asked that the Food and Agriculture Act of 1965 be made permanent. However, the committee recommends it be extended only 1 year. The very worthwhile and salutory effects of the act on American agriculture must nevertheless be measured against the needs of the Nation in other areas. While it was considered desirable to act at the earliest to stabilize the American farmer's future, it is nevertheless important to reserve to the Congress the responsibility of periodic review of farm policy.

With the Nation's economic conditions in their present state; with our current balance of trade, to which agriculture has contributed favorably; and with the involvement of the Nation overseas, the committee felt justified only in a 1-year extension.

The committee feels that a 1-year extension will give the new Congress and a new administration adequate time to enact amendments to the present program or to develop alternatives that will improve the economic status of American agriculture.

The main problem in American agriculture remains one of overcapacity. This capacity will some day be necessary to feed the unborn millions. In the meantime it is felt that this basic legislation must continue in order to preserve and to maintain the farm economy of this country against its future needs.

Brief Summary of H.R. 17126

The Food and Agriculture Act of 1965 was generally amendatory of the Agricultural Adjustment Act of 1938, the Agricultural Act of 1949, and several other agricultural statutes. H.R. 17126 would extend the 1965 act for 1 year. It contains the following provisions which would—

(1) Extend the class I dairymen's base plan through December 31, 1970;

(2) Extend the voluntary feed grain program through the 1970 crop;

(3) Extend the present cotton legislation through the 1970 crop;

(4) Extend present wheat certificate legislation through the 1970 crop;

(5) Extend present wool legislation through December 31, 1970;

(6) Extend the cropland adjustment program through December 31, 1970;

(7) Extend the exemption of boiled peanuts from marketing quotas and acreage allotments through the 1970 crop;

(8) Extend lease and transfer authority for certain types of tobacco through the 1970 crop.

Hearings

The House Committee ou Agriculture held public hearings on the general subject of extending and amending the Food and Agriculture Act of 1965 on March 18, 19, April 22, 23, 24, 25 May 1, 2, and 3, 1968. Members of Congress, administration officials, representatives of farm organizations, and public witnesses were heard at this time.

Administration Position

Following is a letter from the Secretary of Agriculture, transmitting a draft bill to permanently extend with various amendments the Food and Agriculture Act of 1965.

Department of Agriculture,
Office of the Secretary,
Washington, April 25, 1968.

Hon. John W. McCormack,
Speaker of the House of Representatives,
Washington, D.C.

Dear Mr. Speaker: Enclosed for the consideration of the Congress is a draft bill to provide continuing legislation for maintaining farm income, stabilizing prices, and assuring adequate supplies of agricultural commodities.

As recommended by the President in his message of February 27, 1968, this bill would extend and place on a continuing basis the principles embodied in the Food and Agriculture Act of 1965. The proposed legislation would continue, with changes explained in the summary and section-by-section analysis accompanying the draft bill, the—

Class I base plan for dairy;
Voluntary feed grain program;
Wheat certificate program;
One-price cotton program;
Incentive payments program for wool and mohair;
Cropland adjustment program.

These programs provide a basis by which farmers through voluntary actions, working together, bring production in harmony with marketing requirements. The time has come for an Agricultural Act which will join other continuing legislation which protects and stablizes other sectors of our economy. Farmers, like businessmen in nonfarm industries, need the assurance of relatively stable prices for their products.

An unstable farm economy brought on by a removal of these programs—or even the threat of removal—would create chaos for our family farms and for our rural communities. The benefits of these programs are not limited to farmers. The costs of unstable farm income and low farm prices extend far beyond the farming industry.

The basic legislation that Congress enacted in 1965 is sound. It should be continued with minimum changes. Although the act does not expire until 1969, farmers need to be able to make plans for the future. To postpone enactment of this vital legislation would create unnecessary and potentially damaging uncertainties.

I urge speedy enactment.

The Bureau of the Budget advises that the enactment of this proposed legislation would be in accord with the President's program.

Sincerely yours,

Orville L. Freeman.

Enclosures.

Statistics and Tables

The following tables and graphs are included as illustrative of the operation of the farm programs encompassed within the 1965 act.

Table 1.—Wool payments made since the incentive program has been in effect are summarized below:

[In thousands]

Year: [1]	Total payments	Year: [1]—Continued	Total payments
1955	$57, 614	1962	[2] 39, 992
1956	51, 915	1963	27, 179
1957	16, 104	1964	20, 329
1958	85, 143	1965	[2] 35, 887
1959	53, 865	1966	[2] 32, 764
1960	59, 490	1967 [3]	[2] 68, 196
1961	56, 865		

[1] Marketing year, April–March, except 1963 to date. Data for 1963 payments for 9 months' April–December and 1964 payments were for the calendar year.
[2] Includes payments of $797,000 in 1962, $1,916,000 in 1965, $6,454,000 in 1966, and $11,420,000 in 1967.
[3] Preliminary.

Note.—As noted in the footnote, payments on mohair were made in several years, including the three most recent ones.

Table 2

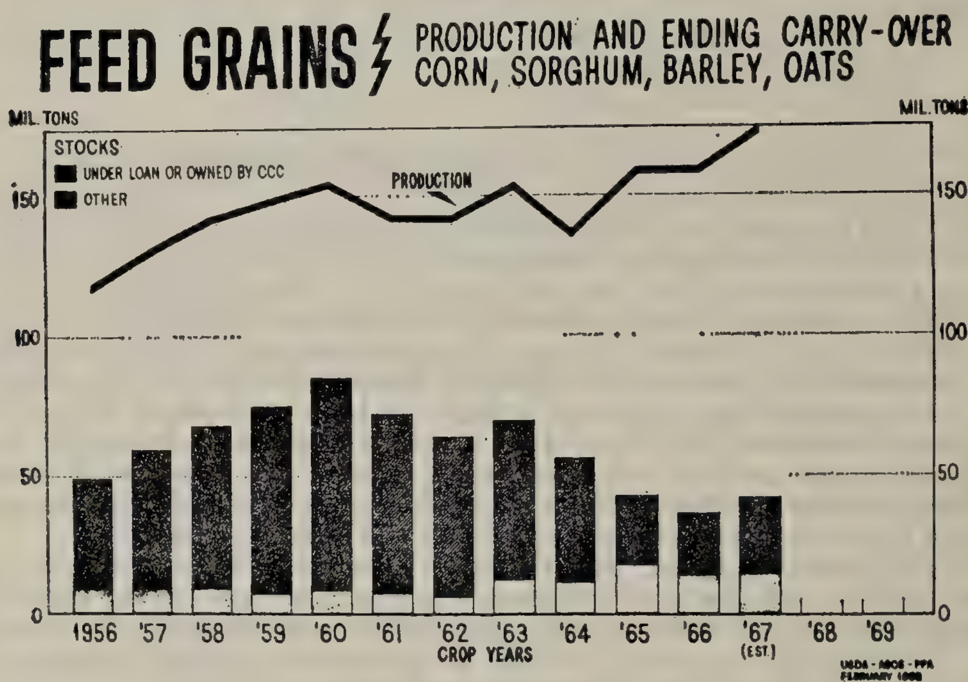
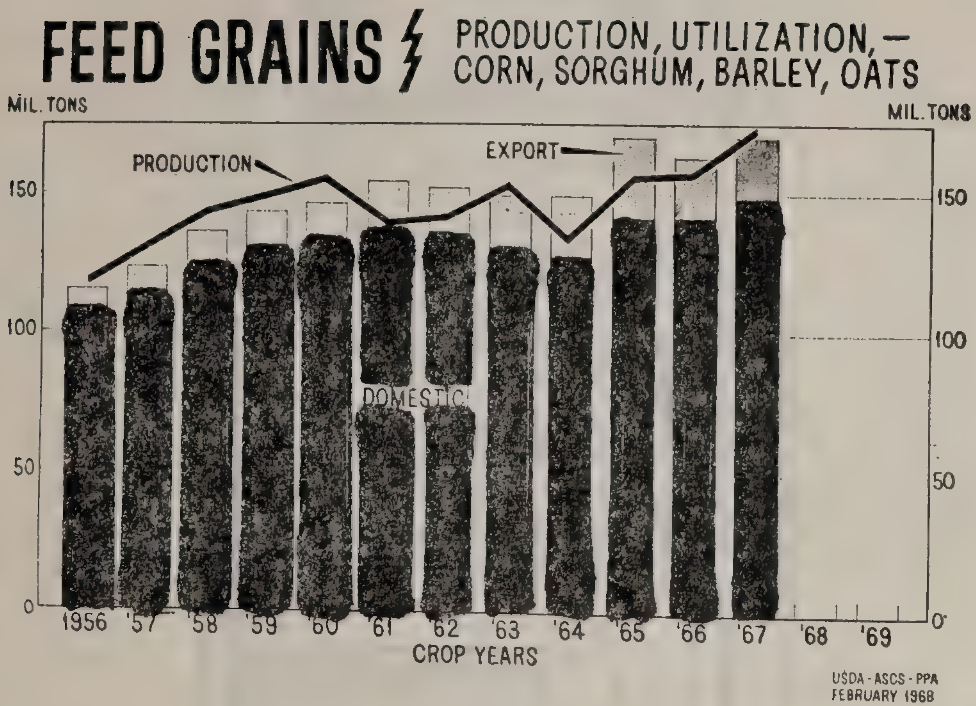


TABLE 3



FEED GRAINS
PRODUCTION, UTILIZATION,—
CORN, SORGHUM, BARLEY, OATS
MIL. TONS
MIL. TONS
PRODUCTION
EXPORT
DOMESTIC
150
100
50
0
1956
'57
'58
'59
'60
'61
'62
'63
'64
'65
'66
'67
'68
'69
CROP YEARS
USDA - ASCS - PPA
FEBRUARY 1968

TABLE 4.—FEED GRAINS: SUPPLY AND DISTRIBUTION, 1956 TO DATE (CORN, GRAIN SORGHUM, OATS, BARLEY)

Marketing year beginning—[1]	Supply (million tons)				Utilization (million tons)					Ending stocks [4] (million tons)		Production factors	
					Domestic								
	Beginning stocks	Production (grain only)	Imports [2]	Total	Feed and loss [3]	Food industry, and seed	Total	Exports [2]	Total	Under price supports	Other stocks	Planted acres (millions)	Harvested acres (millions)
1956	43.2	119.3	.9	163.4	94.3	12.6	106.9	7.7	114.6	40.8	8.0	158	120
1957	48.8	132.4	1.0	182.2	100.9	12.5	113.4	9.8	123.2	49.7	9.3	158	132
1958	59.0	144.1	.4	203.5	110.4	13.1	123.5	12.5	136.0	58.0	9.5	148	127
1959	67.5	149.5	.5	217.5	117.2	13.0	130.1	12.8	142.9	65.7	8.9	155	130
1960	74.6	155.5	.4	230.5	120.1	13.1	132.8	12.7	145.5	74.7	10.3	148	128
1961	85.0	139.8	.5	225.3	122.0	13.8	135.8	17.3	153.1	62.5	9.7	128	106
1962	72.2	141.7	.2	214.1	119.0	13.9	132.9	16.8	149.7	55.8	8.6	124	102
1963	64.4	153.8	.4	218.6	116.2	14.3	130.5	18.8	149.3	56.6	12.7	128	104
1964	69.3	134.2	.4	203.9	113.0	14.5	127.5	21.6	149.1	43.7	11.1	121	97
1965	54.8	157.4	.3	212.5	126.3	15.0	141.3	29.1	170.4	24.4	17.7	116	95
1966	42.1	157.6	.3	200.0	125.8	15.1	140.9	22.0	162.9	18.3	18.8	116	97
1967 [5]	37.1	175.1	.3	212.5	131.2	15.1	146.3	24.2	170.5	(46.8)			
1968 [5]	46.8	165.8	.3	212.9									

[1] Year beginning October 1 for corn and grain sorghum, July 1 for oats and barley.
[2] Including grain equivalent of products.
[3] Residual, includes small quantities for other uses and waste.
[4] Includes loans and inventory.
[5] Preliminary; utilization and carryover at the end of the year based on February 1968 indications.

Note: All computations based on unrounded data, ASCS–PPA, May 10, 1968.

TABLE 5.—CORN: SUPPLY AND DISTRIBUTION, 1956 TO DATE

Marketing year beginning Oct. 1	Supply (in millions of bushels)				Utilization (in millions of bushels)						Ending stocks (in millions of bushels)	Planted acres (in millions)	Harvested for grain (million acres)	Yield per harvested acre (bushels)
	Beginning stocks	Production	Imports [1]	Total	Domestic				Exports [1]	Total				
					Food and industry	Feed and loss [2]	Seed	Total						
1956	1,165	3,075	1	4,241	249	2,378	11	2,638	184	2,822	1,419	78	65	47.4
1957	1,419	3,045	2	4,466	252	2,534	11	2,797	200	2,997	1,469	73	63	48.3
1958	1,469	3,356	1	4,827	272	2,788	13	3,073	230	3,303	1,524	73	64	52.8
1959	1,524	3,825	1	5,350	270	3,051	12	3,333	230	3,563	1,787	83	72	53.1
1960	1,787	3,907	1	5,695	284	3,092	11	3,387	292	3,679	2,016	81	71	54.7
1961	2,016	3,598	1	5,615	304	3,212	11	3,527	435	3,962	1,653	66	58	62.4
1962	1,653	3,606	1	5,260	311	3,157	11	3,479	416	3,895	1,365	65	56	64.7
1963	1,365	4,019	1	5,385	328	3,009	11	3,348	500	3,848	1,537	69	59	67.9
1964	1,537	3,484	1	5,022	337	2,957	11	3,305	570	3,875	1,147	66	55	62.9
1965	1,147	4,084	1	5,232	345	3,347	13	3,705	687	4,392	840	65	55	73.8
1966	840	4,117	1	4,958	348	3,285	14	3,647	488	4,135	823	66	57	72.3
1967 [3]	823	4,722	1	5,546	357	386	13	3,756	640	4,396	1,150	71	60	78.2
1968 [3]	1,150	4,400	1	5,551										

[1] Includes grain equivalent of products.
[2] Residual; includes small quantities for other uses and waste.
[3] Preliminary; utilization and carryover at the end of the year based on February 1968 indications.

TABLE 6.—CORN: SUPPORT PRICE, SEASON AVERAGE PRICE RECEIVED BY FARMERS AND CCC HOLDINGS, 1952–65 CROPS

Crop year beginning Oct. 1	Price per bushel (dollars)		CCC holdings at end of marketing year [1] (millions of bushels)		
	Price support	Season average	Inventory	Loans	Total
1952	1.60	1.51	236.0	277.8	513.8
1953	1.60	1.48	353.7	362.7	716.4
1954	1.62	1.43	621.5	236.1	857.6
1955	1.58	1.35	748.4	360.7	1,109.1
1956	1.50	1.29	873.3	386.6	1,259.9
1957	1.40	1.11	1,077.1	276.7	1,353.8
1958	1.36	1.12	1,184.3	216.3	1,400.6
1959	1.12	1.05	1,312.8	389.4	1,702.2
1960	1.06	1.00	1,371.0	556.3	1,927.3
1961	1.20	1.10	867.3	688.8	1,556.1
1962	1.20	1.12	802.6	525.5	1,328.1
1963	[2] 1.25	1.11	828.4	480.3	1,308.7
1964	[2] 1.25	1.17	540.0	393.0	933.0
1965	[2] 1.25	1.16	249.0	301.0	550.0
1966	[2] 1.25	1.24	139.0	234.0	373.0
1967 [3]	[2] 1.25	1.07			

[1] As of Sept. 30 of the calendar year following the year of the crop.
[2] For 1963, loan rate $1.07 and 18 cents per bushel price-support payment; 1964, loan rate $1.10 and 15 cents price-support payment; 1965, loan rate $1.05 and 20 cents price-support payment; 1966, loan rate $1.00 and 30 cents price-support payment; 1967, loan rate $1.05 and 30 cents price-support payment; 1968, loan rate $1.05 and 30 cents price-support payment.
[3] Preliminary.

TABLE 7.—GRAIN SORGHUM: SUPPLY AND DISTRIBUTION, 1956 TO DATE

Marketing year beginning October 1	Supply (million bushels)			Utilization						Production factors			
				Domestic (million bushels)									
	Beginning stocks	Production	Total	Food and industry	Feed and loss [1]	Seed	Total	Exports (million bushels)	Total (million bushels)	Ending stocks (million bushels)	Planted acres (million acres)	Harvested for grain (million acres)	Yield per harvest acre
1956	81	205	286	9	173	3	185	22	207	79	21	9	22.2
1957	79	568	647	9	268	3	280	57	338	309	27	20	28.8
1958	309	581	890	9	269	3	281	100	381	510	21	17	35.2
1959	510	555	1,065	12	371	2	385	99	484	581	20	15	36.1
1960	581	620	1,201	11	415	2	428	71	499	702	20	16	39.7
1961	702	480	1,182	9	411	2	422	99	521	661	14	11	43.7
1962	661	510	1,171	10	391	2	403	113	516	655	15	12	44.1
1963	655	585	1,240	11	471	2	484	107	591	649	18	13	43.9
1964	649	490	1,139	11	412	2	425	148	573	566	17	12	41.7
1965	566	673	1,239	11	569	2	582	266	848	391	17	13	51.6
1966	391	715	1,106	11	600	3	614	248	862	244	16	13	55.8
1967 [2]	244	766	1,010	11	557	2	570	180	750	260	19	15	50.7
1968 [2]	260	728	988										

[1] Residual, includes small quantities for other uses and waste.

[2] Preliminary, utilization and carryover at the end of the year based on February 1968 indications.

TABLE 8.—BARLEY: SUPPLY AND DISTRIBUTION, 1951 TO DATE

Marketing year beginning July 1	Supply (million bushels)				Utilization (million bushels)							Ending stocks (million bushels)	Production factors		
					Domestic					Exports [1]	Total				
	Beginning stocks	Production	Imports [1]	Total	Food	Industry	Feed and loss [2]	Seed	Total				Planted acres (million acres)	Harvested acres (million acres)	Yield per harvested acre (bushels)
1956	117	377	27	520	5	84	216	26	331	62	393	127	15	13	29.3
1957	127	443	24	595	5	82	221	26	334	92	426	169	16	15	29.8
1958	169	477	14	660	5	84	232	26	348	117	465	196	16	15	32.3
1959	196	420	18	634	5	87	233	25	350	118	469	167	17	15	28.3
1960	167	429	15	611	5	85	259	25	374	86	460	153	16	14	31.0
1961	152	392	20	564	5	87	246	23	361	84	445	123	16	13	30.6
1962	123	428	5	556	6	86	230	21	343	67	410	146	14	12	35.0
1963	146	393	13	552	6	90	234	18	349	71	420	132	13	11	35.0
1964	132	386	12	530	6	95	252	16	369	61	430	100	12	10	37.6
1965	100	392	8	500	6	97	198	17	318	77	395	105	10	9	42.9
1966	105	393	7	505	6	103	213	16	338	45	383	122	11	10	38.5
1967 [3]	122	370	8	500	6	105	208	16	335	40	375	125	10	9	40.3
1968 [3]	125	390	8	523											

[1] Includes grain equivalent of products.
[2] Residual, includes small quantities for other uses and waste.
Preliminary; utilization and carryover at the end of the year based on February 1968 indications.

TABLE 9.—OATS: SUPPLY AND DISTRIBUTION, 1956 TO DATE

Marketing year beginning July 1	Supply (million bushels)				Utilization (million bushels)						Ending stocks (million bushels)	Production factors		
					Domestic									
	Beginning stocks	Production	Imports [1]	Total	Food	Feed and loss [2]	Seed	Total	Exports [1]	Total		Planted acres (millions)	Harvested acres (millions)	Yield per harvested acre
1956	346	1,151	17	1,514	37	1,106	105	1,248	27	1,275	240	44	33	34.5
1957	240	1,280	24	1,554	38	1,069	95	1,202	28	1,230	324	42	34	37.9
1958	324	1,401	4	1,729	39	1,204	88	1,331	32	1,363	366	38	31	44.8
1959	366	1,052	2	1,420	40	989	79	1,108	45	1,153	267	35	28	37.8
1960	267	1,155	1	1,424	40	947	83	1,070	29	1,099	325	31	27	43.4
1961	325	1,011	1	1,337	41	922	77	1,040	21	1,061	276	32	24	42.3
1962	276	1,012	4	1,292	46	878	71	995	24	1,019	273	30	22	45.2
1963	273	966	4	1,243	46	814	65	925	6	931	312	28	21	45.3
1964	312	852	4	1,168	46	779	61	886	5	891	277	26	20	43.1
1965	277	927	3	1,207	47	747	60	854	37	891	316	24	18	50.2
1966	316	801	4	1,121	47	732	53	832	19	851	270	23	18	44.9
1967 [3]	270	782	4	1,056	48	672	56	776	10	786	270	21	16	49.0
1968 [3]	270	806	4	1,080										

[1] Includes grain equivalent of products.
[2] Residual; includes small quantities for other uses and waste.
[3] Preliminary; utilization and carryover at the end of the year based on February 1968 indications.

TABLE 10.—SUMMARY OF DATA ON COTTON

	Upland allotment	U.S. production	Consumption	Exports	Ending carry-over	CCC ending stocks	Loans	Acquired	Spot market average	Export subsidy or differential	Loan rate middling 1 inch	Foreign free world production	Foreign free world consumption	Foreign free world export	Harvested cotton acreage	
															United States	Foreign free world
	Thousand acres	Million bales	Thousand bales	Thousand bales	Thousand bales	Thousand bales	Thousand bales	Thousand bales	Cents		Cents	Million bales	Million bales	Million bales	Million acres	Million acres
1954	21,379	13.5	8,730	3,445	11,028	8.1	2,308	1,648	35.0	----------	34.03	15.9	18.7	7.2	19.3	43.5
1955	18,113	14.6	9,085	2,194	14,399	9.8	7,257	6,038	35.4	(1)	34.55	16.4	19.5	9.4	16.9	47.2
1956	17,391	12.9	8,496	7,540	11,269	5.2	4,830	3,677	33.5	7.2	32.74	15.9	20.9	6.7	[2] 15.6	45.9
1957	17,585	10.8	7,900	5,707	8,615	2.9	3,657	2,464	34.4	6.2	32.31	16.9	20.4	6.9	[2] 13.5	46.0
1958	17,554	11.3	8,594	2,766	8,733	7.0	6,832	6,039	34.5	6.5	35.08	17.5	20.5	9.0	[2] 11.8	46.8
1959	17,346	14.4	8,879	7,178	7,404	5.0	335	26 (A, B)	31.9	8.0	34.10 (A) 28.40 (B)	16.6	22.2	8.4	15.1	45.0
1960	17,553	14.3	8,131	6,625	7,090	1.5	540	1 (A.B.)	31.0	6.0	32.42 (A) 26.63 (B)	19.0	23.5	8.5	15.3	46.0
1961	18,458	14.3	8,783	4,908	7,741	4.7	4,850	3,247	33.7	8.5	33.04	19.5	23.6	8.9	15.6	48.3
1962	18,101	14.8	8,258	3,348	11,016	8.0	6,853	4,744	33.5	8.5	32.47	21.9	23.2	10.9	15.6	48.8
1963	16,250	15.1	8,468	5,661	12,125	10.2	8,088	6,029	33.2	8.5	32.47	22.0	24.4	10.5	14.2	49.7
1964	16,200	15.1	9,019	4,038	14,031	11.5	7,340	4,853	30.7	6.5	30.00	23.0	25.0	10.7	14.1	49.8
1965	16,200	14.7	9,356	2,936	16,574	14.5	6,965	5,344	29.6	5.75	29.00	23.5	24.9	11.6	13.6	49.8
1066	16,200	9.7	9,350	4,656	12,300	8.1	3,132	1,436	22.1	0	21.00	22.8	25.4	10.8	9.6	48.7
1967	16,200	7.4	[3] 9,000	[3] 4,200	[3] 6,600	(4)	[3] 1,500	(4)	(4)	0	20.25	[3] 23.4	[3] 26.0	[3] 10.9	8.0	[3] 48.7
1968	16,200															

[1] Export differential on 1,000,000 bales average 7.5 per pound. There was no export differential on 1,200,000 bales.
[2] Acreage reserve program was in effect in United States in 1956 to 1958.
[3] Estimate.
[4] Not available.

TABLE 11.—UPLAND COTTON: ESTIMATES OF BASIC DATA FOR 1965 THROUGH 1967 CROPS

Item	1965 crop (1)	1966 crop (2)	1967 crop[1] (3)
Acreage (thousands):			
Allotted	16,200	16,200	16,200
CAP, CR, adjustment, etc	396	800	1,000
Diverted for payment	1,000	4,600	4,900
Planted	14,075	10,269	9,400
Harvested	13,542	9,476	8,000
Yield: Pounds per acre harvested	526	480	(440)
Supply and utilization (1,000 bales):			
Production (in-season ginnings)	14,661	9,500	[2] 7,400
Beginning stocks (including preseason ginnings)	14,031	16,600	12,300
Imports and city crop	105	100	100
Domestic disappearance	9,356	9,300	9,000
Exports	2,936	4,700	4,200
Ending stocks	16,600	[3] 12,300	6,600
Support price per pound (cents) (Middling 1-inch)	29.0	21.0	20.25
Support price per pound (cents) (average of crop)	28.3	20.3	19.47
Price support payment rate (cents)	4.35	9.42	11.53
Diversion payment rate (cents):			
Required		10.50	10.78
Voluntary			
CAP payment		$4	$7
Producer payments	$70	$774	$935
Farm value of production (million dollars)	$2,079	$974	$925
Savings in direct cost on acres taken out of cotton (at $70 per bale)		$385	$532
Total of production, payments, and savings	$2,149	$2,137	$2,399
Total income (without savings)	$2,149	$1,752	$1,867

[1] As of March 1968.
[2] December 8 crop report.
[3] As reported by census—but fails to account for about 100,000 bales.

TABLE 12.—UPLAND COTTON: COMPARISON OF ESTIMATED EXPENDITURES FOR 1965–66 AND SUBSEQUENT FISCAL YEARS

[In millions of dollars]

Fiscal year	1965–66 (1)	1966–67 (2)	[1] 1967–68 (3)
Major items of receipts or expenditures:			
Loans made	−958	−287	−139
Loans repaid	+256	+149	+89
Sales proceeds	+344	+795	+722
Storage, handling, and classing	−48	−40	−11
Loan settlement	−18	−20	−6
Subtotal—Price support	−424	+597	+655
Public Law 480	−97	−141	−122
PIK—Equalization payment (domestic and export) and interim payment	−332	−21	
Price support payments	−58	−489	−612
Diversion payments	[2] −116	[3] −303	[3] −252
Total major expenditures (excluding interest)	−1,027	−357	−331
Change in CCC stocks (million bales) (from June 30 of prior year)	+2.7	−6.2	−7.0
Public Law 480	[4] 610	[5] 1,170	[6] 1,160

[1] As of March 1968.
[2] Advance payment on diverted acres.
[3] Balance for current year and advance payment for next year
[4] At $160.
[5] At $120.
[6] At $106.

TABLE 13.—UPLAND COTTON: BALES USED IN COMPUTING EXPENDITURES FOR VARIOUS PROGRAMS

[Thousand bales]

Fiscal year	1965 crop (1)	1966 crop (2)	* 1967 crop (3)
Loans deginning July 1	5,292	5,309	1,642
Loans made	[1] 6,926	[2] 3,094	[3] 1,500
Loans repaid	1,848	[4] 1,505	[5] 956
Loans acquired	5,061	5,256	1,386
Loans ending June 30	5,309	1,642	800
Inventory July 1	6,640	9,293	6,714
Loans acquired	5,118	5,253	1,386
Sales and other dispositions	2,465	[6] 7,831	[7] 7,600
Inventory ending June 30	9,293	6,714	500
CCC stocks June 30	14,602	8,356	1,300
CCC stocks July 31	14,500	8,100	1,000
Free stocks July 31	2,100	4,200	5,600
Carryover July 31	16,600	12,300	6,600

[1] At 27.4 cents.
[2] At 18.5 cents.
[3] At 18.6 cents.
[4] At 19.8 cents.
[5] At 18.3 cents.
[6] At 20.3 cents.
[7] At 19 cents.
* As of March 1968.

TABLE 14.—WHEAT: SUPPLY AND DISTRIBUTION AND PRODUCTION FACTORS, 1951 TO DATE, CROP YEARS

Year beginning July 1	Supply (million bushels)				Utilization (million bushels)						Production factors		
					Domestic								
	Beginning stocks	Production	Imports [1]	Total	Food	Seed and feed	Total	Exports [2]	Total	Ending stocks	Planted acres (millions)	Harvested acres (milloins)	Yield per harvested acre (bushels)
1951	400	988	32	1,420	496	192	688	476	1,164	256	78.5	61.9	16.0
1952	256	1,306	22	1,584	488	172	660	318	978	606	78.6	71.1	18.4
1953	606	1,172	6	1,784	487	146	633	217	850	934	78.9	67.8	17.3
1954	934	984	4	1,922	486	125	611	275	886	1,036	62.5	54.4	18.1
1955	1,036	937	10	1,983	482	122	604	346	950	1,033	58.2	47.3	19.8
1956	1,034	1,005	8	2,047	482	106	588	550	1,138	909	60.7	49.8	20.2
1957	909	956	11	1,876	486	105	591	403	994	882	49.8	43.7	21.8
1958	882	1,457	8	2,347	497	112	609	443	1,052	1,295	56.0	53.0	27.5
1959	1,295	1,118	7	2,420	497	100	597	510	1,107	1,313	56.7	51.7	21.6
1960	1,313	1,355	8	2,676	497	106	603	662	1,265	1,411	54.9	51.9	26.1
1961	1,411	1,232	6	2,649	501	107	608	719	1,327	1,322	55.7	51.6	23.9
1962	1,322	1,092	5	2,419	500	80	580	644	1,224	1,195	49.3	43.7	25.0
1963	1,195	1,147	4	2,346	503	85	589	856	1,445	901	53.4	45.5	25.2
1964	901	1,283	1	2,186	509	134	644	725	1,369	817	55.7	49.8	25.8
1965	817	1,316	1	2,134	515	216	731	867	1,599	535	57.4	49.6	26.5
1966	535	1,312	2	1,849	502	179	682	742	1,424	425	54.4	49.9	26.3
1967 [3]	425	1,524	1	1,950	510	145	655	750	1,405	545	68.0	59.0	25.8
1968 [3]	545	1,534	1	2,080									

[1] Imports include full duty wheat, wheat imported for feed, and dutiable flour and other wheat products in terms of wheat equivalent.

[2] Exports include flour wholly from U.S. wheat and other wheat products in terms of wheat equivalent.

[3] Preliminary—1967 utilization is estimated. Production based on April crop production report. (Wheat situation March 1968).

Note.—Detail may not add to totals because of rounding.

TABLE 15.—WHEAT: ESTIMATED SUPPLY AND DISTRIBUTION BY CLASSES, UNITED STATES, AVERAGE 1957–61, ANNUAL 1962–66, AND PROJECTION FOR 1967–68

[In millions of bushels]

[Note: Figures in this table, except production, are only approximations]

Item	Hard winter	Red winter [1]	Hard spring	Durum	White	Total
Average 1957–61						
Carryover, July 1, 1959	860	12	221	20	49	1,162
Production	687	179	171	28	159	1,224
Imports [2]			8			8
Supply	1,547	191	400	48	208	2,394
Exports [2]	336	45	41	5	120	547
Domestic disappearance [3]	264	131	140	24	43	602
Carryover, June 30, 1960	947	15	219	19	45	1,245
1962–63						
Carryover, July 1, 1962	1,085	24	187	5	21	1,322
Production	535	156	179	70	152	1,092
Imports [2]			5			5
Supply	1,620	180	371	75	173	2,419
Exports [2]	437	41	39	4	123	644
Domestic disappearance [3]	247	134	137	25	37	580
Carryover, June 30, 1963	936	5	195	46	13	1,195
1963–64						
Carryover, July 1, 1963	936	5	195	46	13	1,195
Production	544	218	168	52	165	1,147
Imports [2]			4			4
Supply	1,480	223	367	98	178	2,346
Exports [2]	562	84	48	29	133	856
Domestic disappearance [3]	248	135	139	28	39	589
Carryover, June 30, 1964	670	4	180	41	6	901
1964–65						
Carryover, July 1, 1964	670	4	180	41	6	901
Production	635	223	180	68	178	1,284
Imports [2]			1			1
Supply	1,305	227	361	109	184	2,186
Exports [2]	498	80	25	10	112	725
Domestic disappearance [3]	275	140	136	31	62	644
Carryover, June 30, 1965	532	7	200	68	10	817
1965–66						
Carryover, July 1, 1965	532	7	200	68	10	817
Production	673	185	209	70	179	1,316
Imports [2]			1			1
Supply	1,205	192	410	138	189	2,134
Exports [2]	595	45	86	34	107	867
Domestic disappearance [3]	343	139	138	50	62	732
Carryover, June 30, 1966	267	8	186	54	[4] 20	535
1966–67 [5]						
Carryover, July 1, 1966	267	8	186	54	[4] 20	535
Production	678	217	177	63	177	1,312
Imports [2]			2			2
Supply	945	225	365	117	197	1,849
Exports [2]	377	66	120	47	132	742
Domestic disappearance [3]	306	146	136	41	53	682
Carryover, June 30, 1967	262	13	109	29	12	425
1967–68 (projected)						
Carryover, July 1, 1967	262	13	109	29	[4] 12	425
Production	711	280	236	63	234	1,524
Imports [2]			1			1
Supply	973	293	346	92	246	1,950
Domestic disappearance [3]	289	145	136	30	55	655
Available for export and carryover	684	148	210	62	191	1,295
Exports [2]	363	125	65	33	164	750
Carryover	321	23	145	29	27	545

[1] Beginning with 1964 exports adjusted to reflect year of production.
[2] Imports and exports are of wheat, including flour and other produtcs in terms of wheat.
[3] Wheat used for food (in the United States and U.S. territories, and by the military both at home and abroad), feed, seed, and industry.
[4] Based largely on Pacific Northwest wheat survey, but includes allowance for white wheat in the East and other West.
[5] Preliminary.

Changes in Existing Law

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

Public Law 89–321

89th Congress, approved

November 3, 1965

AN ACT To maintain farm income, to stabilize prices and assure adequate supplies of agricultural commodities, to reduce surpluses, lower Government costs and promote foreign trade, to afford greater economic opportunity in rural areas, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Food and Agriculture Act of 1965".

* * * * * * *

TITLE I—DAIRY

* * * * * * *

Sec. 103. The provisions of this title shall not be effective after December 31, [1969] *1970.*

TITLE II—WOOL

Sec. 201. The National Wool Act of 1954, as amended, is amended, as follows:

(1) By deleting from section 703 "March 31, 1966" and inserting in lieu thereof "December 31, [1969] *1970*".

(2) By changing the period at the end of the third sentence of section 703 to a colon and inserting the following:
"*Provided further*, That the support price for shorn wool for the 1966 and each subsequent marketing year shall be determined by multiplying 62 cents by the ratio of (i) the average of the parity index (the index of prices paid by farmers, including commodities and services, interest, taxes, and farm wage rates, as defined in section 301 (a)(1)(C) of the Agricultural Adjustment Act of 1938, as amended) for the three calendar years immediately preceding the calendar year in which such price support is determined and announced to (ii) the average parity index for the three calendar years 1958, 1959, and 1960, and rounding the resulting amount to the nearest full cent."

(3) By deleting the fourth sentence of section 703.

TITLE III—FEED GRAINS

Sec. 301. Section 105 of the Agricultural Act of 1949, as amended, is amended by adding the following new subsection (e):

"(e) For the 1966 [through 1969] *through .971* crops of feed grains, the Secretary shall require, as a condition of eligibility for price support on the crop of any feed grain which is included in any acreage diversion program formulated under section 16(i) of the Soil Conservation and Domestic Allotment Act, as amended, that the producer shall participate in the diversion program to the extent prescribed by the Secretary, and, if no diversion program is in effect for any crop, he may require as a condition of eligibility for price support on such crop of feed grains that the producer shall not exceed his feed grain base: *Provided*, That the acreage on any farm which is diverted from the production of feed grains pursuant to a contract hereafter entered into under the Cropland Adjustment Program shall be deemed to be acreage diverted from the production of feed grains for purposes of meeting the foregoing requirements for eligibility for price support: *Provided further*, That the Secretary may provide that no producer of malting barley shall be required as a condition of eligibility for price support for barley to participate in the acreage diversion program for feed grains if such producer has previously produced a malting variety of barley, plants barley only of an acceptable malting variety for harvest, does not knowingly devote an acreage on the farm to barley in excess of 110 per centum of the average acreage devoted on on the farm to barley in 1959 and 1960, does not knowingly devote an acreage on the farm to corn and grain sorghums in excess of the acreage devoted on the farm to corn and grain sorghums in1959 and 1960, and does not devote any acreage devoted to the production of oats and rye in 1959 and 1960 to the production of wheat pursuant to the provisions of section 328 of the Food and Agriculture Act of 1962. Such portion of the support price for any feed grain included in the acreage diversion program as the Secretary determines desirable to assure that the benefits of the price-support and diversion programs inure primarily to those producers who cooperate in reducing their acreages of feed grains shall be made available to producers through payments-in-kind. Such payments-in-kind shall be made available on the maximum permitted acreage, or the Secretary may make the same total amount available on a smaller acreage or acreages at a higher rate or rates. The number of bushels of such feed grain on which such payments-in-kind shall be made shall be determined by multiplying that part of the actual acreage of such feed grain planted on the farm for harvest on which the Secretary makes such payments available by the farm projected yield per acre: *Provided*, That for purposes of such payments, the Secretary may permit producers of feed grains to have acreage devoted to soybeans considered as devoted to the production of feed grains to such extent and subject to such terms and conditions as the Secretary determines will not impair the effective operation of the price support program: *Provided further*, That for purposes of such payments, producers on any farm who have planted not less than 90 per centum of the acreage of feed grains permitted to be planted shall be deemed to have planted the entire acreage permitted. Notwithstanding the provisions of subsection (a), that portion of the support price which is made available through loans and pur-

chases for the 1966 [through 1969] *through 1970* crops may be reduced below the loan level for the 1965 crop by such amounts and in such stages as may be necessary to promote increased participation in the feed grain program, taking into account increases in yields, but so as not to disrupt the feed grain and livestock economy: *Provided,* That this authority shall not be construed to modify or affect the Secretary's discretion to maintain or increase total price support levels to cooperators. An acreage on the farm which the Secretary finds was not planted to feed grains because of drought, flood, or other natural disaster shall be deemed to be an actual acreage of feed grains planted for harvest for purposes of such payments provided such acreage is not subsequently planted to any other income-producing crop during such year. The Secretary may make not to exceed 50 per centum of any payments hereunder to producers in advance of determination of performance. Payments-in-kind shall be made through the issuance of negotiable certificates which the Commodity Credit Corporation shall redeem for feed grains (such feed grains to be valued by the Secretary at not less than the current support price made available through loans and purchases, plus reasonable carrying charges) in accordance with regulations prescribed by the Secretary and notwithstanding any other provision of law, the Commodity Credit Corporation shall, in accordance with regulations prescribed by the Secretary, assist the producer in the marketing of such certificates. The Secretary shall provide for the sharing of such certificates among producers on the farm on the basis of their respective shares in the feed grain crop produced on the farm, or the proceeds therefrom, except that in any case in which the Secretary determines that such basis would not be fair and equitable, the Secretary shall provide for such sharing on such other basis as he may determine to be fair and equitable. If the operator of the farm elects to participate in the acreage diversion program, price support for feed grains included in the program shall be made available to the producers on such farm only if such producers divert from the production of such feed grains, in accordance with the provisions of such program, an acreage on the farm equal to the number of acres which such operator agrees to divert, and the agreement shall so provide. In any case in which the failure of a producer to comply fully with the terms and conditions of the programs formulated under this subsection (e) and subsection (d) of this section preclude the making of payments-in-kind, the Secretary may, nevertheless, make such payments-in-kind in such amounts as he determines to be equitable in relation to the seriousness of the default."

SEC. 302. Section 16 of the Soil Conservation and Domestic Allotment Act, as amended, is amended by adding the following new subsection:

"(i) Notwithstanding any other provision of law—

"(1) For the 1966 [through 1969] *through 1970* crops of feed grains, if the Secretary determines that the total supply of feed grains will, in the absence of an acreage diversion program, likely be excessive, taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices of feed grains and to meet any national emergency, he may formulate and carry out an acreage diversion program for feed grains, without

regard to provisions which would be applicable to the regular agricultural conservation program, under which, subject to such terms and conditions as the Secretary determines, conservation payments shall be made to producers who divert acreage from the production of feed grains to an approved conservation use and increase their average acreage of cropland devoted in 1959 and 1960 to designated soil-conserving crops or practices including summer fallow and idle land by an equal amount. Payments shall be made at such rate or rates as the Secretary determines will provide producers with a fair and reasonable return for the acreage diverted, but not in excess of 50 per centum of the estimated basic county support rate, including the lowest rate of payment-in-kind, on the normal production of the acreage diverted from the commodity on the farm based on the farm projected yield per acre. Notwithstanding the foregoing provisions, the Secretary may permit all or any part of such diverted acreage to be devoted to the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, and flaxseed, if he determines that such production of the commodity is needed to provide an adequate supply, is not likely to increase the cost of the price support program, and will not adversely affect farm income subject to the condition that payment with respect to diverted acreage devoted to any such crop shall be at a rate determined by the Secretary to be fair and reasonable, taking into consideration the use of such acreage for the production of such crops, but in no event shall the payment exceed one-half the rate which otherwise would be applicable if such acreage were devoted to conservation uses. The term 'feed grains' means corn, grain sorghums, and, if designated by the Secretary, barley, and if for any crop the producer so requests for purposes of having acreage devoted to the production of wheat considered as devoted to the production of feed grains, pursuant to the provisions of section 328 of the Food and Agriculture Act of 1962, the term 'feed grains' shall include oats and rye and barley if not designated by the Secretary as provided above: *Provided*, That acreages of corn, grain sorghums, and, if designated by the Secretary, barley, shall not be planted in lieu of acreages of oats and rye and barley if not designated by the Secretary as provided above: *Provided further*, That the acreage devoted to the production of wheat shall not be considered as an acreage of feed grains for purposes of establishing the feed grain base acreage for the farm for subsequent crops. Such feed grain diversion program shall require the producer to take such measures as the Secretary may deem appropriate to keep such diverted acreage free from erosion, insects, weeds, and rodents. The acreage eligible for participation in the program shall be such acreage (not to exceed 50 per centum of the average acreage on the farm devoted to feed grains in the crop years 1959 and 1960 or twenty-five acres, whichever is greater) as the Secretary determines necessary to achieve the acreage reduction goal for the crop. Payments shall be made in kind. The acreage of wheat produced on the farm during the crop years 1959, 1960, and 1961, pursuant to the exemption provided in section 335(f) of the Agricultural Adjustment Act

of 1938, as amended, prior to its repeal by the Food and Agriculture Act of 1962, in excess of the small farm base acreage for wheat established under section 335 of the Agricultural Adjustment Act of 1938, as amended, may be taken into consideration in establishing the feed grain base acreage for the farm. The Secretary may make such adjustments in acreage as he determines necessary to correct for abnormal factors affecting production, and to give due consideration to tillable acreage, crop-rotation practices, types of soil, soil and water conservation measures, and topography. Notwithstanding any other provision of this subsection (i)(1), the Secretary may, upon unanimous request of the State committee established pursuant to section 8(b) of the Soil Conservation and Domestic Allotment Act, as amended, adjust the feed grain bases for farms within any State or county to the extent he determines such adjustment to be necessary in order to establish fair and equitable feed grain bases for farms within such State or county. The Secretary may make not to exceed 50 per centum of any payments to producers in advance of determination of performance. Notwithstanding any other provision of this subsection, barley shall not be included in the program for a producer of malting barley exempted pursuant to section 105(e) of the Agricultural Act of 1949, who participates only with respect to corn and grain sorghums and does not knowingly devote an acreage on the farm to barley in excess of 110 per centum of the average acreage devoted on the farm to barley in 1959 and 1960.

"(2) Notwithstanding any other provision of this subsection, not to exceed 1 per centum of the estimated total feed grain bases for all farms in a State for any year may be reserved from the feed grain bases established for farms in the State for apportionment to farms on which there were no acreages devoted to feed grains in the crop years 1959 and 1960 on the basis of the following factors: Suitability of the land for the production of feed grains, the past experience of the farm operator in the production of feed grains, the extent to which the farm operator is dependent on income from farming for his livelihood, the production of feed grains on other farms owned, operated, or controlled by the farm operator, and such other factors as the Secretary determines should be considered for the purposes of establishing fair and equitable feed grain bases. An acreage equal to the feed grain base so established for each farm shall be deemed to have been devoted to feed grains on the farm in each of the crop years 1959 and 1960 for purposes of this subsection except that producers on such farm shall not be eligible for conservation payments for the first year for which the feed grain base is established.

"(3) There are hereby authorized to be appropriated such amounts as may be necessary to enable the Secretary to carry out this section 16(i).

"(4) The Secretary shall provide by regulations for the sharing of payments under this subsection among producers on the farm on a fair and equitable basis and in keeping with existing contracts.

"(5) Payments in kind shall be made through the issuance of negotiable certificates which the Commodity Credit Corporation

shall redeem for feed grains in accordance with regulations prescribed by the Secretary and, notwithstanding any other provision of law, the Commodity Credit Corporation shall, in accordance with regulations prescribed by the Secretary, assist the producer in the marketing of such certificates. Feed grains with which Commodity Credit Corporation redeems certificates pursuant to this paragraph shall be valued at not less than the current support price made available through loans and purchases, plus reasonable carrying charges.

"(6) Notwithstanding any other provision of law, the Secretary may, by mutual agreement with the producer, terminate or modify any agreement previously entered into pursuant to this subsection if he determines such action necessary because of an emergency created by drought or other disaster, or in order to prevent or alleviate a shortage in the supply of feed grains."

* * * * * * *

TITLE IV—COTTON

SEC. 401. The Agricultural Adjustment Act of 1938, as amended, is amended as follows:

(1) Section 348 of the Act is amended by adding the following new sentences at the end thereof: "The Secretary may extend the period for performance of obligations incurred in connection with payments made for the period ending July 31, 1966, or may make payments on raw cotton in inventory on July 31, 1966, at the rate in effect on such date. No payments shall be made hereunder with respect to 1966 crop cotton."

(2) Section 346 of the Act is amended by adding at the end thereof a new subsection as follows:

"(e) Notwithstanding any other provision of this Act, for the **[**1966, 1967, 1968, and 1969**]** *1966 through 1970* crops of upland cotton, if the farm operator elects to forgo price support for any such crop of cotton by applying to the county committee of the county in which the farm is located for additional acreage under this subsection, he may plant an acreage not in excess of the farm acreage allotment established under section 344 plus the acreage apportioned to the farm from the national export market acreage reserve, and all cotton of such crop produced on the farm may be marketed for export free of any penalty under this section: *Provided*, That the foregoing shall be applicable only to farms which had upland cotton allotments for 1965 and are operated by the same operator as in 1965 or by his heir.

"For the 1966 crop the national export market acreage reserve shall be 250,000 acres. For each subsequent crop—

If the carryover at the end of the marketing year for the preceding crop is estimated to be less than the carryover at the beginning of such marketing year by—	The national export market acreage reserve shall be—
At least 1,000,000 bales	250,000 acres.
At least 750,000 bales, but not as much as 1,000,000 bales	187,500 acres.
At least 500,000 bales, but not as much as 750,000 bales	125,000 acres.
At least 250,000 bales, but not as much as 500,000 bales	62,500 acres.
Less than 250,000 bales	None.

"The national export market acreage reserve shall be apportioned to farms by the Secretary on the basis of the applications therefor. No application shall be accepted for a greater acreage than is available on

the farm for the production of upland cotton. After apportionments are thus made to farms, the Secretary shall provide farm operators a reasonable time in which to cancel their applications (and agreements to forgo price support) and surrender to the Secretary through the county committee the export market acreage assigned to the farm. Acreage so surrendered shall be available for reassignment by the Secretary to other eligible farms to which export market acreage has been apportioned on the basis of the applications remaining outstanding. The operator of any farm who elects to forgo price support for any such crop under this subsection shall not be eligible for price support on cotton of such crop produced on any other farm in which he has a controlling or substantial interest as determined by the Secretary. Acreage planted to cotton in excess of the farm acreage allotment established under section 344 shall not be taken into account in establishing future State, county, and farm acreage allotments. The operator of any farm to which export market acreage is apportioned, or the purchasers of cotton produced on such farm, shall, under regulations issued by the Secretary, furnish a bond or other undertaking prescribed by the Secretary providing for the exportation, without benefit of any Government cotton export subsidy and within such time as the Secretary may specify, of all cotton produced on such farm for such year. The bond or other undertaking given pursuant to this subsection shall provide that, upon failure to comply with the terms and conditions thereof, the person furnishing such bond or other undertaking shall be liable for liquidated damages in an amount which the Secretary determines and specifies in such undertaking will approximate the amount payable on excess cotton under subsection (a). The Secretary may, in lieu of the furnishing of a bond or other undertaking, provide for the payment of an amount equal to that which would be payable as liquidated damages under such bond or other undertaking. If such bond or other undertaking is not furnished, or if payment in lieu thereof is not made as provided herein, at such time and in the manner required by regulations of the Secretary, or if the acreage planted to cotton on the farm exceeds the sum of the farm acreage allotment established under section 344 and the acreage apportioned to the farm from the national export market acreage reserve, the acreage planted to cotton in excess of the farm acreage allotment established under section 344 shall be regarded as excess acreage for purposes of this section and section 345. Amounts collected by the Secretary under this subsection shall be remitted to the Commodity Credit Corporation."

(3) Section 350 of the Act is amended effective with the 1966 crop, to read as follows:

"SEC. 350. In order to afford producers an opportunity to participate in a program of reduced acreage and higher price support, as provided in section 103(d) of the Agriculutural Act of 1949, as amended, the Secretary shall determine a national domestic allotment for the [1966, 1967, 1968, and 1969] *1966 through 1970* crops of upland cotton equal to the estimated domestic consumption of upland cotton (standard bales of four hundred and eighty pounds net weight) for the marketing year beginning in the year in which the crop is to be produced. The Secretary shall determine a farm domestic acreage allotment percentage for each such year by dividing (1) the national domestic allotment (in net weight pounds) by (2) the total for all States of the product of the State acreage allotment and the projected State yield.

The farm domestic acreage allotment shall be established by multiplying the farm acreage allotment established under section 344 by the farm domestic acreage allotment percentage: *Provided*, That no farm domestic acreage allotment shall be less than 65 per centum of such farm acreage allotment. Such national domestic allotment shall be determined not later than October 15 of the calendar year preceding the year in which the crop is to be produced; except that in the case of the 1966 crop, such determination shall be made within 15 days after enactment of the Food and Agriculture Act of 1965."

SEC. 402. (a) Section 103 of the Agricultural Act of 1949, as amended, is amended by adding the following new subsection at the end thereof:

"(d)(1) Notwithstanding any other provision of this Act, if producers have not disapproved marketing quotas, price support and diversion payments shall be made available for the [1966, 1967, 1968, and 1969] *1966 through 1970* crops of upland cotton as provided in this subsection.

"(2) Price support for each such crop of upland cotton shall be made available to cooperators through loans at such level, not exceeding a level which will reflect for Middling one-inch upland cotton at average location in the United States 90 per centum of the estimated average world market price for Middling one-inch upland cotton for the marketing year for such crop, as the Secretary determines will provide orderly marketing of cotton during the harvest season and will retain an adequate share of the world market for cotton produced in the United States taking into consideration the factors specified in section 401(b) of this Act: *Provided*, That the national average loan rate for the 1966 crop shall reflect 21 cents per pound for Middling one-inch upland cotton.

"(3) The Secretary also shall provide additional price support for each such crop through payments in cash or in kind to cooperators at a rate not less than 9 cents per pound: *Provided:* That the rate shall be such that the amount obtained by—

(i) multiplying the rate by the farm domestic acreage allotment percentage, and

(ii) dividing the product thus obtained by the cooperator percentage established under section 408(b), and

(iii) adding the result thus obtained to the national average loan rate

shall not be less than 65 per centum or more than 90 per centum of the parity price for cotton as of the month in which the payment rate provided for by this paragraph is announced. Such payments shall be made on the quantity of cotton determined by multiplying the projected farm yield by the acreage planted to cotton within the farm domestic acreage allotment: *Provided*, That any such farm planting not less than 90 per centum of such domestic acreage allotment shall be deemed to have planted the entire amount of such allotment. An acreage on a farm in any such year which the Secretary finds was not planted to cotton because of drought, flood, or other natural disaster shall be deemed to be planted to cotton for purposes of payments under this subsection if such acreage is not subsequently devoted to any other income-producing crop in such year.

"(4) The Secretary shall make diversion payments in cash or in kind in addition to the price support payments authorized in paragraph (3) to cooperators who reduce their cotton acreage by diverting a portion

of their cotton acreage allotment from the production of cotton to approved conservation practices to the extent prescribed by the Secretary: *Provided*, That no reduction below the domestic acreage allotments established under section 350 of the Agricultural Adjustment Act of 1938, as amended, shall be prescribed: *Provided further*, That payment under this paragraph shall be made available for diverting to conserving uses that part of the acreage allotment which must be diverted from cotton in order that the producer may qualify as a cooperator. The rate of payment for acreage required to be diverted in order to qualify as a cooperator shall not be less than 25 per centum of the parity price for upland cotton as of the month in which such rate is announced. The rate of payment for additional acreage diverted shall be such rate as the Secretary determines to be fair and reasonable, but shall not exceed 40 per centum of such parity price. Payment at each applicable rate shall be made on the quantity of cotton determined by multiplying the acreage diverted from the production of cotton at such rate by the projected farm yield. In addition to the foregoing payment, if any, payment at the rate applicable for acreage required to be diverted to qualify as a cooperator shall be made to producers on small farms as defined in section 408(b) who do not exceed their farm acreage allotments on a quantity of cotton determined by multiplying an acreage equal to 35 per centum of such farm acreage allotment by the projected farm yield.

"(5) The Secretary may make not to exceed 50 per centum of the payments under this subsection to producers in advance of determination of performance and the balance of such payments shall be made at such time as the Secretary may prescribe.

"(6) Where the farm operator elects to participate in the diversion program authorized in this subsection and no acreage is planted to cotton on the farm, diversion payments shall be made at the rate established under paragraph (4) for acreage required to be diverted to qualify as a cooperator on the quantity of cotton determined by multiplying that part of the farm acreage allotment required to be diverted to qualify as a cooperator by the projected farm yield, and the remainder of such allotment may be released under the provisions of section 344(m)(2) of the Agricultural Adjustment Act of 1938, as amended. The acreage on which payment is made under this paragraph shall be regarded as planted to cotton for purposes of establishing future State, county, and farm acreage allotments, and farm bases.

"(7) Payments in kind under this subsection shall be made through the issuance of certificates which the Commodity Credit Corporation shall redeem for cotton under regulations issued by the Secretary at a value per pound equal to not less than the current loan rate therefor. The Corporation may, under regulations prescribed by the Secretary, assist the producers in the marketing of such certificates at such times and in such manner as the Secretary determines will best effectuate the purposes of the program authorized by this subsection.

"(8) Payments under this subsection shall be conditioned on the farm having an acreage of approved conservation uses equal to the sum of (i) the reduction in cotton acreage required to qualify for such payments (hereinafter called "diverted acreage"), and (ii) the average acreage of cropland on the farm devoted to designated soil-conserving crops or practices, including summer fallow and idle land,

during a base period prescribed by the Secretary: *Provided,* That the Secretary may permit all or any part of such diverted acreage to be devoted to the production or guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, and flaxseed, if he determines that such production is necessary to provide an adequate supply of such commodities, is not likely to increase the cost of the price support program, and will not adversely affect farm income, subject to the condition that payment under paragraph (4) or (6) with respect to diverted acreage devoted to any such crop shall be at a rate determined by the Secretary to be fair and reasonable, taking into consideration the use of such acreage for the production of such crops, but in no event shall the payment exceed one-half the rate which otherwise would be applicable if such acreage were devoted to conservation uses.

"(9) The acreage regarded as planted to cotton on any farm which qualifies for payment under this subsection except under paragraph (6) shall, for purposes of establishing future State, county, and farm acreage allotments and farm bases, be the farm acreage allotment established under section 344 of the Agricultural Adjustment Act of 1938, as amended, excluding adjustments under subsection (m)(2) thereof.

"(10) The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers, including provision for sharing diversion payments on a fair and equitable basis under this subsection. The Secretary shall provide for the sharing of price support payments among producers on the farm on the basis of their respective shares in the cotton crop produced on the farm, or the proceeds therefrom, except that in any case in which the Secretary determines that such basis would not be fair and equitable, the Secretary shall provide for such sharing on such other basis as he may determine to be fair and equitable.

"(11) In any case in which the failure of a producer to comply fully with the terms and conditions of the programs formulated under this Act preclude the making of payments under this section, the Secretary may, nevertheless, make such payments in such amounts as he determines to be equitable in relation to the seriousness of the default.

"(12) Notwithstanding any other provision of this Act, if, as a result of limitations hereafter enacted with respect to price support under this subsection, the Secretary is unable to make available to all cooperators the full amount of price support to which they would otherwise be entitled under paragraphs (2) and (3) of this subsection for any crop of upland cotton, (A) price support to cooperators shall be made available for such crop (if marketing quotas have not been disapproved) through loans or purchases at such level not less than 65 per centum nor more than 90 per centum of the parity price therefor as the Secretary determines appropriate; (B) in order to keep upland cotton to the maximum extent practicable in the normal channels of trade, such price support may be carried out through the simultaneous purchase of cotton at the support price therefor and resale at a lower price or through loans under which the cotton would be redeemable by payment of a price therefor lower than the amount of the loan thereon; and (C) such resale or redemption price shall be such as the Secretary determines will provide orderly marketing of cotton during the harvest season and will retain an adequate share of the world market for cotton produced in the United States.

"(13) The provisions of subsection 8(g) of the Soil Conservation and Domestic Allotment Act, as amended (relating to assignment of payments), shall also apply to payments under this subsection.

"(14) The Commodity Credit Corporation is authorized to utilize its capital funds and other assets for the purpose of making the payments authorized in this subsection and to pay administrative expenses necessary in carrying out this subsection."

(b) Section 408(b) of the Agricultural Act of 1949, as amended, is amended, effective only for the 1966 [through 1969] *through 1970* crops, by changing the period at the end of the first sentence thereof to a colon and adding the following: "*Provided*, That for upland cotton a cooperator shall be a producer on whose farm the acreage planted to such cotton does not exceed the cooperator percentage, which shall be in the case of the 1966 crop, 87.5 per centum of such farm acreage allotment and, in the case of each of the [1967, 1968, and 1969] *1967 through 1970* crops, such percentage, not less than 87.5 or more than 100 per centum, of such farm acreage allotment as the Secretary may specify for such crop, except that in the case of small farms (i.e. farms on which the acreage allotment is 10 acres or less, or on which the projected farm yield times the acreage allotment is 3,600 pounds or less, and the acreage allotment has not been reduced under section 344(m)) the acreage of cotton on the farm shall not be required to be reduced below the farm acreage allotment."

SEC. 404. Section 407 of the Agricultural Act of 1949, as amended, is amended by adding at the end thereof the following: "Notwithstanding any other provision of this section, for the period August 1, 1966, through July 31, [1970,] *1971*, (1) the Commodity Credit Corporation shall sell upland cotton for unrestricted use at the same prices as it sells cotton for export, in no event, however, at less than 110 per centum of the loan rate, and (2) the Commodity Credit Corporation shall sell or make available for unrestricted use at current market prices in each marketing year a quantity of upland cotton equal to the amount by which the production of upland cotton is less than the estimated requirements for domestic use and for export for such marketing year. The Secretary may make such estimates and adjustments therein at such times as he determines will best effectuate the provisions of part (2) of the foregoing sentence and such quantities of cotton as are required to be sold under such sentence shall be offered for sale in an orderly manner and so as not to affect market prices unduly."

SEC. 405. The Agricultural Adjustment Act of 1938, as amended, is amended by adding after section 344 the following new section:

"SEC. 344a. (a) Notwithstanding any other provision of law, the Secretary, if he determines that it will not impair the effective operation of the program involved, (1) may permit the owner and operator of any farm for which a cotton acrage allotment is established to sell or lease all or any part or the right to all or any part of such allotment (excluding that part of the allotment which the Secretary determines was apportioned to the farm from the national acreage reserve) to any other owner or operator of a farm for transfer to such farm; (2) may permit the owner of a farm to transfer all or any part of such allotment to any other farm owned or controlled by him: *Provided*, That the authority granted under this section may be exercised for the calendar years [1966, 1967, 1968, and 1969,] *1966 through 1970*, but all transfers hereunder shall be for such period of years as the parties thereto may agree.

"(b) Transfers under this section shall be subject to the following conditions: (i) no allotment shall be transferred to a farm in another State or to a person for use in another State; (ii) no farm allotment may be sold or leased for transfer to a farm in another county unless the producers of cotton in the county from which transfer is being made have voted in a referendum within three years of the date of such transfer, by a two-thirds majority of the producers participating in such referendum, to permit the transfer of allotments to farms outside the county, which referendum, insofar as practicable, shall be held in conjunction with the marketing quota referendum for the commodity; (iii) no transfer of an allotment from a farm subject to a mortgage or other lien shall be permitted unless the transfer is agreed to by the lienholder; (iv) no sale of a farm allotment shall be permitted if any sale of cotton allotment to the same farm has been made within the three immediately preceding crop years; (v) the total cotton allotment for any farm to which allotment is transferred by sale or lease shall not exceed the farm acreage allotment (excluding reapportioned acreage) established for such farm for 1965 by more than one hundred acres: (vi) no cotton in excess of the remaining acreage allotment on the farm shall be planted on any farm from which the allotment (or part of an allotment) is sold for a period of five years following such sale, nor shall any cotton in excess of the remaining acreage allotment on the farm be planted on any farm from which the allotment (or part of an allotment) is leased during the period of such lease, and the producer on such farm shall so agree as a condition precedent to the Secretary's approval of any such sale or lease; and (vii) no transfer of allotment shall be effective until a record thereof is filed with the county committee of the county to which such transfer is made and such committee determines that the transfer complies with the provisions of this section. Such record may be filed with such committee only during the period beginning June 1 and ending December 31.

"(c) The transfer of an allotment shall have the effect of transferring also the acreage history, farm base, and marketing quota attributable to such allotment and if the transfer is made prior to the determination of the allotment for any year the transfer shall include the right of the owner or operator to have an allotment determined for the farm for such year: *Provided*, That in the case of a transfer by lease, the amount of the allotment shall be considered for purposes of determining allotments after the expiration of the lease to have been planted on the farm from which such allotment is transferred.

"(d) The land in the farm from which the entire cotton allotment and acreage history have been transferred shall not be eligible for a new farm cotton allotment during the five years following the year in which such transfer is made.

"(e) The transfer of a portion of a farm allotment which was established under minimum farm allotment provisions for cotton or which operates to bring the farm within the minimum farm allotment provision for cotton shall cause the minimum farm allotment or base to be reduced to an amount equal to the allotment remaining on the farm after such transfer.

"(f) The Secretary shall prescribe regulations for the administration of this section, which shall include provisions for adjusting the size of the allotment transferred if the farm to which the allotment is transferred has a substantially higher yield per acre and such other terms and conditions as he deems necessary.

"(g) If the sale or lease occurs during a period in which the farm is covered by a conservation reserve contract, cropland conversion agreement, cropland adjustment agreement, or other similar land utilization agreement, the rates of payment provided for in the contract or agreement of the farm from which the transfer is made shall be subject to an appropriate adjustment, but no adjustment shall be made in the contract or agreement of the farm to which the allotment is transferred.

"(h) The Secretary shall by regulations authorize the exchange between farms in the same county, or between farms in adjoining counties within a State, of cotton acreage allotment for rice acreage allotment. Any such exchange shall be made on the basis of application filed with the county committee by the owners and operators of the farms, and the transfer of allotment between the farms shall include transfer of the related acreage history for the commodity. The exchange shall be acre for acre or on such other basis as the Secretary determines is fair and reasonable, taking into consideration the comparative productivity of the soil for the farms involved and other relevant factors. No farm from which the entire cotton or rice allotment has been transferred shall be eligible for an allotment of cotton or rice as a new farm within a period of five crop years after the date of such exchange.

"(i) The provisions of this section relating to cotton shall apply only to upland cotton."

TITLE V—WHEAT

SEC. 501. Effective beginning with the crop planted for harvest in the calendar year 1966, the Agricultural Adjustment Act of 1938, as amended, is amended as follows:

(1) Section 332 is amended by changing item (iv) in subsection (b) to read: "will be utilized during such marketing year in the United States as livestock (including poultry) feed, excluding the estimated quantity of wheat which will be utilized for such purpose as a result of the substitution of wheat for feed grains under section 328 of the Food and Agriculture Act of 1962" and by adding the following new subsection:

"(d) Notwithstanding any other provision of this Act, the Secretary shall not proclaim a national marketing quota for the crops of wheat planted for harvest in the calendar years 1966 [through 1969,] *through 1970*, and farm marketing quotas shall not be in effect for such crops of wheat."

(2) Section 333 is amended to read as follows: "The Secretary shall proclaim a national acreage allotment for each crop of wheat. The amount of the national acreage allotment for any crop of wheat shall be the number of acres which the Secretary determines on the basis of the projected national yield and expected underplantings (acreage other than that not harvested because of program incentives) of farm acreage allotments will produce an amount of wheat equal to the national marketing quota for wheat for the marketing year for such crop, or if a national marketing quota was not proclaimed, the quota which would have been determined if one had been proclaimed.

(3) Subsection (a) of section 334 is amended to read as follows:

"(a) The national allotment for wheat, less a reserve of not to exceed 1 per centum thereof for apportionment as provided in this subsection and less the special acreage reserve provided for in this subsection, shall be apportioned by the Secretary among the States on the basis of the preceding year's allotment for each such State, including all amounts allotted to the State and including for 1967 the increased acreage in the State allotted for 1966 under section 335, adjusted to the extent deemed necessary by the Secretary to establish a fair and equitable apportionment base for each State, taking into consideration established crop rotation practices, estimated decrease in farm allotments because of loss of history, and other relevant factors. The reserve acreage set aside herein for apportionment by the Secretary shall be used to make allotments to counties in addition to the county allotments made under subsection (b) of this section, on the basis of the relative needs of counties for additional allotments because of reclamation and other new areas coming into production of wheat. There also shall be made available a special acreage reserve of not in excess of one million acres as determined by the Secretary to be desirable for the purposes hereof which shall be in addition to the national acreage reserve provided for in this subsection. Such special acreage reserve shall be made available to the States to make additional allotments to counties on the basis of the relative needs of counties, as determined by the Secretary, for additional allotments to make adjustments in the allotments on old wheat farms (that is, farms on which wheat has been seeded or regarded as seeded to one or more of the three crops immediately preceding the crop for which the allotment is established) on which the ratio of wheat acreage allotment to cropland on the farm is less than one-half the average ratio of wheat acreage allotment to cropland on old wheat farms in the county. Such adjustments shall not provide an allotment for any farm which would result in an allotment-cropland ratio for the farm in excess of one-half of such county average ratio and the total of such adjustments in any county shall not exceed the acreage made available therefor in the county. Such apportionment from the special acreage reserve shall be made only to counties where wheat is a major income-producing crop, only to farms on which there is limited opportunity for the production of an alternative income-producing crop, and only if an efficient farming operation on the farm requires the allotment of additional acreage from the special acreage reserve. For the purposes of making adjustments hereunder the cropland on the farm shall not include any land developed as cropland subsequent to the 1963 crop year."

(4) Subsection (b) of section 334 is amended to read as follows:

"(b) The State acreage allotment for wheat, less a reserve of not to exceed 3 per centum thereof for apportionment as provided in subsection (c) of this section, shall be apportioned by the Secretary among the counties in the State, on the basis of the preceding year's wheat allotment in each such county, including for 1967 the increased acreage in the county allotted for 1966 pursuant to section 335, adjusted to the extent deemed necessary by the Secretary in order to establish a fair and equitable apportionment base for each county, taking into consideration established crop rotation practices, estimated decrease in farm allotments because of loss of history, and other relevant factors."

(5) Subsection (c) of section 334 is amended by adding new paragraphs (3) and (4) to read as follows:

"(3) Notwithstanding the provisions of paragraph (1) of this subsection, the past acreage of wheat for 1967 and any subsequent year shall be the acreage of wheat planted, plus the acreage regarded as planted, for harvest as grain on the farm which is not in excess of the farm acreage allotment.

"(4) Notwithstanding any other provision of this subsection (c), the farm acreage allotment for the 1967 and any subsequent crop of wheat shall be established for each old farm by apportioning the county wheat acreage allotment among farms in the county on which wheat has been planted, or is considered to have been planted, for harvest as grain in any one of the three years immediately preceding the year for which allotments are determined on the basis of past acreage of wheat and the farm acreage allotment for the year immediately preceding the year for which the allotment is being established, adjusted as hereinafter provided. For purposes of this paragraph, the acreage allotment for the immediately preceding year may be adjusted to reflect established crop-rotation practices, may be adjusted downward to reflect a reduction in the tillable acreage on the farm, and may be adjusted upward to reflect such other factors as the Secretary determines should be considered for the purpose of establishing a fair and equitable allotment: *Provided*, That (i) for the purposes of computing the allotment for any year, the acreage allotment for the farm for the immediately preceding year shall be decreased by 7 per centum if for the year immediately preceding the year for which such reduction is made neither a voluntary diversion program nor a voluntary certificate program was in effect and there was noncompliance with the farm acreage allotment for such year; (ii) for purposes of clause (i), any farm on which the entire amount of farm marketing excess is delivered to the Secretary, stored, or adjusted to zero in accordance with applicable regulations to avoid or postpone payment of the penalty when farm marketing quotas are in effect, shall be considered in compliance with the allotment, but if any part of the amount of wheat so stored is later depleted and penalty becomes due by reason of such depletion, the allotment for such farm next computed after determination of such depletion shall be reduced by reducing the allotment for the immediately preceding year by 7 per centum; and (iii) for purposes of clause (i) if the Secretary determines that the reduction in the allotment does not provide fair and equitable treatment to producers on farms following special crop rotation practices, he may modify such reduction in the allotment as he determines to be necessary to provide fair and equitable treatment to such producers."

(6) Subsection (d) of section 334 is repealed.

(7) Subsection (g) of section 334 is amended by striking out the language "except as prescribed in the provisos to the first sentence of subsections (a) and (b), respectively, of this section" in the first sentence.

(8) Section 335 is amended by adding at the end thereof the following: "This section shall not be applicable to the crops planted for harvest in 1967 and subsequent years."

(9) Section 339(b) is amended (1) by striking out "1964 and 1965 crops of wheat" and substituting "crops of wheat planted for harvest

in the calendar years 1964 [through 1969"] *through 1970*; and, (2) by striking out of the third sentence "20 per centum of the farm acreage allotment" and "fifteen acres" and substituting "50 per centum of the farm acreage allotment" and "twenty-five acres", respectively.

(10) Section 339(e) is amended to read as follows: "(e) The Secretary may permit all or any part of the diverted acreage to be devoted to the production of guar, seasame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, and flaxseed, if he determines that such production of the commodity is needed to provide an adequate supply, is not likely to increase the cost of the price-support program and will not adversely affect farm income, subject to the condition that payment with respect to diverted acreage devoted to any such crop shall be at a rate determined by the Secretary to be fair and reasonable taking into consideration the use of such acreage for the production of such crops: *Provided*, That in no event shall the payment exceed one-half the rate which otherwise would be applicable if such acreage were devoted to conservation uses."

SEC. 502. Effective only with respect to the crops of wheat planted for harvest in the calendar years 1966 [through 1969] *through 1970* and the marketing years for such crops, section 379b is amended to read as follows:

"SEC. 379b. A wheat marketing allocation program as provided in this subtitle shall be in effect for the marketing years for the crops planted for harvest in the calendar years 1966 [through 1969] *through 1970*. When ever a wheat marketing allocation program is in effect for any marketing year the Secretary shall determine (1) the wheat marketing allocation for such year which shall be the amount of wheat he estimates will be used during such year for food products for consumption in the United States, but the amount of wheat included in the marketing allocation for food products for consumption in the United States shall not be less than five hundred million bushels, and (2) the national allocation percentage for such year which shall be the percentage which, when applied to the farm as provided in this section, will result in marketing certificates being issued to producers in the amount of the national wheat marketing allocation. The cost of any domestic marketing certificates issued to producers in excess of the number of certificates acquired by processors as a result of the application of the five hundred million bushel minimum or an overestimate of the amount of wheat used during such year for food products for consumption in the United States shall be borne by Commodity Credit Corporation. Each farm shall receive a wheat marketing allocation for such marketing year equal to the number of bushels obtained by multiplying the number of acres in the farm acreage allotment for wheat by the projected farm yield, and multiplying the resulting number of bushels by the national allocation percentage."

SEC. 505. The Agricultural Act of 1964 is amended as follows:

(1) Amendment (7) of section 202 is amended by striking out "1964 and 1965" and substituting "the calendar years 1964 through 1969".

(2) Amendment (13) of section 202 is amended by striking out "only with respect to the crop planted for harvest in the calendar year 1965" and substituting "with respect to the crops planted for harvest in the calendar years 1965 [through 1969."] *through 1970*."

(3) Section 204 is amended by striking out "1964 and 1965" and substituting "1964 [through 1969".] *through 1970".*

SEC. 506. Effective only with respect to the 1966 [through 1969] *through 1970* crops, section 107 of the Agricultural Act of 1949, as amended (7 U.S.C. 1445a), is amended to read as follows:

"SEC. 107. Notwithstanding the provisious of section 101 of this Act, for any marketing year—

"(1)(a) Price support for wheat accompanied by domestic certificates shall be at 100 per centum of the parity price or as near thereto as the Secretary determines practicable, and (b) price support for wheat not accompanied by marketing certificates shall be at such level, not in excess of the parity price therefor, as the Secretary determines appropriate, taking into consideratiou competitive world prices of wheat, the feeding value of wheat in relation to feed grains, and the level at which price support is made available for feed grains,

"(2) notwithstanding the provisions of paragraph (1), for the 1966 crop, price support for wheat accompanied by domestic marketing certificates shall be at 100 per centum of the parity price therefor, and price support for wheat not accompanied by marketing certificates shall be not less than $1.25 per bushel. For any crop of wheat planted for harvest during the calendar years 1967 [through 1969] *through 1970* for which the diversion factor established pursuant to section 339(a) of the Agricultural Adjustment Act of 1938, as amended, is not less than 10 per centum, the total average rate of return per bushel made available to a cooperator on the estimated production of his allotment based on projected yield through loans, domestic marketing certificates, estimated returns from export marketing certificates, and diversion payments for acreage diverted pursuant to section 339(a) of the Agricultural Adjustment Act of 1938, as amended, shall not be less than the total average rate of return per bushel made available to cooperators through loans and domestic marketing certificates for the 1966 crop.

"(3) Price support shall be made available only to cooperators, and

"(4) A 'cooperator' with respect to any crop of wheat produced on a farm shall be a producer who (i) does not knowingly exceed (A) the farm acreage allotment for wheat on the farm or (B) except as the Secretary may by regulation prescribe, the farm acreage allotment for wheat on any other farm on which the producer shares in the production of wheat, and (ii) complies with the land-use requirements of section 339 of the Agricultural Adjustement Act of 1938, as amended, to the extent prescribed by the Secretary. No producer shall be deemed to have exceeded a farm acreage allotment for wheat if the production on the acreage in excess of the farm acreage allotment is stored pursuant to the provisions of section 379c(b), but the producer shall not be eligible to receive price support on the wheat so stored."

SEC. 516. Section 379e of the Agricultural Adjustment Act of 1938, as amended, is amended by adding at the end thereof the following: "Notwithstanding any other provision of this Act, Commodity Credit Corporation shall sell marketing certificates for the marketing

years for the [1966 through the 1969] *1966 through the 1970* wheat crops to persons engaged in the processing of food products at the face value thereof less any amount by which price support for wheat accompanied by domestic certificates exceeds $2 per bushel."

SEC. 517. Subsection (b) of section 379c of the Agricultural Adjustment Act of 1938 is amended by inserting immediately preceding the words "stored" wherever it appears, in the fourth through the sixth sentences, the words "delivered to the Secretary or", and by adding at the end thereof the following: "Any wheat delivered to the Secretary hereunder shall become the property of the United States and shall be disposed of by the Secretary for relief purposes in the United States or in foreign countries or in such other manner as he shall determine will divert it from the normal channels of trade and commerce. Notwithstanding any other provision of this Act, the Secretary may provide that a producer shall not be eligible to receive marketing certificates, or may adjust the amount of marketing certificates to be received by the producer, with respect to any farm for any year in which a variety of wheat is planted on the farm which has been determined by the Secretary, after consultation with State Agricultural Experiment Stations, agronomists, cereal chemists and other qualified technicians, to have undesirable milling or baking qualities and has made public announcement thereof."

TITLE VI—CROPLAND ADJUSTMENT

SEC. 601. The Soil Bank Act of 1956, as amended, is hereby repealed, except that it shall remain in effect with respect to contracts entered into prior to such repeal.

SEC. 602. (a) Notwithstanding any other provision of law, for the purpose of reducing the costs of farm programs, assisting farmers in turning their land to nonagricultural uses, promoting the development and conservation of the Nation's soil, water, forest, wildlife, and recreational resources, establishing, protecting, and conserving open spaces and natural beauty, the Secretary of Agriculture is authorized to formulate and carry out a program during the calendar years 1965 [through 1969] *through 1970* under which agreements would be entered into with producers as hereinafter provided for periods of not less than five nor more than ten years. No agreement shall be entered into under this section concerning land with respect to which the ownership has changed in the three-year period preceding the first year of the agreement period unless the new ownership was acquired by will or succession as a result of the death of the previous owner, or unless the new ownership was acquired prior to January 1, 1965, under other circumstances which the Secretary determines, and specifies by regulation, will give adequate assurance that such land was not acquired for the purpose of placing it in the program: *Provided*, That this provision shall not be construed to prohibit the continuation of an agreement by a new owner after an agreement has once been entered into under this section: *Provided further*, That the Secretary shall not require a person who has operated the land to be covered by an agreement under this section for as long as three years preceding the date of the agreement and who controls the land for the agreement period to own the land as a condition of eligibility for entering into the agreement. The foregoing provision shall not prevent a producer

from placing a farm in the program if the farm was acquired by the producer to replace an eligible farm from which he was displaced because of its acquisition by any Federal, State, or other agency having the right of eminent domain.

(b) The producer shall agree (1) to carry out on a specifically designated acreage of land on the farm regularly used in the production of crops (including crops, such as tame hay, alfalfa, and clovers, which do not require annual tillage and which have been planted within five years preceding the date of the agreement), hereinafter called "designated acreage", and maintain for the agreement period practices or uses which will conserve soil, water, or forest resources, or establish or protect or conserve open spaces, natural beauty, wildlife or recreational resources, or prevent air or water pollution, in such manner as the Secretary may prescribe (priority being given to the extent practicable to practices or uses which are most likely to result in permanent retirement to noncrop uses); (2) to maintain in conserving crops or uses or allow to remain idle throughout the agreement period the acreage normally devoted to such crops or uses; (3) not to harvest any crop from or graze the designated acreage during the agreement period, unless the Secretary, after certification by the Governor of the State in which such acreage is situated of the need for grazing or harvesting of such acreage, determines that it is necessary to permit grazing or harvesting in order to alleviate damage, hardship, or suffering caused by severe drought, flood, or other natural disaster, and consents to such grazing or harvesting subject to an appropriate reduction in the rate of payment; and (4) to such additional terms and conditions as the Secretary determines are desirable to effectuate the purposes of the program, including such measures as the Secretary may deem appropriate to keep the designated acreage free from erosion, insects, weeds, and rodents. Agreements entered into under which 1966 is the first year of the agreement period (A) shall require the producer to divert from production all of one or more crops designated by the Secretary; and (B) shall not provide for diversion from the production of upland cotton in any county in which the county committee by resolution determines, and requests of the Secretary, that there should not be such diversion in 1966.

(c) Under such agreements the Secretary shall (1) bear such part of the average cost (including labor) for the county or area in which the farm is situated of establishing and maintaining authorized practices or uses on the designated acreage as the Secretary determines to be necessary to effectuate the purposes of the program, but not to exceed the average rate for comparable practices or uses under the agricultural conservation program, and (2) make an annual adjustment payment to the producer for the period of the agreement at such rate or rates as the Secretary determines to be fair and reasonable in consideration of the obligations undertaken by the producers. The rate or rates of annual adjustment payments as determined hereunder may be increased by an amount determined by the Secretary to be appropriate in relation to the benefit to the general public of the use of the designated acreage if the producer further agrees to permit, without other compensation, access to such acreage by the general public, during the agreement period, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations. The Secretary and the producer may agree that the annual

adjustment payments for all years of the agreement period shall be made either upon approval of the agreement or in such installments as they may agree to be desirable: *Provided*, That for each year any annual adjustment payment is made in advance of performance, the annual adjustment payment shall be reduced by 5 per centum. The Secretary may provide for adjusting any payment on account of failure to comply with the terms and conditions of the program.

(d) The Secretary shall, unless he determines that such action will be inconsistent with the effective administration of the program, use an advertising and bid procedure in determining the lands in any area to be covered by agreements. The total acreage placed under contract in any county or local community shall be limited to a percentage of the total eligible acreage in such county or local community which the Secretary determines would not adversely affect the economy of the county or local community. In determining such percentage the Secretary shall give appropriate consideration to the productivity of the acreage being retired as compared to the average productivity of eligible acreage in the county or local community.

(e) The annual adjustment payment shall not exceed 40 per centum of the estimated value, as determined by the Secretary, on the basis of prices in effect at the time the agreement is entered into, of the crops or types of crops which might otherwise be grown. The estimated value may be established by the Secretary on a county, area, or individual farm basis as he deems appropriate.

(f) The Secretary may terminate any agreement with a producer by mutual agreement with the producer if the Secretary determines that such termination would be in the public interest, and may agree to such modification of agreements as he may determine to be desirable to carry out the purposes of the program or facilitate its administration.

(g) Notwithstanding any other provision of law, the Secretary of Agriculture may, to the extent he deems it desirable, provide by appropriate regulations for preservation of cropland, crop acreage, and allotment history applicable to acreage diverted from the production of crops in order to establish or maintain vegetative cover or other approved practices for the purpose of any Federal program under which such history is used as a basis for an allotment or other limitation or for participation in such program. Subsections (b) (3) and (4) and (e)(6) of section 16 of the Soil Conservation and Domestic Allotment Act, as amended, are repealed, except that all rights accruing thereunder to persons who entered into contracts or agreements prior to such repeal shall be preserved.

(h) In carrying out the program, the Secretary shall utilize the services of local, county, and State committees established under section 8 of the Soil Conservation and Domestic Allotment Act, as amended.

(i) For the purpose of obtaining an increase in the permanent retirement of cropland to noncrop uses the Secretary may, notwithstanding any other provision of law, transfer funds available for carrying out the program to any other Federal agency or to States or local government agencies for use in acquiring cropland for the preservation of open spaces, natural beauty, the development of wildlife or recreational facilities, or the prevention of air or water pollution under terms and conditions consistent with and at costs not greater than those under agreements entered into with producers, provided

the Secretary determines that the purposes of the program will be accomplished by such action.

(j) The Secretary also is authorized to share the cost with State and local governmental agencies in the establishment of practices or uses which will establish, protect, and conserve open spaces, natural beauty, wildlife or recreational resources, or prevent air or water pollution under terms and conditions and at costs consistent with those under agreements entered into with producers, provided the Secretary determines that the purposes of the program will be accomplished by such action.

(k) In carrying out the program, the Secretary shall not during any of the fiscal years ending June 30, 1966 through June 30, [1968] *1969* or during the period June 30, [1968] *1969* through December 31, [1969,] *1970*, enter into agreements with producers which would require payments to producers in any calendar year under such agreements in excess of $225,000,000 plus any amount by which agreements entered into in prior fiscal years require payments in amounts less than authorized for such prior fiscal years. For purposes of applying this limitation, the annual adjustment payment shall be chargeable to the year in which performance is rendered regardless of the year in which it is made.

(l) The Secretary is authorized to utilize the facilities, services, authorities, and funds of the Commodity Credit Corporation in discharging his functions and responsibilities under this program, including payment of costs of administration: *Provided*, That after December 31, 1966, the Commodity Credit Corporation shall not make any expenditures for carrying out the purposes of this title unless the Corporation has received funds to cover such expenditures from appropriations made to carry out the purposes of this title. There are hereby authorized to be appropriated such sums as may be necessary to carry out the program, including such amounts as may be required to make payments to the Corporation for its actual costs incurred or to be incurred under this program.

(m) In case any producer who is entitled to any payment or compensation dies, becomes incompetent, or disappears before receiving such payment or compensation, or is succeeded by another who renders or completes the required performance, the payment or compensation shall, without regard to any other provisions of law, be made as the Secretary may determine to be fair and reasonable in all the circumstances and so provide by regulations.

(n) The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers, including provision for sharing, on a fair and equitable basis, in payments or compensation under this program.

(o) The acreage on any farm which is diverted from the production of any commodity pursuant to an agreement hereafter entered into under this title shall be deemed to be acreage diverted from that commodity for the purposes of any commodity program under which diversion is required as a condition of eligibility for price support.

(p) The Secretary may, without regard to the civil service laws, appoint an Advisory Board on Wildlife to advise and consult on matters relating to his functions under this title as he deems appropriate. The Board shall consist of twelve persons chosen from members of wildlife organizations, farm organizations, State game and

fish agencies, and representatives of the general public. Members of such Advisory Board who are not regular full-time employees of the United States shall not be entitled to any compensation or expenses.

(q) The Secretary shall prescribe such regulations as he determines necessary to carry out the provisions of this title.

TITLE VII—MISCELLANEOUS

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SEC. 703. Subsection (a) of section 316 of the Agricultural adjustment Act of 1938, as amended, is amended (i) by striking out of the first sentence thereof "1962, 1963, 1964, and 1965," and inserting "1962 [through 1969"] *through 1970* and (ii) by striking out of the last sentence thereof "1964 or 1965" and inserting "1964 [through 1969".] *through 1970".*

Notwithstanding the provisions of subsection 316(c) and subsection 317(f) relating to lease and transfer of allotments for years subsequent to 1965, of the Agricultural Adjustment Act of 1938, as amended, whenever acreage-poundage quotas are in effect for any kind of tobacco as provided in section 317 of the Act, except in the case of burley tobacco, and other kinds of tobacco not subject to section 316, the lease and transfer shall be on a pound for pound basis and the acreage allotment for the lessee farm shall be increased by an amount determined by dividing the number of pounds leased by the farm yield for the lessee farm, and the acreage allotment for the lessor farm shall be reduced by an amount determined by dividing the number of pounds leased by the farm yield for the lessor farm.

SEC. 704. The last paragraph of the Act enitled "An Act to amend the peanut marketing quota provisions of the Agricultural Adjustment Act of 1938, as amended, and for other purposes", approved August 13, 1957 (7 U.S.C. 1359 note), is amended to read as follows:

"This amendment shall be effective for the 1957 [through 1969] *through 1970* crops of peanuts."

TITLE VIII—RICE

SEC. 801. Section 353(c) of the Agricultural Adjustment Act of 1938, as amended, is amended by adding the following new paragraph at the end thereof:

"(7) If the national acreage allotment for rice for 1966, 1967, 1968, [or 1969] *1969, or 1970* is less than the national acreage allotment for rice for 1965, the Secretary shall formulate and carry out an acreage diversion program for rice for such year designed to support the gross income of rice producers at a level not lower than that for 1965, minus any reduction in production costs resulting from the reduced rice acreage. Under such program conservation payments shall be made to producers who comply with their rice acreage allotments, devote to an approved conservation use an acreage of cropland on the farm equal to the number of acres determined by multiplying the farm acreage allotment by the diversion factor, and comply with such additional terms and conditions as the Secretary may prescribe. The diversion factor shall be determined by dividing the number of acres by which the national acreage allotment is reduced below

the national acreage allotment for 1965 by the number of acres in the national acreage allotment. Notwithstanding the foregoing provisions, the Secretary may permit all or any part of such diverted acreage to be devoted to the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, and flaxseed, if he determines that such production is not likely to increase the cost of the price-support program and will not adversely affect farm income, subject to the condition that payment with respect to diverted acreage devoted to any such crops shall be at a rate determined by the Secretary to be fair and reasonable, taking into consideration the use of such acreage for the production of such crops; but in no event shall the payment exceed one-half the rate which otherwise would be applicable if such acreage were devoted to conservation uses. Such program shall require the producer to take such measures as the Secretary may deem appropriate to keep such diverted acreage free from erosion, insects, weeds, and rodents. The Secretary may make not to exceed 50 per centum of any payments to producers in advance of determination of performance. The Secretary shall provide for the sharing of payments under this paragraph among producers on the farm on a fair and equitable basis as determined by the Secretary. The Commodity Credit Corporation is authorized to utilize its capital funds and other assets for the purpose of making the payments authorized in this paragraph and to pay administrative expenses necessary in carrying out this paragraph."

○

Union Calendar No. 550

90TH CONGRESS
2D SESSION

H. R. 17126

[Report No. 1374]

IN THE HOUSE OF REPRESENTATIVES

MAY 8, 1968

Mr. POAGE introduced the following bill; which was referred to the Committee on Agriculture

MAY 10, 1968

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

---

A BILL

To amend the Food and Agriculture Act of 1965.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Food and Agriculture Act of 1965 is extended—

(1) by striking out "through 1969" wherever it appears and substituting "through 1970";

(2) by striking out "1966, 1967, 1968, and 1969" wherever it appears and substituting "1966 through 1970";

(3) by striking out "1969" in sections 103 and 201 and substituting "1970";

(4) by striking out "1967, 1968, and 1969" in

section 402 (b) and substituting "1967 through 1970";

(5) by striking out "1970" in section 404 and substituting "1971";

(6) by striking out "1966 through the 1969" in section 516 and substituting "1966 through the 1970";

(7) by striking out "1968" and "1969" wherever they appear in section 602 (k) and substituting "1969" and "1970", respectively; and

(8) by striking out "or 1969" in section 801 and substituting "1969, or 1970".

Union Calendar No. 550

90TH CONGRESS
2D SESSION

H. R. 17126

[Report No. 1374]

A BILL

To amend the Food and Agriculture Act of 1965.

By Mr. POAGE

MAY 8, 1968

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DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued May 14, 1968
For actions of May 13, 1968
90th-2nd; No. 81

CONTENTS

HOUSE

1. RECLAMATION. Passed, 295-18, without amendment S. 3033, to authorize the appropriation of $59 million for fiscal years 1969 and 1970 to continue the work in the Missouri River Basin by Interior. This bill will now be sent to the President. pp. H3687-90

2. HIGHWAY SAFETY. Both Houses received from the President the first annual report on the administration of the Highway Safety Act of 1966 (H. Doc. 311); to Public Works Committees. pp. H3686, S5370

3. MOTOR VEHICLE SAFETY. Both Houses received from the President the first annual report on the National Traffic and Motor Vehicle Saftey Act of 1966 (H. Doc. 310); to Commerce Committees. pp. H3686-7, S5370

4. STRAWBERRY FESTIVAL. Rep. Edmondson commented on the events at the 21st Annual Strawberry Festival at Stilwell, Okla. pp. H3685-6

5. TAX-EXPENDITURES. Rep. Curtis announced his intention to discuss in "some detail" on May 14 the tax increase and expenditure cut bill. He stated "it becomes a real question whether simply transferring purchasing power from the private sector to the governmental sector through a tax increase without a sincere effort on the part of the Johnson administration to cut-back its expenditures will really do the job" of controlling inflation. p. H3686

Rep. Ashbrook in opposing the tax increase advised, "cut expenditures, implement economies at all levels of Government, fight inflation, and instill confidence in the dollar..." pp. H3700-2

6. OPINION POLLS. Rep. Smith, Okla., inserted a questionnaire he will send to his District (pp. H3696-7) and Rep. Johnson., inserted the results of a questionnaire including items of interest to this Department (pp. H3708-9).

7. EXPORT-IMPORT BANK. Received from the President "a determination that it is in the national interest for the Export-Import Bank to extend guarantees, insurance, credits, and to participate in the extension of credits in connection with any transaction involving the exportation of U.S. products and services to Yugoslavia, pursuant to the provisions of section 2(b)(2) of the Export-Import Bank Act of 1945." p. H3711

8. PROPERTY. Received from USIA a report on the activities under section 401, Federal Property and Administrative Services Act of 1949. p. H3711

9. CCC. Received GAO report "on the opportunity to reduce costs by accelerating the disposal of unneeded storage structures of the Commodity Credit Corporation." p. H3711

10. FARM PROGRAM. The committee report on H.R. 17126, to amend the Food and Agriculture Act of 1965, contains the following statement and summary of the bill:

"The administration asked that the Food and Agriculture Act of 1965 be made permanent. However, the committee recommends it be extended only 1 yea[r] The very worthwhile and salutory effects of the act on American agriculture must nevertheless be measured against the needs of the Nation in other areas While it was considered desirable to act at the earliest to stabilize the

American farmer's future, it is nevertheless important to reserve to the Congress the responsibility of periodic review of farm policy.

"With the Nation's economic conditions in their present state; with our current balance of trade, to which agriculture has contributed favorably; and with the involvement of the Nation overseas, the committee felt justified only in a 1-year extension.

"The committee feels that a 1-year extension will give the new Congress and a new administration adequate time to enact amendments to the present program or to develop alternatives that will improve the economic status of American agriculture.

"The main problem in American agriculture remains one of over-capacity. This capacity will some day be necessary to feed the unborn millions. In the meantime it is felt that this basic legislation must continue in order to preserve and to maintain the farm economy of this country against its future needs".

The committee report lists the following provisions of H.R. 17126:

"(1) Extend the class I dairymen's base plan through December 31, 1970;

"(2) Extend the voluntary feed grain program through the 1970 crop;

"(3) Extend the present cotton legislation through the 1970 crop;

"(4) Extend present wheat certificate legislation through the 1970 crop;

"(5) Extend present wool legislation through December 31, 1970;

"(6) Extend the cropland adjustment program through December 31, 1970;

"(7) Extend the exemption of boiled peanuts from marketing quotas and acreage allotments through the 1970 crop;

"(8) Extend lease and transfer authority for certain types of tobacco through the 1970 crop."

SENATE

11. RESEARCH. The Aeronautical and Space Sciences Committee voted to report (but did not actually report) with amendments H.R. 15856, fiscal 1969 authorizations for the National Aeronautics and Space Administration. The "Daily Digest" states, "as approved by the committee, the bill would authorize a total of $4,150,560,000." p. D425

12. EXPORTS. Received from a subcommittee of the Small Business Committee a report "Log-Exporting Problems" (S. Rept. 1118). p. S5371

13. ROADBED EROSION. Sen. Hart was added as a cosponsor of S. 2040, to prevent roadbed erosion. p. S5378

14. COFFEE. Sen. Sparkman announced that the Foreign Relations Committee has scheduled a hearing on the International Coffee Agreement, 1968 at 10 a.m., on Tues., May 28. p. S5378

15. CREDIT UNIONS. Sen. Proxmire announced that a subcommittee on the Banking and Currency Committee will hold a hearing on various Federal Credit Union Act bills on May 23. p. S5378

16. EDUCATION. Sen. Jordan inserted the text of the remarks the President made at the White House last week reviewing the history of vocational education legislation. p. S5380
    Sen. McGee praised a USDA teaching guide called cooperatives in Agri-business which "meets a real need for teaching material on cooperatives and their place in our private enterprise system." p. S5385

17. RECREATION. Sen. Hayden stated that the cooperative activity between the Forest Service and the State of Arizona in establishing fishing lakes where they are needed "is of vast benefit" to the State. pp. S5380-1

18. RURAL PROGRAMS. Sen. Byrd, W.Va., stated that programs to make emigration to rural areas attractive are needed and inserted an editorial showing a recent poll indicates that a majority of Americans would prefer to live in the country instead of the city. p. S5381

19. OCEANOGRAPHY. Sen. Fong hailed the proposed International Decade of Ocean Exploration and encouraged Hawaii as the headquarters site for IDOE. pp. S5382-3

20. SUPPLEMENTAL APPROPRIATIONS. Sen. Holland advised that a conference has been set for Thurs., May 16, on the emergency supplemental bill and urged all conferees to be present. p. S5404

21. FOREIGN CURRENCIES. Sen. Hayden inserted the report of the Judiciary Committee concerning foreign currencies used by it in connection with foreign travel. pp. S5395-6

22. RAT CONTROL. Sen. Kennedy, Mass., emphasized the "need to fund and to pursue effective programs to meet the rat problem" and inserted an article, "Rats, People, and Politics." pp. S5389-90

EXTENSION OF REMARKS

23. OPINION POLL. Reps. Dellenback and Reid, Ill., inserted the results of a questionnaire, including items of interest to this Department. pp. E4123, E4134

24. GRAIN. Rep. Findley inserted the text of his letter requesting this Department "to investigate monopoly conditions and program corn and Red Winter wheat under Public Law 480." p. E4142

25. SUGAR QUOTAS. Rep. Poage announced that the planned informal hearings on revision of U.S. sugar quotas have been postponed until the completion of action on the bill to extend Public Law 480. p. E4145

90TH CONGRESS
2D SESSION

S. 3590

IN THE SENATE OF THE UNITED STATES

JUNE 6, 1968

Mr. ELLENDER introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

A BILL

To extend and improve legislation for maintaining farm income, stabilizing prices and assuring adequate supplies of agricultural commodities.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Act of 1968".

TITLE I—DAIRY

EXTENSION OF CLASS I—BASE PLAN AUTHORITY

SEC. 101. The class I dairymen's base plan is extended by striking out section 103 of the Food and Agriculture Act of 1965.

II

TITLE II—FEED GRAINS

EXTENSION OF CURRENT PROGRAM AUTHORITY

SEC. 201. The feed grain program is extended by striking out "1966 through 1969 crops" wherever it appears and substituting "1966 through 1973 crops" in the following provisions of law:

(1) Section 105(e) of the Agricultural Act of 1949, as amended.

(2) Section 16(i) of the Soil Conservation and Domestic Allotment Act, as amended.

AUTHORITY FOR PAYMENTS IN CASH OR KIND

SEC. 202. Effective beginning with the 1969 crop, section 105(e) of the Agricultural Act of 1949, as amended, is amended by adding at the end thereof the following: "Notwithstanding any other provision of this subsection and section 16(i) of the Soil Conservation and Domestic Allotment Act, as amended, price support payments and diversion payments may be made in cash or in kind for the 1969 through 1973 crops of feed grains. Payment-in-kind certificates which the Commodity Credit Corporation acquired under the price support and diversion programs for feed grains through the 1968 crop in assisting producers in the marketing of such certificates and which are still on hand on September 30, 1969, shall not be marketed and shall be canceled."

TITLE III—COTTON

EXTENSION OF AUTHORITY FOR ALLOTMENT TRANSFERS, EXPORT MARKET ACREAGE, AND DOMESTIC ALLOTMENT

SEC. 301. The Agricultural Adjustment Act of 1938, as amended, is amended—

(1) By striking out "1966, 1967, 1968, and 1969" in section 344a (a) and inserting "1966 through 1973".

(2) By striking out "the 1966, 1967, 1968, and 1969 crops" in the first sentence of subsection (e) of section 346 and substituting "the 1966 through 1973 crops".

(3) By striking out "the 1966, 1967, 1968, and 1969 crops" in section 350 and substituting "the 1966 through 1973 crops".

EXTENSION OF AUTHORITY FOR PRICE SUPPORT AND DIVERSION PAYMENTS, LEASE OF ACREAGE NOT DIVERTED, AND EXTENSION OF CCC RESALE PRICE PROVISION

SEC. 302. Effective beginning with the 1969 crop, the Agricultural Act of 1949, as amended, is amended—

(1) By amending paragraph (1) of section 103 (d) by striking out "the 1966, 1967, 1968, and 1969 crops" and substituting "the 1966 through 1973 crops".

(2) By striking out the first sentence in paragraph (6)

of section 103 (d) and substituting the following: "Where the farm operator elects to participate in the diversion program authorized in this subsection and no acreage is planted to cotton on the farm, diversion payments shall be made at the applicable rate or rates established under paragraph (4) on the quantity of cotton determined by multiplying that part of the farm acreage allotment diverted under the program by the projected farm yield, and the remainder of such allotment may be leased under the provision of section 344a of the Agricultural Adjustment Act of 1938, as amended, subject to the conditions of that section, or may be released under the provisions of section 344 (m) (2) of such Act. Such lease or release shall not result in reduction of the acreage eligible for diversion under this paragraph."

(3) By striking out "July 31, 1970" in the next to last sentence of section 407 and substituting "July 31, 1974".

EXTENSION OF CURRENT DEFINITION OF COOPERATOR

SEC. 303. Section 402 (b) of the Food and Agriculture Act of 1965 is amended by striking out "1966 through 1969 crops" and substituting "1966 through 1973 crops", and by striking out "1967, 1968, and 1969 crops" and substituting "1967 through 1973 crops".

EXPANSION OF ALLOTMENT TRANSFER AUTHORITY

SEC. 304. Section 344a of the Agricultural Adjustment Act of 1938, as amended, is amended—

(1) By striking out in subsection (a) the following: "(excluding that part of the allotment which the Secretary determines was apportioned to the farm from the national acreage reserve)".

(2) By striking out the last sentence in subsection (b).

EXPORT MARKET ACREAGE

SEC. 305. Section 346 (e) of the Agricultural Adjustment Act of 1938, as amended, is amended—

(1) By striking out in the third sentence thereof "For each subsequent crop—" and substituting "For the 1967 and 1968 crops—".

(2) By inserting after the table in the third sentence thereof, the following: "For the 1969 through 1973 crops the national export market acreage reserve shall be an amount prescribed by the Secretary, not to exceed 250,000 acres."

(3) By striking out in the tenth sentence thereof "of all cotton produced on such farm for such year" and substituting "of a quantity of cotton equal to the quantity of all cotton produced on such farm for such year".

TITLE IV—WHEAT

EXTENSION OF CURRENT WHEAT PROGRAM

SEC. 401. The wheat program is extended—

(1) By striking out "the calendar years 1964

through 1969" in amendment (7) of section 202 of the Agricultural Act of 1964, as amended by amendment (1) of section 505 of the Food and Agriculture Act of 1965, and substituting "1964 through 1973 calendar years".

(2) By striking out "the calendar years 1965 through 1969" in amendment (13) of section 202 of the Agricultural Act of 1964, as amended by amendment (2) of section 505 of the Food and Agriculture Act of 1965, and substituting "1965 through 1973 calendar years".

(3) By striking out "the calendar years 1964 through 1969" in section 204 of the Agricultural Act of 1964, as amended by amendment (3) of section 505 of the Food and Agriculture Act of 1965, and substituting "1964 through 1973 calendar years".

(4) By striking out "the calendar years 1966 through 1969" in section 332 (d) of the Agricultural Adjustment Act of 1938, as amended, and substituting "1966 through 1973 calendar years".

(5) By striking out "the calendar years 1964 through 1969" in section 339 (b) of the Agricultural Adjustment Act of 1938, as amended, and substituting "1964 through 1973 calendar years".

(6) By striking out "the calendar years 1966

through 1969" wherever they appear in section 502 of the Food and Agriculture Act of 1965, and substituting "1966 through 1973 calendar years".

(7) By striking out "1966 through 1969 crops" in section 506 of the Food and Agriculture Act of 1965, and substituting "1966 through 1973 crops".

PROJECTED FARM YIELD COMPUTATION

SEC. 402. Effective beginning with the 1969 crop, section 301 (b) (13) (K) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out "three calendar years" and substituting "five calendar years".

WHEAT ALLOTMENT COMPUTATION

SEC. 403. Effective beginning with the 1969 crop, section 332 (b) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out "owned by the Commodity Credit Corporation" and substituting "on hand in the United States".

COST OF WHEAT MARKETING CERTIFICATES TO PROCESSORS

SEC. 404. The last sentence of section 379e of the Agricultural Adjustment Act of 1938, as amended, is amended, effective beginning with the 1970 crop, to read as follows: "Notwithstanding any other provision of this Act, Commodity Credit Corporation shall sell marketing certificates for the marketing years for the 1970 through 1973 wheat

crops to persons engaged in the processing of food products at the lower of (1) the face value thereof or (2) $0.75 per bushel plus the amount by which the parity price for wheat as of the beginning of the marketing year for such crop as estimated by the Secretary not earlier than May 1 preceding the beginning of such marketing year exceeds the parity price as of July 1, 1969."

DATE FOR DETERMINING WHEAT SUPPORT PRICE

SEC. 405. Effective beginning with the 1969 crop, section 107 of the Agricultural Act of 1949, as amended, is amended by inserting in paragraph (1) (a) after the words "100 per centum of the parity price" the following: "as of the beginning of the marketing year as estimated by the Secretary not earlier than May 1 preceding the beginning of such marketing year,".

TITLE V—WOOL

EXTENSION OF WOOL ACT

SEC. 501. Section 703 of the National Wool Act of 1954, as amended, is extended by striking out "December 31, 1969" and substituting "December 31, 1973".

TITLE VI—CROPLAND ADJUSTMENT

EXTENSION OF CROPLAND ADJUSTMENT PROGRAM

SEC. 601. Section 602 of the Food and Agriculture Act of 1965 is amended—

(1) By striking out "the calendar years 1965 through 1969" in subsection (a) and substituting "1965 through 1973 calendar years".

(2) By striking out "during any of the fiscal years ending June 30, 1966 through June 30, 1968 or during the period June 30, 1968 through December 31, 1969" in subsection (k) and substituting "during any of the fiscal years ending prior to July 1, 1972, or during the period July 1, 1972, through December 31, 1973".

ADVISORY COMMITTEE EXPENSES

SEC. 602. Section 602 (p) of such Act is amended by striking out of the last sentence thereof the words "or expenses" and inserting "other than transportation expenses and per diem as provided by section 5703 (c) of title 5, United States Code".

TERMINATION OF AGREEMENTS

SEC. 603. Section 602 of such Act is amended by adding a new subsection (r) as follows: "(r) The Secretary may terminate agreements which are entered into with producers after the effective date of this subsection if he determines such action to be in the national interest and gives public notice in ample time to permit producers a reasonable opportunity to make arrangements to return their land to agricultural production."

TITLE VII—RICE

EXTENSION OF CONTINGENT RICE ACREAGE DIVERSION PROGRAM

SEC. 701. Section 353 (c) (7) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out "1966, 1967, 1968, or 1969" and substituting "1966 or any succeeding year up to and including 1973".

TITLE VIII—MISCELLANEOUS

EXTENSION OF TOBACCO ALLOTMENT LEASE AUTHORITY

SEC. 801. Section 316 (a) of the Agricultural Adjustment Act of 1938, as amended, is amended (i) by striking out of the first sentence thereof "1962 through 1969", and inserting "1962 through 1973" and (ii) by striking out of the last sentence thereof "1964 through 1969" and inserting "1964 through 1973".

RESTRICTION ON REDUCTION OF STATE AND COUNTY PROJECTED YIELDS

SEC. 802. Section 708 of the Food and Agriculture Act of 1965 is amended by adding at the end thereof the following: "The projected yield for any State or county for the 1969 and succeeding crops of any commodity shall not be less than 95 per centum of the yield established for such State or county for the preceding crop."

EXTENSION OF BOILED PEANUT EXEMPTION

SEC. 803. The last paragraph of the Act entitled "An Act to amend the peanut marketing quota provisions of the Agricultural Adjustment Act of 1938, as amended, and for other purposes," approved August 13, 1957 (7 U.S.C. 1359 note), is amended to read as follows: "This amendment shall be effective for the 1957 through 1973 crops of peanuts."

TITLE IX—MARKETING ORDERS

ADDITIONAL COMMODITIES SUBJECT TO MARKETING ORDERS

SEC. 901. Section 8c(2) of the Agricultural Adjustment Act of 1933, as amended, and as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is amended by inserting after the third sentence ending with the words "Southwest production area." the following: "Notwithstanding any of the commodity, product, area, or approval exceptions or limitations in the foregoing sentences hereof, any agricultural commodity or product (except canned or frozen products) thereof, or any regional or market classification thereof, shall be eligible for an order, exempt from any special approval required by the preceding sentences hereof, if after referendum of the affected producers of such commodity the Secretary finds that a ma-

jority of such producers voting in such referendum favor making such commodity or product thereof, or the regional or market classification thereof specified in the referendum, eligible for an order: *Provided, however,* That such referendum shall not be required for any commodity or product for which an order otherwise is authorized under the preceding sentences of this subsection (2) and for which no special approval or area limitation is specified therein."

ENFORCEMENT OF COLLECTIVE BARGAINING AS A PURPOSE OF THE ACT

SEC. 902. Section 2(3) of such Act is amended by inserting "such minimum prices and other terms and conditions for the acquisition of commodities by handlers as are provided for in section 8c(6)(J)," immediately after "establish and maintain".

COLLECTIVE BARGAINING FOR MILK PRICES

SEC. 903. Section 8c(5)(A) of such Act is amended by inserting "by collective bargaining in good faith (including provisions for the designation, by election of committees of producer representatives to bargain with handlers, or groups of handlers), or otherwise," after the phrase "method for fixing".

REGULATION OF SPECIES OR OTHER CLASSIFICATION

SEC. 904. Sections 8(c)(6) (A), (B), (C), (D), and (E) of such Act are amended by inserting ", species or

other classification" after the words "grade, size, or quality" wherever the latter words appear.

COLLECTIVE BARGAINING FOR COMMODITIES OTHER THAN MILK

SEC. 905. Section 8c (6) of such Act is further amended by adding the following at the end thereof:

"(J) Except with respect to cotton, wheat, corn, grain sorghums, barley, rye, oats, rice, forest products, soybeans, tobacco, and peanuts, and their products, providing a method for establishing by collective bargaining in good faith between producers and handlers (including provision for the designation by election of committees of producer representatives to bargain with handlers or groups of handlers), the minimum price or prices and other minimum terms and conditions under which any such commodity or product, or any grade, size, quality, variety, species, container, pack, use, disposition, or volume thereof may be acquired by handlers from producers or associations of producers: *Provided,* That no such minimum price or prices or other terms and conditions shall become effective unless agreed to by handlers who during the preceding marketing year acquired from producers at least 50 per centum of the commodity sold by producers which was produced in the production area subject to the order and unless thereafter approved by the Secretary of Agriculture: *Provided further,* That if the Secretary of Agri-

culture finds that the parity price of any such commodity, other than milk or its products, for which such minimum prices or other terms or conditions are to be established is not adequate in view of production costs, prices to consumers, and other economic conditions which affect market supply and demand for such commodity subject to such order (including any marketing limitation of the commodity otherwise provided by such order), the Secretary of Agriculture shall determine a price or prices for such commodity at such levels as he finds will insure a sufficient market supply of the commodity, reflect such factors, and be in the public interest, and such price or prices shall be used in lieu of the parity price for the purpose of section 2 of this title: *Provided further*, That the agency designated to administer provisions authorized under this subsection shall be a committee primarily composed of producers of the commodity: *And provided further*, That an order containing provisions authorized under this subsection shall also contain provisions authorized under section 8c (6) (K) or section 8c (7) (E), or both, if the Secretary of Agriculture finds that such combination of provisions is necessary to provide an equitable distribution of market opportunity and returns among producers.

"(K) With respect to orders providing for minimum prices on a classified use basis (i) providing for the payment to all producers or associations of producers of uniform minimum prices for the commodity or product marketed by them

(within their allotments, if any), irrespective of the use or disposition thereof, subject, however, to adjustments specified by the order, including but not limited to adjustments for place of production or delivery, grade, condition, size, weight, quality, or maturity, or any other adjustments found to be appropriate to provide equity among producers, and (ii) providing a method for making adjustments in payments as among handlers (including producers who are also handlers), to the end that the total sums paid by each handler shall equal the value of the commodity or product purchased or acquired by him at the classified use minimum prices fixed pursuant to such order."

PRODUCER ALLOTMENTS

SEC. 906. Section 8c (7) of such Act is amended by adding the following at the end thereof:

"(E) Notwithstanding any other provisions of this title—

"(1) allotting, or providing methods for allotting, the quantity of such commodity or product or any grade, size, or quality thereof, which each producer may be permitted to market or dispose of in any or all markets or use classifications during any specified period or periods on the basis of (i) the amount produced or marketed by such producer or produced on or marketed from the farm on which he is a producer in such prior period

as the Secretary of Agriculture determines to be representative, subject to such adjustment for abnormal conditions and other factors affecting production or marketing as the Secretary may determine, or (ii) the current quantities available for marketing by such producer, or (iii) any combination of (i) and (ii), to the end that the total allotment during any specified period or periods shall be apportioned equitably among producers. Allotments hereunder may be in terms of quantities or production from given acres or other production units. If the Secretary determines that such action will facilitate the administration of a marketing order hereunder and will not substantially impair the effective operation thereof he may fix, or provide a method for fixing, a minimum allotment applicable to producers and producers whose production does not exceed such minimum shall not be subject to the regulatory provisions of the order except as prescribed therein;

"(2) any producer for whom an allotment is established or refused under the authority of this subsection may obtain a review of the lawfulness of his allotment as prescribed by the order of the Secretary establishing the allotment and rules and regulations thereunder, which shall constitute the exclusive procedure for review thereof and section 8c(15)(A) of this title shall not apply

thereto. Under such order, rules or regulations any officers or employees of the Department or any committees or boards created or designated by the Secretary of Agriculture may be vested with authority to perform any or all functions in connection with such review proceedings including ruling thereon. Committees or boards created or designated for this purpose shall be deemed agencies of the Secretary within the meaning of subsection 8c (7) (C) and section 10 of this title. The ruling upon such review shall be final if in accordance with law. The producer may obtain a judicial review of such ruling in accordance with the provisions of section 8c (15) (B) of this title;

"(3) when allotments for producers are established under this subsection the order may contain provisions allotting or providing a method for allotting the quantity which any handler may handle so that any and all handlers will be limited as to any producer to the allotment established for such producer, and such allotment shall constitute an allotment fixed for each handler within the meaning of section 8a (5) of this title."

PRODUCER ADVISORY COMMITTEES

SEC. 907. Section 8c of such Act is amended by adding at the end thereof a new paragraph (20) as follows:

"(20) PRODUCER ADVISORY COMMITTEES.—The Sec-

retary of Agriculture may establish a producer advisory committee with respect to any commodity, or group of commodities, for which a marketing order is potentially authorized. Such committee shall be composed of producers of the commodity or commodities for which the committee is established. Such committees may be called on by the Secretary of Agriculture to provide advice and counsel with respect to the initiation of proceedings for the promulgation of a marketing agreement or marketing order for such commodity or commodities and may also formulate specific proposals for purposes of a public hearing concerning such a proposed marketing agreement or marketing order. The establishment of such a committee shall not, however, be deemed necessary to the initiation of any such proceeding to promulgate a marketing agreement or marketing order."

ASSESSMENTS AGAINST PRODUCERS

SEC. 908. Section 10(b)(2) of such Act is amended by adding at the end thereof a new subparagraph (iv) as follows:

"(iv) If the order contains provisions authorized by section 8c(6)(J) or section 8c(7)(E) it shall provide that the assessments payable by handlers under subsections (i) or (ii) shall initially be payable pro rata by the producers of the commodity to such handlers thereof, who shall be responsible for the collection there-

of from producers and payment to the authority or agency established under such order."

NOT TO SUPERSEDE OTHER LAWS

SEC. 909. Nothing in this title shall supersede the provisions of other statutes relating to marketing quotas, acreage allotments or limitations, or price support, with respect to agricultural commodities and no action taken or provisions in an order issued under this title shall be inconsistent with the provisions of such other statutes or actions taken by the Secretary of Agriculture under such other statutes.

90TH CONGRESS
2D SESSION

S. 3590

A BILL

Ti extend and improve legislation for maintaining farm income, stabilizing prices and assuring adequate supplies of agricultural commodities.

By Mr. ELLENDER

JUNE 6, 1968

Read twice and referred to the Committee on Agriculture and Forestry

EXECUTIVE COMMUNICATIONS, ETC.

The PRESIDING OFFICER laid before the Senate the following letters, which were referred as indicated:

Report of Overobligation of an Appropriation

A letter from the Administrator, Veterans' Administration, reporting, pursuant to law a violation which involved the appropriation 3660160 medical care, VA, for fiscal year 1966; to the Committee on Appropriations.

Report on Strategic and Critical Materials Stockpiling Program

A letter from the Director, Office of Emergency Planning, Executive Office of the President, transmitting, pursuant to law, the semiannual report to the Congress on the strategic and critical materials stockpiling program for the period July 1 to December 31, 1967 (with an accompanying report); to the Committee on Armed Services.

Report of Proposed Air National Guard Facilities Projects

A letter from the Deputy Assistant Secretary of Defense (Properties and Installations), transmitting, pursuant to law, a report of certain facilities projects proposed to be undertaken for the Air National Guard (with an accompanying report); to the Committee on Armed Services.

Proposed Transfer of Submarine "Cambrilla" to U.S. Submarine Veterans World War II–Texas, Inc.

A letter from the Assistant Secretary of the Navy, Installations and Logistics, transmitting, pursuant to law, a notice of the proposed transfer by the Navy of the submarine *Cabrilla* (AGSS0288) to the U.S. Submarine Veterans World War II–Texas, Inc. (with an accompanying paper); to the Committee on the Armed Services.

Report on Department of Defense Procurement From Small and Other Business Firms

A letter from the Assistant Secretary of Defense (Installations and Logistics) transmitting, pursuant to law, a report on Department of Defense procurement from small and other business firms for July 1967–March 1968 (with an accompanying report); to the Committee on Banking and Currency.

Reports of Comptroller General

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on the opportunity to improve U.S. balance of payments through an increased agricultural barter program, Department of Agriculture, Department of State, Department of the Treasury, Bureau of the Budget, dated May 29, 1968 (with an accompanying report); to the Committee on Government Operations.

A letter from the Acting Comptroller General of the United States, transmitting, pursuant to law, a report on the need to increase competition in procurements of anthracite coal by the U.S. Army for use in Europe, dated June 4, 1968 (with an accompanying report); to the Committee on Government Operations.

Padre Island National Seashore in the State of Texas

A letter from the Deputy Assistant Secretary of the Interior, transmitting a draft of proposed legislation to authorize the appropriation of funds for Padre Island National Seashore in the State of Texas, and for other purposes (with an accompanying paper); to the Committee on Interior and Insular Affairs.

Disposition of Funds Appropriated To Pay Judgments in Favor of the Seminole Tribe of Oklahoma

A letter from the Acting Secretary of the Interior, transmitting a draft of proposed legislation to provide for the disposition of funds appropriated to pay judgments in favor of the Seminole Tribe of Oklahoma in dockets Nos. 150 and 248 of the Indian Claims Commission, and for other purposes (with accompanying papers); to the Committee on Interior and Insular Affairs.

Feasibility Investigations of Certain Water Resource Developments

A letter from the Assistant Secretary of the Interior, transmitting a draft of proposed legislation to authorize the Secretary of the Interior to engage in feasibility investigations of certain water resource developments (with accompanying papers); to the Committee on Interior and Insular Affairs.

Third Preference and Sixth Preference Classifications for Certain Aliens

A letter from the Commissioner, Immigration and Naturalization Service, Department of Justice, transmitting, pursuant to law, reports relating to third preference and sixth preference and classifications for certain aliens (with accompanying papers); to the Committee on the Judiciary.

Admission Into the United States of Certain Defector Aliens

A letter from the Commissioner, Immigration and Naturalization Service, Department of Justice, transmitting, pursuant to law, copies of orders entered granting admission into the United States of certain defector aliens (with accompanying papers); to the Committee on the Judiciary.

Temporary Admission Into the United States of Certain Aliens

A letter from the Commissioner, Immigration and Naturalization Service, Department of Justice, transmitting, pursuant to law, copies of orders entered granting temporary admission into the United States of certain aliens (with accompanying papers); to the Committee on the Judiciary.

Suspension of Deportation of Certain Aliens

Two letters from the Commissioner, Immigration and Naturalization Service, United States Department of Justice, transmitting, pursuant to law, copies of orders suspending deportation of certain aliens, together with a statement of facts and pertinent provisions of law pertaining to each alien, and the reasons for ordering such suspension (with accompanying papers); to the Committee on the Judiciary.

Report of Joint Commission on Correctional Manpower and Training, Inc.

A letter from the Executive Director, Joint Commission on Correctional Manpower and Training, Inc., the second annual report of the Joint Commission, covering the period April 1, 1967 through March 31, 1968 (with an accompanying report); to the Committee on Labor and Public Welfare.

Report of Postmaster General

A letter from the Postmaster General of the United States, transmitting, pursuant to law, a cost ascertainment report for the fiscal year 1967 (with an accompanying report); to the Committee on Post Office and Civil Service.

PETITIONS AND MEMORIALS

Petitions, etc., were laid before the Senate, or presented, and referred as indicated:

By the PRESIDING OFFICER:

A resolution adopted by the board of supervisors, Madera County, Calif., praying for the enactment of legislation relating to the liberalization of the Social Security Act; to the Committee on Finance.

A resolution adopted by the board of supervisors, Yolo County, Calif., praying for the enactment of legislation relating to the liberalization of the Social Security Act; to the Committee on Finance.

The resolution of Clifford Yerks, Jr., of New York, N.Y., praying for the enactment of House bill 11308, relating to the National Endowment for the Arts; ordered to lie on the table.

A resolution adopted by the Virginia Grand Lodge of the Order of Sons of Italy in America, relating to Presidential appointments; ordered to lie on the table.

REPORT OF A COMMITTEE

The following report of a committee was submitted:

By Mr. TALMADGE, from the Committee on Agriculture and Forestry, without amendment:

H.R. 16674. An act to amend the Federal Farm Loan Act and the Farm Credit Act of 1933, as amended, to improve the capitalization of Federal intermediate credit banks and production credit associations, and for other purposes (Rept. No. 1166).

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. ELLENDER:

S. 3590. A bill to provide permanent legislation for maintaining farm income, stabilizing prices, and assuring adequate supplies of agricultural commodities; to the Committee on Agriculture and Forestry.

(See the remarks of Mr. ELLENDER when he introduced the above bill, which appear under a separate heading.)

By Mr. CARLSON:

S. 3591. A bill to amend the Internal Revenue Code of 1954 to compensate dealers for the amount of Federal excise tax paid on gasoline lost by leakage or spillage; to the Committee on Finance.

S. 3592. A bill for the relief of Dr. Ali A. K. Mebed; to the Committee on the Judiciary.

By Mr. JACKSON (by request):

S. 3593. A bill to designate the Mount Baldy Wilderness, the Pine Mountain Wilderness, and the Sycamore Canyon Wilderness within certain national forests in the State of Arizona; and

S. 3594. A bill to designate certain lands in the Island Bay, Cedar Keys, Passage Key National Wildlife Refuges in Florida, the Okefenokee National Wildlife Refuge in Georgia, and certain lands in the Petrified Forest National Park in Arizona as wilderness; to the Committee on Interior and Insular Affairs.

(See the remarks of Mr. JACKSON when he introduced the above bills, which appear under a separate heading.)

By Mr. McGOVERN:

S. 3595. A bill for the relief of Miguel Apaza; and

S. 3596. A bill for the relief of Lawrence W. Brink; to the Committee on the Judiciary.

By Mr. BREWSTER:

S. 3597. A bill for the relief of Yip Muk Kan, Chung Sit Chow, Pong Chun Siu, and Chan Siu Sin;

S. 3598. A bill for the relief of Stefanos Kampas; and

S. 3599. A bill for the relief of Dr. Camilo C. Balacuit, Jr., and his wife, Norma P. Balacuit; to the Committee on the Judiciary.

By Mr. MAGNUSON (by request):

S. 3600. A bill to repeal the laws authorizing limitation of shipowners' liability for personal injury or death;

S. 3601. A bill to amend the last sentence of section 201(b) of the Merchant Marine Act, 1936, and for other purposes;

S. 3602. A bill to limit the liability of shipowners, and for other purposes; and

S. 3603. A bill to amend section 502 of the Merchant Marine Act, 1936, relating to construction-differential subsidies; to the Committee on Commerce.

(See the remarks of Mr. MAGNUSON when he introduced the first three above-mentioned bills, which appear under separate headings.)

S. 3590—INTRODUCTION OF BILL TO BE KNOWN AS THE "AGRICULTURAL ACT OF 1968"—NOTICE OF HEARINGS

Mr. ELLENDER. Mr. President, I introduce a bill which extends the 1965 Food and Agriculture Act for 4 years except that title I, which authorizes a class I base plan for milk is extended on a permanent basis. The bill also includes title II of S. 2973, the so-called Farm Bargaining Act. A number of very minor changes are made in the 1965 act.

The Committee on Agriculture and Forestry also wishes to announce that hearings will be held on the Proposed Agricultural Act of 1968 beginning June 24, 1968.

Mr. President, I ask unanimous consent to place in the RECORD at this point a short explanation of the bill.

The PRESIDING OFFICER. The bill be received and appropriately referred; and, without objection, the explanation will be printed in the RECORD.

The bill (S. 3590) to provide permanent legislation for maintaining farm income, stabilizing prices, and assuring adequate supplies of agricultural commodities, introduced by Mr. ELLENDER, was received, read twice by its title, and referred to the Committee on Agriculture and Forestry.

The explanation, presented by Mr. ELLENDER, is as follows:

SENATE COMMITTEE ON AGRICULTURE AND FORESTRY—STAFF EXPLANATION OF THE PROPOSED AGRICULTURAL ACT OF 1968

This bill would—

(1) extend the authority for Class I milk base plans permanently;

(2) extend the other provisions of the Food and Agriculture Act of 1965 for four years, with minor amendments;

(3) amend the marketing order law in a number of respects, including provision for collective bargaining.

DEVELOPMENT OF BILL

The Committee held hearings on April 3, 4, 5, 8, 9, 10, and 24 on the Farm Program and Farm Bargaining. All witnesses who desired to be heard, including the Department of Agriculture, were heard. All proposals were considered carefully and the proposed Agricultural Act of 1968 was developed from those which appeared to have general support and constitute substantial improvement of the program.

TITLE-BY-TITLE OUTLINE

Title I extends authority for Class I *milk* base plans without change.

Title II extends the current *feed grain* program; permits payments in cash, as well as kind, and provides for cancellation of payment in kind certificates held by Commodity Credit Corporation on September 30, 1968.

Title III extends the current *cotton* program (including authority for transfer of allotments), but amends it—

(1) to permit farms that participate in the diversion program but plant no cotton to divert up to 35 percent of their original allotments and lease the balance;

(2) to permit transfer of that part of the allotment apportioned to the farm from the national acreage reserve;

(3) to repeal the requirement for filing allotment transfers between June 1 and December 31;

(4) to give the Secretary discretion as to the amount of export market acreage within the 250,000 acre maximum (rather than have it fixed by statute in relation to carry-over reduction); and

(5) to permit a producer having export market acreage to export other cotton in lieu of that grown on his farm.

Title IV extends the current *wheat* program with the following changes:

(1) To conform to the method of computing county projected yields, farm projected yields would be computed on a five-year (instead of three-year) base.

(2) The cost of certificates to processors could be increased above 75 cents by the amount by which the parity price increased over the parity price as of July 1, 1969.

(3) The support price announced as early as May 1 would not be subject to change because of difference between the actual July 1 parity price and that estimated by the Secretary.

Title V extends the National *Wool* Act of 1954 without change.

Title VI extends the *Cropland Adjustment Program* with changes—

(1) permitting payment of expenses to members of the Advisory Board on Wildlife; and

(2) permitting the Secretary unilaterally and after ample public notice to terminate future cropland adjustment contracts when such action is in the public interest.

Title VII extends the provision requiring a *rice* diversion program whenever the national acreage allotment is less than that for 1965.

Title VIII contains *miscellaneous* provisions—

(1) extending authority to lease tobacco allotments;

(2) restricting the reduction in State or county projected yields from year to year to not more than 5 percent; and

(3) extending the current exemption of peanuts for boiling from marketing quotas.

Title IX makes a number of *amendments of the marketing order law*. It is identical to title II of S. 2973, except for division into sections, insertion of section headings, and exception of cotton, wheat, corn, grain sorghums, barley, rye, oats, rice, forest products, soybeans, tobacco, and peanuts, and their products from collective bargaining provisions. It would—

(1) extend marketing order authority to any agricultural commodity or product thereof (except a canned or frozen product), and exempt any commodity or product from current exceptions and processor or other approval requirements, if the Secretary determines by referendum that a majority of the affected producers approve such extension;

(2) provide that where a milk marketing order provides a "method for fixing" minimum prices, that method will be by collective bargaining;

(3) provide for regulation of commodities other than milk by "species, or other classification" as well as "grade, size, or quality";

(4) authorize orders for commodities other than milk providing for establishing by collective bargaining minimum prices, terms and conditions (including above-parity prices);

(5) provide for producer allotments;

(6) provide for producer advisory committees; and

(7) provide for assessments against producers in the case of orders providing for bargaining or producer allotments.

S. 3593 AND S. 3594—INTRODUCTION OF BILLS RELATING TO WILDERNESS LEGISLATION

Mr. JACKSON. Mr. President, by request, I introduce, for appropriate reference, two bills recommended to Congress by President Johnson to designate eight new areas as part of the National Wilderness Preservation System.

One of these bills would designate the Mount Baldy Wilderness, the Pine Mountain Wilderness, and the Sycamore Canyon Wilderness in certain national forests in the State of Arizona.

The other proposal would designate certain lands under the jurisdiction of the Department of the Interior in Island Bay, Cedar Keys, and Passage Key National Wildlife Refuges in Florida, the Okefenokee National Wildlife Refuge in Georgia, and the Petrified Forest National Park, as part of the wilderness system.

The PRESIDING OFFICER. The bills will be received and appropriately referred.

The bills, introduced by Mr. JACKSON, by request, were received, read twice by their titles, and referred to the Committee on Interior and Insular Affairs, as follows:

S. 3593. A bill to designate the Mount Baldy Wilderness, the Pine Mountain Wilderness, and the Sycamore Canyon Wilderness within certain National Forests in the State of Arizona; and

S. 3594. A bill to designate certain lands in the Island Bay, Cedar Keys, Passage Key National Wildlife Refuges in Florida, the Okefenokee National Wildlife Refuge in Georgia, and certain lands in the Petrified Forest National Park in Arizona as wilderness.

S. 3600—INTRODUCTION OF BILL TO REPEAL LAWS AUTHORIZING LIMITATION OF SHIPOWNERS' LIABILITY FOR PERSONAL INJURY OR DEATH

Mr. MAGNUSON. Mr. President, I introduce, at the request of the Secretary of Commerce and the Secretary of Transportation, a bill to repeal the laws authorizing limitation of shipowners' liability for personal injury or death.

I ask unanimous consent that there be printed in the RECORD at the conclusion of my remarks the letter to the Vice President from the Secretary of Commerce and the Secretary of Transportation transmitting his proposed legislation.

The PRESIDING OFFICER. The bill will be received and appropriately referred; and without objection, the letter will be printed in the RECORD.

The bill (S. 3600) to repeal the laws authorizing limitation of shipowners' liability for personal injury or death, introduced by Mr. MAGNUSON, by request, was received, read twice by its title, and referred to the Committee on Commerce.

The letter, presented by Mr. MAGNUSON, is as follows:

THE SECRETARY OF TRANSPORTATION,
Washington, D.C., December 14, 1967.

Hon. HUBERT H. HUMPHREY,
President of the Senate,
U.S. Senate,
Washington, D.C.

DEAR MR. VICE PRESIDENT: We submit for the consideration of the Congress, a bill "To

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued June 19, 1968
For actions of June 18, 1968
90th-2nd; No. 104

CONTENTS

HIGHLIGHTS: House Rules Committee cleared farm bill and conference report on tax and expenditure-control bill. House passed bill to provide fringe benefits for ASC county committee employees. House committee voted to report school lunch bill. Senate subcommittee approved intergovernmental cooperation bill.

HOUSE

1. FARM PROGRAM. The Rules Committee reported a resolution for the consideration of H. R. 17126, to amend the Food and Agriculture Act of 1965. p. H5095

2. TAXATION; EXPENDITURES. The Rules Committee reported a resolution for the consideration of the conference report on H. R. 15414, the revenue and expenditure control bill. p. H5095

3. COUNTY COMMITTEES. Passed, 353-13, with amendments S. 1028, to extend certain benefits to former employees of county committees (pp. H5054-5, H5059-66). Rejected, 136-228, a motion by Rep. Derwinski to recommit the bill (pp. H5064-66). For provisions of the bill see Digest 83.

4. SCHOOL LUNCHES. The Education and Labor Committee voted to report (but did not actually report) H. R. 17873, amended, to amend the National School Lunch Act. p. D567

5. PERSONNEL. The Post Office and Civil Service Committee reported with amendment H. R. 13844, to grant time off for employees to arrange funerals of their children lost in hostile military action (H. Rept. 1560). p. H5095

6. WILDLIFE. The Rules Committee reported a resolution for the consideration of S. 322, to restrict the disposition of lands acquired as part of the national wildlife refuge system (H. Rept. 1564). p. H5095

7. RESEARCH. Concurred in Senate amendments to H. R. 15856, the NASA authorization bill (pp. H5052-3). This bill contains items for research, including that conducted in cooperation with this Department on earth resources satellites providing information on agriculture and forestry through remote sensing devices, including identification and analysis of crop species, soil types, crop conditions, environmental conditions, tree identification, forestry density, forest conditions, etc. This bill will now be sent to the President.

8. LANDS. Passed as reported H. R. 3306, to grant to the Pueblo de Taos Indians in New Mexico trust title to 50,000 acres of federally owned land which the United States took from the Indians without the payment of any compensation. pp. H5054-9

   Passed without amendment H. R. 17320, to authorize the Secretary of Agriculture to grant an easement over certain lands to the Saint Louis-San Francisco Railway Company. pp. H5050-1

9. HIGHWAYS. The Public Works Committee voted to report (but did not actually report) H. R. 17134, the 1970-1 highway authorization bill. p. D568

10. ECONOMY. Rep. Conte stated "a combination of events has brought us today to a critically dangerous financial position," which he said demanded "an immediate enactment of the tax increase--expenditure cuts and a continuation of our important social programs." He inserted several editorials on the subject. pp. H5071-5

11. CENSUS. Rep. Olsen called the "attacks" against the Census Bureau questions "unwarranted and ill-conceived." pp. H5075-82

90TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 1563

CONSIDERATION OF H.R. 17126

JUNE 18, 1968.—Referred to the House Calendar and ordered to be printed

Mr. SISK, from the Committee on Rules, submitted the following

REPORT

[To accompany H. Res. 1218]

The Committee on Rules, having had under consideration House Resolution 1218, report the same to the House with the recommendation that the resolution do pass.

85-008

House Calendar No. 268

90TH CONGRESS
2D SESSION

H. RES. 1218

[Report No. 1563]

IN THE HOUSE OF REPRESENTATIVES

JUNE 18, 1968

Mr. SISK, from the Committee on Rules, reported the following resolution; which was referred to the House Calendar and ordered to be printed

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RESOLUTION

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 17126) to amend the Food and Agriculture Act of 1965. After general debate, which shall be confined to the bill and shall continue not to exceed two hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Agriculture, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments

V

as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

House Calendar No. 268

90th CONGRESS
2d Session

H. RES. 1218

[Report No. 1563]

RESOLUTION

Providing for consideration of H.R. 17126 to amend the Food and Agriculture Act of 1965.

By Mr. Sisk

June 18, 1968

Referred to the House Calendar and ordered to be printed

Senate

July 10, 1968

10. ELECTRIFICATION; RECREATION. Reps. Goodling and Eshleman commended the Holtwood hydroelectric project on the Susquehanna River in Pa. as a great recreational potential. pp. H6307-8

11. FARM PROGRAM. Rep. Kleppe inserted a copy of his letter to House Members commending the farm bill and urging their "thoughtful consideration." p. H6308

12. FOREIGN AID. Rep. Gonzalez spoke in support of the President's foreign aid program. p. H6308

Rep. Matsunaga stated in considering the foreign aid bill the House should consider "the impact of the foreign aid program upon the peoples of developing nations" and inserted an article, "Still Much To Be Done in Agriculture Aid." pp. H6316-18

SENATE

13. APPROPRIATIONS. The Appropriations Committee reported with amendments July 9, during adjournment, H. R. 17023, the independent offices and HUD appropriation bill (S. Rept. 1375). p. S8342

A subcommittee of the Appropriations Committee approved for full committee consideration H. R. 18188, the Department of Transportation appropriation bill. p. D657

14. LANDS. Passed without amendment H. R. 16065, to direct the Secretary of Agriculture to release certain conditions in deeds conveying lands to Iowa (p. S8391). This bill will now be sent to the President.

The Interior and Insular Affairs Committee reported with amendments S. 1385, relating to the disposition by the Secretary of the Interior of moneys obtained from the sale of materials from public lands (S. Rept. 1376). p. S8342

The Agriculture and Forestry Committee voted to report (but did not actually report) the following bills: S. 3578, to authorize release of a condition in a deed conveying certain lands to S. C. (amended); S. 3687, to authorize release of a condition in a deed conveying certain lands to Ohio; and S. 3736, to authorize the sale to Central, N. Mex., of certain lands which were formerly part of the Fort Bayard Military Reservation. p. D656

Sen. Jackson announced a hearing on legislation dealing with Alaska native land claims will be held before the Interior and Insular Affairs Committee on Fri., July 12, in Room 3110, New Senate Office Building. p. S8346

15. WILDERNESS. Passed as reported S. 3502, to designate certain lands in the Seney, Huron Islands, and Michigan Islands National Wildlife Refuges in Michigan, the Gravel Island and Green Bay National Wildlife Refuges in Wisconsin, and the Moosehorn National Wildlife Refuge in Maine, as wilderness. pp. S8340-1

Passed as reported S. 3425, to designate certain lands in the Monomoy National Wildlife Refuge Barnstable County, Mass., as wilderness. pp. S8339-40

Passed as reported S. 3379, to designate certain lands in the Great Swamp National Wildlife Refuge, Morris County, N. J., as wilderness. p. S8339

Passed as reported S. 3343, to designate certain lands in the Pelican Island National Wildlife Refuge, Indian River County, Fla., as wilderness. pp. S8338-9

16. RECREATION. Passed without amendment H. R. 4739, to authorize the Secretary of the Interior to grant long term leases with respect to lands in the El Portal administrative site adjacent to Yosemite National Park, Calif. p. S8340

17. LOANS. Passed without amendment H. R. 15562, to continue for 2 years, through June 30, 1970, the Farmers Home Administration's authority to make loans to lessee-operators of farmland in the State of Hawaii (p. S8341). This bill will now be sent to the President.

18. DAIRY. Passed without amendment S. 3638, to extend for three years the authority of the Secretary of Agriculture to make indemnity payments to dairy farmers for milk required to be withheld from commercial markets because it contains residues of chemicals registered and approved for use by the Federal Government. p. S8338

19. ELECTRIFICATION. Passed as reported S. 2445, to amend the Federal Power Act to clarify the licensing authority of the Commission and the right of the U. S. to take over a project or projects upon or after the expiration of any license shall be exercised. pp. S8389-90

20. TRANSPORTATION. Concurred in House amendments to S. 3102, to postpone for two years the date on which passenger vessels operating solely on the inland rivers and waterways must comply with certain safety standards (pp. S8388-9). This bill will now be sent to the President.

21. NOMINATION. Confirmed the nomination of James H. McCrocklin to be Under Secretary of Health, Education, and Welfare. pp. S8337, S8404

22. FARM PROGRAM. The Daily Digest states that the "Committee on Agriculture and Forestry, in executive session, by a vote of 10 to 5, ordered reported without amendments S. 3590, extending and improving programs to maintain farm income, stabilize prices, and assure adequate supplies of agricultural commodities. As approved by the committee the bill would provide a four-year extension of the present farm program, including the class-I milk base program. Committee agreed to strike the title of the bill relative to farm bargaining." p. D656

Sen. Long, Mo., expressed hope that the Senate will act this year on this bill to "benefit all farmers in Missouri and across the Nation." pp. S8372-3

23. WATERSHEDS. The Agriculture and Forestry Committee approved plans for works of improvement on several watershed projects. p. D656

24. MANPOWER. The Labor and Public Welfare Committee voted to report (but did not actually report) S. 2938, to extend certain expiring provisions under the Manpower Development and Training Act of 1962, as amended. p. D657

25. HUNGER. The Labor and Public Welfare Committee voted to report (but did not actually report) S. Res. 281, to establish a Select Committee on Nutrition and Human Needs. p. D657

Daily Digest

HIGHLIGHTS

Senate passed 12 bills, including one on water pollution control and seven on calendar call.

House passed Housing and Urban Development Act of 1968.

Senate committee approved bill to extend present farm program for 4 years.

Senate

Chamber Action

Routine Proceedings, pages S 8337–S 8376

Bills Introduced: Eight bills and three resolutions were introduced, as follows: S. 3750–3757; S.J. Res. 187–188; and S. Res. 314. **Pages S 8342–S 8343, S 8346**

Bills Reported: Reports were made as follows:

H.R. 17023, fiscal 1969 appropriations for independent offices and the Department of Housing and Urban Development, with amendments (S. Rept. 1375)—reported July 9, after adjournment pursuant to prior authorization;

S. 1385, directing that 25 percent of gross revenues from sale of timber on public lands shall be paid to the appropriate counties for use for public schools and roads, with amendments (S. Rept. 1376); and

S. 2439, increasing the number of judges on the D.C. Court of General Sessions, and increasing salaries therefor, with amendments (S. Rept. 1377). **Page S 8342**

Calendar Call: On call of calendar Senate passed seven bills, as follows:

Without amendment and cleared for President:

Yosemite National Park: H.R. 4739, authorizing long-term leases on lands in the El Portal administrative site adjacent to Yosemite National Park, California; and

Hawaii leases: H.R. 15562, extending the act which authorizes loans by the Secretary of Agriculture on leasehold interests in Hawaii.

Without amendment and cleared for House:

Milk indemnities: S. 3638, extending authority for indemnity payments to dairy farmers who are directed to remove their milk from markets because it contains certain chemical residues.

With amendment and cleared for House:

Wilderness: S. 3343, to designate as wilderness certain lands in the Pelican Island National Wildlife Refuge, Florida;

Wilderness: S. 3379, to designate as wilderness certain lands in the Great Swamp National Wildlife Refuge, New Jersey;

Wilderness: S. 3425, to designate as wilderness certain lands in the Monomoy National Wildlife Refuge, Massachusetts; and

Wilderness: S. 3502, to designate as wilderness certain lands in Seney, Huron Islands, and Michigan Islands National Wildlife Refuges in Michigan, Gravel Island and Green Bay National Wildlife Refuges in Wisconsin, and Moosehorn National Wildlife Refuge, Maine. **Pages S 8338–S 8341**

FTC Injunctions: S. 3065, to amend the Federal Trade Commission Act by providing for temporary injunctions or restraining orders for certain violations of that act, was returned to calendar when Senate took up other legislation. **Pages S 8341–S 8342**

Highway Authorizations: Senate disagreed to House amendment to S. 3418, authorizing funds for the Federal-aid highway program for fiscal years 1970 and 1971, asked for conference with House, and appointed as conferees Senators Randolph, Gruening, Jordan of North Carolina, Bayh, Young of Ohio, Cooper, Fong, and Jordan of Idaho. **Pages S 8347–S 8352**

Air Transportation: Senator Cotton entered motion to reconsider action of Senate on Tuesday, July 9, in passing with committee amendment S. 3566, to amend the Federal Aviation Act of 1958 with respect to the definition of the term "supplemental air transportation." **Page S 8377**

Water Pollution: Senate passed (motion to reconsider tabled) with committee amendment (in the nature of a substitute) S. 3206, proposed Water Quality Improvement Act, after adopting the following amendments to the committee amendment, and an amendment to the title of the bill:

Muskie amendments of a technical corrective nature, en bloc; Muskie amendment respecting substitution of contract authority for reimbursement of States under

the 1966 act; and Muskie amendment to add a new section to control pollution from vessels within navigable waters of U.S. (text of S. 2525, S. Rept. 1371).

S. 2525 was indefinitely postponed. Pages S 8376–S 8388

FPC: Senate passed with committee amendments S. 2445, to establish guidelines for the Federal Power Commission in its licensing authority. Pages S 8389–S 8390

D.C.: H.R. 13402, authorizing use of certain buildings in the D.C. for chancery purposes, was passed without amendment, clearing bill for Presidential action. Pages S 8390–S 8391

Vessel Safety Standards: S. 3102, to postpone for 2 years the date on which passenger vessels operating solely on the inland rivers and waterways must comply with certain safety standards, was cleared for Presidential action when Senate concurred in House amendments thereto. Pages S 8388–S 8389

Public Lands—Iowa: Senate passed without amendment and cleared for Presidential action H.R. 16065, to release on behalf of the U.S. conditions in deeds conveying lands to the State of Iowa. Page S 8391

Public Lands—Iowa: S. 3495, to release restrictions on certain Iowa lands as a site for construction of the Iowa Law Enforcement Academy, was passed with committee amendments. Pages S 8391–S 8392

Mailing of Master Keys: Senate took up H.R. 14935, permitting Postmaster General to regulate the mailing of master keys for auto ignition switches. Pages S 8392–S 8393

Juvenile Delinquency: Senate insisted on its amendments to H.R. 12120, proposed Juvenile Delinquency Prevention and Control Act, agreed to hold conference requested by House, and appointed as conferees Senators Clark, Randolph, Nelson, Javits, and Prouty. Page S 8398

Printing: Letter from Secretary of Army transmitting report, dated June 3, 1968, from Chief of Engineers, Department of Army, on review of report on Miami Harbor, Fla., was received, referred to Committee on Public Works, and ordered to be printed as S. Doc. 93. Page S 8342

Printing: Letter from Secretary of Army transmitting report, dated June 3, 1968, from Chief of Engineers, Department of Army, on review of reports on Sergius and Whitestone Narrows, Alaska, was received, referred to Committee on Public Works, and ordered to be printed as S. Doc. 95. Page S 8342

Printing: Letter from Secretary of Army transmitting report, dated March 8, 1968, from Chief of Engineers, Department of Army, on review of reports on Big Sioux River in vicinity of Sioux City, Iowa, and North Sioux City, S. Dak., was received, referred to Committee on Public Works, and ordered to be printed as S. Doc. 94. Page S 8342

Printing: Letter from Secretary of Army transmitting report, dated May 3, 1968, from Chief of Engineers, Department of Army, on interim report on Wabash River and tributaries, Indiana, Illinois, and Ohio, was received, referred to Committee on Public Works, and ordered to be printed as S. Doc. 96. Page S 8342

Confirmation: Nomination of James H. McCrocklin, of Texas, to be Under Secretary of Health, Education, and Welfare, was confirmed. Page S 8404

Nominations: Numerous Army and Navy nominations were received. Pages S 8398–S 8404

Program for Thursday: Senate met at noon and adjourned at 2:59 p.m. until noon Thursday, July 11, when it will consider its unfinished business H.R. 14935, mailing of master auto keys, possibly to be followed by H.R. 3400, aircraft noise abatement. Page S 8398

Committee Meetings

(Committees not listed did not meet)

FARM PROGRAM

Committee on Agriculture and Forestry: Committee, in executive session, by a vote of 10 to 5, ordered reported without amendments S. 3590, extending and improving programs to maintain farm income, stabilize prices, and assure adequate supplies of agricultural commodities. As approved by the committee the bill would provide a four-year extension of the present farm program, including the class-1 milk base program. Committee agreed to strike the title of the bill relative to farm bargaining.

Committee also ordered reported S. 3578, authorizing release of a condition in a deed conveying certain lands to South Carolina (amended); S. 3687, authorizing release of a condition in a deed conveying certain lands to Ohio; and S. 3736, authorizing the sale to Central, New Mexico, of certain lands which were formerly part of the Fort Bayard Military Reservation.

Committee also approved the following watershed projects: Lower Big Swamp Creek, Ala.; Upper Big Swamp Creek, Ala.; Buttonwillow Water Management project, California; Head of Little Tennessee River (supplement), Georgia and North Carolina; Georgetown Creek, Idaho; Hurley Creek, S. Dak.; Darrs Creek, Tex.; and Willow Creek, Wis.

APPROPRIATIONS—DEFENSE

Committee on Appropriations: Subcommittee continued, in executive session, its hearings on fiscal 1969 budget estimates for the Defense establishment, receiving testimony on overall Defense Department research program from Dr. John S. Foster, Director of Defense Research and Engineering.

Hearings continue on Friday, July 12, to hear officials of various Defense Agencies.

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued July 12, 1968
For actions of July 11, 1968
90th-2nd; No. 119

CONTENTS

HIGHLIGHTS: House Rules Committee cleared food stamp bill. House committee reported bill to establish Commission on Hunger. House committee reported bill to implement International Coffee Agreement. Senate committee reported farm bill. Senate passed grain inspection bill. Both Houses agreed to conference report on Interior appropriation bill.

HOUSE

1. FOOD STAMPS. The Rules Committee reported a resolution for the consideration of H. R. 18249, the food stamp bill. p. H6435

2. HUNGER. The Education and Labor Committee reported with amendment H. R. 17144, to establish a Commission on Hunger (H. Rept. 1708). p. H6435

3. COFFEE. The Ways and Means Committee reported with amendment H. R. 18299, to carry out the obligations of the U. S. under the International Coffee Agreement, 1968 (H. Rept. 1704). p. H6435

4. EDUCATION. The Rules Committee reported a resolution for the consideration of H. R. 15067, the Higher Education Act amendments. p. H6435

5. PUBLIC WORKS. The Public Works Committee reported with amendment S. 3710, to authorize the construction, repair, and preservation of certain public works on rivers and harbors for navigation, flood control (H. Rept. 1709). p. H6435

6. APPROPRIATIONS. The conferees on H. R. 16913, the agricultural appropriation bill, were given until midnight, July 12, to file a report. p. H6323
Conferees were appointed on H. R. 18038, the legislative branch appropriation bill (p. H6324). Senate conferees have been appointed.

7. BUILDINGS. Conferees were appointed on S. 222, to insure that public buildings financed with Federal funds are so designed and constructed as to be accessible to the physically handicapped (p. H6330). Senate conferees have been appointed.

8. HIGHWAYS. Conferees were appointed on S. 3418, the highway authorization bill (p. H6331). Senate conferees have been appointed.

9. WATERSHEDS. The Agriculture Committee approved plans for works of improvement on several watershed projects. p. D668

10. TRADE FAIRS. The Merchant Marine and Fisheries Committee voted to report (but did not actually report) H. R. 18340, amended, to provide for the continuation of authority to develop American-flag carriers and promote the foreign commerce of the U.S. through the use of mobile trade fairs. p. D668

11. PEACH FESTIVAL. Rep. Edmondson invited his colleagues to attend the annual Porter (Okla.) Peach Festival on Aug. 3. p. H6324

12. EMPLOYMENT. Rep. Findley discussed his proposed amendment to the Employment Act of 1946 which he stated "would make the Employment Act more explicit on the matter of full employment and price stability" and "update the intent of Congress on matters concerning the conduct of national policy, and to give price stability the priority it deserves." pp. H6410-14

13. LEGISLATIVE PROGRAM. Rep. Albert announced that the first order of business on Fri. will be the conference report on the Public Law 480 amendments. p. H6405

SENATE

14. FARM PROGRAM. The Agriculture and Forestry Committee reported with amendments S. 3590, to extend and improve legislation for maintaining farm income, stabilizing prices and assuring adequate supplies of agricultural commodities (S. Rept. 1378). p. S8423

15. LANDS. The Agriculture and Forestry Committee reported without amendment S. 3687, to direct the Secretary of Agriculture to release on behalf of the United States a condition in a deed conveying certain lands to the State of Ohio (S. Rept. 1379), and with amendment S. 3578, to direct the Secretary of Agriculture to release on behalf of the United States a condition in a deed conveying certain

Calendar No. 1357

90TH CONGRESS 2d Session } SENATE { REPORT No. 1378

AGRICULTURAL ACT OF 1968

JULY 11, 1968.—Ordered to be printed

Mr. ELLENDER, from the Committee on Agriculture and Forestry, submitted the following

REPORT

[To accompany S. 3590]

The Committee on Agriculture and Forestry, to which was referred the bill (S. 3590), to extend and improve legislation for maintaining farm income, stabilizing prices and assuring adequate supplies of agricultural commodities, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

SHORT EXPLANATION

This bill would—

(1) Extend the provisions of the Food and Agriculture Act of 1965 for 4 years, with minor amendments; and

(2) Provide for advertising programs for milk and apples.

TITLE-BY-TITLE OUTLINE

Title I—Milk.—Extends authority for class I base plans without change, and provides new authority for milk research and promotion, including advertising, programs.

Title II—Feed grains.—Extends the current program; permits payments in cash, as well as kind; and provides for cancellation of payment in kind certificates held by Commodity Credit Corporation on September 30, 1968.

Title III—Cotton.—Extends the current program, including authority for transfer of allotments, but amends it—

(1) To permit farms that participate in the diversion program but plant no cotton to divert up to 35 percent of their original allotments and lease the balance;

(2) To permit transfer of that part of the allotment apportioned to the farm from the national acreage reserve;

(3) To repeal the requirement for filing allotment transfers between June 1 and December 31;

(4) To give the Secretary discretion as to the amount of export market acreage within the 250,000-acre maximum, rather than have it fixed by statute in relation to carryover reduction; and

(5) To permit a producer having export market acreage to export other cotton in lieu of that grown on his farm.

Title IV—Wheat.—Extends the current program with the following changes:

(1) To conform to the method of computing county projected yields, farm projected yields would be computed on a 5-year, instead of 3-year, base.

(2 The maximum cost of certificates to processors for 1970 and subsequent crops would be 75 cents, plus the amount by which the parity price had increased over the parity price as of July 1, 1969, instead of the difference between the loan value and $2, assuming in each case that the face value of the certificate is higher than such cost.

(3) The support price announced as early as May 1 would not be subject to change because of any difference between the actual July 1 parity price and that estimated by the Secretary.

Title V—Wool.—Extends the National Wool Act of 1954 without change.

Title VI—Cropland adjustment program.—Extends the program with changes—

(1) Permitting payment of expenses to members of the Advisory Board on Wildlife; and

(2) Permitting the Secretary unilaterally and after ample public notice to terminate future cropland adjustment contracts when such action is in the public interest.

Title VII—Rice.—Extends the provision requiring a rice diversion program whenever the national acreage allotment is less than that for 1965.

Title VIII—Miscellaneous.—Contains provisions—

(1) Extending authority to lease tobacco allotments;

(2) Restricting the reduction in State or county projected yields from year to year to not more than 5 percent;

(3) Extending the current exemption of peanuts for boiling from marketing quotas;

(4) Adding apples produced in the States of Colorado, Utah, and New Mexico to the list of commodities for which marketing orders are authorized; and

(5) Adding apples to the list of commodities for which advertising programs under marketing orders are authorized, and authorizing research, promotion, and advertising programs for commodities, other than milk, under marketing orders even when prices are above parity.

Committee Deliberations

The committee held hearings on April 3, 4, 5, 8, 9, 10, and 24 on the farm program and farm bargaining. All witnesses who desired to be heard, including the Department of Agriculture, were heard. All proposals were considered carefully and the proposed Agricultural

Act of 1968 as embodied in S. 3590 was developed from those which appeared to have general support and constitute substantial improvement of the program. Further hearings on the proposed bill were held on June 24, 25, and 26, 1968. Again, the preponderance of testimony was in favor of an extension of the Food and Agriculture Act of 1965 and in favor of S. 3590. These hearings have been printed and are available.

Achievements

In view of crop yield and demand developments during the past few years, American farmers for some time to come will need flexible commodity programs of the type provided under the Food and Agriculture Act of 1965. World trade continues somewhat uneven in growth. Despite weather variations, there has been a persistent upward trend in major U.S. crop yields. Our capacity to produce is far in excess of total needs.

The act of 1965 has demonstrated its suitability for dealing with these developments. Year-to-year changes in acreage diversion requirements have been made as the situation warranted. Feed grain stocks are down to a reasonable level. The leveling of feed supplies has reduced price-depressing variations in livestock marketings. Owing to larger world supplies, carryover from the 1968 wheat crop may rise to a total of around 700 million bushels, but the downward adjustment of 13 percent in the national acreage allotment for 1969, the last year of the existing authorization is designed to reduce stocks by some 100 million bushels. Even this level, however, is substantially less than the 1.4 billion bushels carryover in 1960–61.

As with grains, the flexibility afforded by the 1965 act made it possible to modify the acreage diversion terms under the 1968 cotton program sufficiently to encourage needed greater production after 2 years of unprecedented bad weather. It was also possible to increase incentives for quality production.

The commodity programs have played a vital role in export expansion. Under the loan-and-payment or certificate support system, cotton, wheat and feed grains have been very competitive in world trade. Last year, U.S. shipments abroad were the equivalent of 71 million acres or 1 acre out of every 4 in cultivation. At the same time, export subsidies were substantially lower than in earlier years under the higher loan-only supports.

Since fiscal year 1960, total agricultural exports have risen from $4.5 to $6.8 billion in fiscal year 1967. Within this total, commercial exports (that is dollar sales) increased 62 percent—from $3.2 billion to $5.2 billion. Preliminary estimates for fiscal year 1968—a year marked by very strong competition in world markets—indicate U.S. agricultural exports will total $6.4 billion of which nearly $5 billion are commercial sales. American farmers now have an export outlet for over one-half of their wheat production; two-thirds of the annual milled rice production; a third or more of their grain sorghums, soybeans, cotton and tobacco; over a fourth of their flaxseed and nearly a fourth of their corn crop.

The reduction in Government-owned stocks resulting from acreage diversion has brought about a sharp reduction in taxpayers' money spent for storage, handling and interest charges. (See exhibit A for a comparison of Government owned and total carryover stocks by selected marketing years).

The cropland adjustment program, too, has proved to be a vital and necessary supplement to the annual acreage diversion programs. Older, part-time farmers have been enabled to put their land to conservation uses with continuing financial assurance, allowing them to remain in residence to enjoy the advantages of rural living.

In 1960, before the present type of voluntary adjustment programs were operative, net realized farm income totaled $11.7 billion. In 1966, the first year in which all programs authorized by the act of 1965 were in effect, net realized farm income reached a peacetime high of $16.4 billion, up by $4.7 billion from 1960 and by $2.5 billion from 1965. In the calendar year 1967, it totaled $14.5 billion, due to lower prices for some crops and increases in production expenses.

Farm income today—while still not high enough—currently is not only higher than in the pre-1960 period but estimates indicate it is 30 to 50 percent higher than it would be in the absence of commodity adjustment programs. According to recent studies by nationally recognized agricultural economists and by USDA analysts, overproduction and price-depressing surpluses would again be commonplace in the absence of programs. Farmers net worth would decline along with the resultant sharp drop in income.

Need For the Bill

Action to extend the Food and Agriculture Act of 1965 during the present session of Congress has been urged by nearly all witnesses representing the views and interests of producers. The committee is impressed that prompt action is desirable, notwithstanding the fact that the act runs through the 1969 crop year.

Owing to the technical complexities and high costs of modern farming, producers today need to know well ahead of time what the farm program provisions will be. Wheatgrowers in particular must decide more than a year ahead of harvest on how much acreage to prepare for sowing, how much to leave fallow, and so on. Arrangements for credit and for leasing of land are customarily made well ahead of a new crop season. Suppliers of seed, fertilizers, herbicides, insecticides, and machinery depend on advance program information for guidance in their operations. The grain adjustment program outlook affects decisions on livestock and poultry production.

If action is not taken this session and unforseen delays intervene later, producers would be put in a difficult position for making decisions on the 1970 crop. Under prior legislation to which the wheat program would then revert for that crop, the Secretary of Agriculture would have to determine not later than next April 15 whether to proclaim the need for marketing quotas. The present assumption is that such proclamation would be necessary. A referendum would then follow not later than August 1. Approval by more than two-thirds of those voting would make acreage diversion mandatory on all producers without diversion payments. Total support (domestic certificates plus loan) would be from 65 to 90 percent of parity.

Because of these less attractive terms, an individual wheat producer from the moment of the quota proclamation could not be very certain about the outcome of the referendum. If quotas were disapproved, there would be no certificates and no diversion payments. Price support would be available only to those who kept within their allotments and only through loans and purchases at 50 percent of parity.

Future price uncertainties arising from the prospect of a marketing quota referendum would involve wheat producers in a decision whether to sell substantially or hold over grain from previous harvests. Plan of other commodity producers would also be unsettled. A consequence could be disorderly marketing.

Thus, from the standpoint of American farmers, now is the time to take up the extension of the Food and Agriculture Act of 1965.

EXHIBIT A.—COTTON, WHEAT, AND FEED GRAINS: COMPARISON OF CARRYOVER STOCKS AT THE END OF SELECTED MARKETING YEARS

Crop	Million units	1960-61		1965-66		1966-67		1967-68 (preliminary)	
		Total	Government	Total	Government	Total	Government	Total	Government
Cotton	Bale	7.1	1.5	16.6	14.5	12.3	8.1	6.4	0.7
Wheat	Bushel	1,411.0	1,368.0	535.0	423.0	425.0	200.0	545.0	290.0
Feed grains	Ton	85.0	77.0	42.0	29.0	37.0	18.0	47.0	31.0

EXHIBIT B.—COTTON, WHEAT, AND FEED GRAINS: COMPARISON OF PLANTED ACREAGE FOR SELECTED CROP YEARS

[In millions of acres]

Crop	1960	1965	1966	1967	1968 (preliminary)
Cotton	16.0	14.1	10.3	9.4	11.0
Wheat	54.9	57.0	54.5	68.0	63.1
Feed grains	148.0	116.3	117.1	120.8	116.3

EXHIBIT C.—COMPARISON OF TOTAL RETURNS TO PRODUCERS OF COMMODITIES AFFECTED BY PROGRAMS OF THE FOOD AND AGRICULTURAL ACT OF 1965—IN SELECTED MARKETING YEARS

[In millions of dollars]

Item	1960-61	1965-66	1966-67	1967-68 preliminary
Cotton:				
Value of crop	2,154	2,106	997	1,039
Payments		69	774	935
Total returns	2,154	2,175	[1] 1,771	[1] 1,974
Wheat:				
Value of crop	2,361	1,776	2,138	2,119
Payments and certificates		509	681	728
Total returns	2,361	2,285	2,819	2,847
Feed grains:				
Value of crop	5,492	6,380	6,782	6,621
Payments		1,382	1,327	924
Total returns	5,492	7,762	8,109	7,545
Dairy products: Cash receipts	4,776	5,049	5,675	5,798
Wool and mohair:				
Value of production	21.9	21.3	15.9	10.8
Payments		1.9	6.5	11.4
Total returns	21.9	23.2	22.4	22.2

[1] The cost savings (lower production costs) resulting from the reduction in acres and production would cause farmers' net returns to exceed the net returns in 1960 and 1965.

Section-by-Section Explanation

TITLE I—DAIRY

Section 101 extends through 1973 the authority for class I milk base plans without change. The class I base plan allocates class I sales, highest price milk sold for consumption as fluid milk, in a recent base period among producers marketing milk under the order in proportion to their marketings in the base period. The producers are paid the class I price on their share of the class I sales, and a lower price on the remainder.

Section 102 amends the marketing order law by adding at the end of subsection 8c(5), which relates to milk marketing orders, a new subparagraph to provide for the establishment of research and market development programs, including sales promotion, educational, and advertising programs, designed to improve or promote the domestic marketing and consumption of milk and its products. Such programs would be financed by producers through a deduction from receipts for milk delivered to handlers in marketing order areas.

TITLE II—FEED GRAINS

Section 201 extends the current feed grain program.

Section 201 permits payments in cash, as well as kind, and provides for cancellation of payment-in-kind certificates held by Commodity Credit Corporation on September 30, 1968. Under its acreage-diversion and price-support programs for feed grain, CCC makes payments to producers by issuing negotiable payment-in-kind certificates, redeemable in feed grains from CCC inventory, or by making cash advances for the full value of the certificates to producers who elect to leave their certificates with CCC for marketing. Practically all the payments are made by cash advances, and the surrendered certificates are pooled by CCC and are completely under its control. CCC, acting as the producers' agent, markets the certificates by designating certain sales of feed grains from its price-support inventory as being in redemption of surrendered certificates. At April 30, 1968, CCC held about $4.9 billion of unliquidated pooled certificates. Current indications are that the certificates cannot be liquidated by deliveries of feed grain in the foreseeable future and that further increases in the pool balance will serve no useful purpose. The cash payments to producers, in effect, are program costs and, as such, are already included in CCC's realized loss subject to later reimbursement by the Congress. Therefore, for all practical purposes, the pooled certificates merely represent the amount of feed grain sales that CCC may make at the higher of market price or loan rate, plus reasonable carrying charges. Without the certificates, sales generally must be made at a substantially higher price as required by section 407 of the Agricultural Act of 1949, as amended. Canceling the certificates would not adversely affect current or foreseeable future costs, expenditures, operations, or the financial stability of the Corporation.

TITLE III—COTTON

Sections 301, 302, 303, and 305 extend the current cotton program.

Section 302(2) permits farms that participate in the diversion program, but plant no cotton, to divert that part of the allotment authorized by the Secretary to be diverted under the program and lease the balance. Under the current cotton program, some farmers sign up to divert the maximum percentage of their farm allotments (35 percent), but then plant only a token acreage to cotton. If no cotton is to be planted, diversion payment may be received in 1968 on only the 5 percent of the farm allotment required to be diverted to qualify as a cooperator, and the remainder of the allotment may be released to the county committee. By increasing the extent to which farmers planting no cotton could participate in the diversion program, and permitting lease arrangements on the balance of the allotment, inequities in the system would be corrected and progress made toward removing problems incidental to the planting of token cotton acreages.

Section 304(1) permits transfer of that part of the allotment apportioned to the farm from the national acreage reserve. Existing law prohibits the transfer by a farmer of the portion of his farm allotment which was allocated to the farm from the national acreage reserve. This prohibition is confusing to farmers, and determining the exact acreage to which it applies is so difficult in county ASCS offices that USDA has found it necessary to adopt a national rule specifying that 11 percent of the allotment for each small farm, 10 acres of allotments or less, in a county which receives an allocation from the national acreage reserve will be nontransferable. While this rule is considered reasonable, it does result in the freezing of too small an acreage for some farms and too large an acreage for others. There is no compelling reason for excluding the national acreage reserve allotment from the lease-and-sale provision.

Section 304(2) repeals the requirement for filing allotment transfers between June 1 and December 31. Under existing law, applications for the sale, lease, or transfer of cotton allotments may be filed with county ASCS offices only during the period June 1 to December 31. While many farmers make their plans for producing cotton prior to January 1 each year, some do not and others find it necessary to alter plans between January 1 and the time for planting of the crop. The signup period for farmers who participate in the cotton program usually runs from early February to March 15 or April 1. The amendment would remove the June 1 to December 31 application period now in effect. The Secretary of Agriculture would then be in position to establish the closing date for filing such applications. Presumably farmers would be given until about February 1 to arrange such transfers.

Sections 305 (1) and (2) give the Secretary discretion as to the amount of export market acreage within the 250,000-acre maximum, rather than have it fixed by statute in relation to carryover reduction. For the 1967 through 1969 crops of cotton, the amount of export market acreage authorized to be allocated is dependent upon the amount of the reduction in carryover stocks during the preceding marketing year. Two hundred and fifty thousand acreas is authorized only if the carryover will be reduced by at least 1 million bales during the preceding marketing year. The authorized acreage is reduced on a graduated basis if the carryover reduction is less than 1 million bales. It is pro-

posed that the Secretary be authorized to determine for each year the amount of export market acreage to be allocated but 250,000 acres would be the maximum allocation for any year.

Section 305(3) permits a producer having export market acreage to export other cotton in lieu of that grown on his farm. Under existing law the identical cotton produced on a farm planting export market acreage must be exported. This provision would be modified to require an equivalent quantity of cotton to be exported rather than the identical bales produced. While the export market acreage provision was not widely used under the 1966 and 1967 programs, numerous complaints were received from farmers and handlers that the requirement with respect to exportation of the identical bales produced greatly complicated compliance with the program provisions. Under this amendment, the handler would still be required to submit documents showing exportation of the required quantity of cotton for the producer but, with substitution permitted, the cotton actually exported could be cotton produced on other farms.

TITLE IV—WHEAT

Section 401 extends the current wheat program.

Section 402 provides that farm projected yields would be computed on a 5-year base, rather than the present 3-year base, so as to conform to the county method of arriving at projected yields. After 3 years of experience with farm yields determined under provisions of the Food and Agriculture Act of 1965, it has been shown that the 3-year base period for determining farm yields is too short. This causes the yields to be too erratic from year to year—fluctuating substantially up and down as yields vary from year to year. A 5-year base period would greatly stablize farm yields and prove to be more satisfactory to farmers. The general reaction from State and county committees and from individual farmers has been that a 5-year base period from which to project farm yields would be much more satisfactory. This proposed amendment would make the farm yield base period compatible with the county and national yield base period—5 years—and thus avoid recurrent problems involved in adjusting farm yields so as to average out to the county, State, and national projected yields.

Section 403 provides that in making a reduction in the national marketing quota—and the resulting national acreage allotment—because of excessive stocks, the Secretary would base the reduction on excessive stocks on hand in the United States, rather than excessive stocks owned by Commodity Credit Corporation. The national quota and allotment should be based on the country's need for wheat, rather than whether stocks happen to be in the hands of the Commodity Credit Corporation. Under section 332(d) of the Agricultural Adjustment Act of 1938, as amended by section 401(4) of the bill, a national quota would not be applicable prior to the 1974 crop, but section 403 would be applicable in computing national acreage allotments.

Section 404 provides that the cost of marketing certificates to processors shall be the lower of (1) their face value or (2) 75 cents per bushel plus the amount by which the parity price for wheat for the marketing year exceeds the parity price for wheat on July 1, 1969. Under existing law the cost of marketing certificates to processors is their face value less any amount by which price support for wheat

accompanied by domestic certificates exceeds $2 per bushel. This section would therefore, effective with the 1970 crop, (1) permit the cost to the processor to rise as parity rose above the July 1, 1969, level, and (2) permit the loan value to be increased without reducing the cost of certificates to processors.

Section 405 provides that the support price announced as early as May 1 would not be subject to change because of difference between the actual July 1 parity price and that estimated by the Secretary. To provide desirable leadtime for computation and delivery of wheat certificate payments to producers at or shortly after harvest, the wheat certificate value is needed around May 1. Therefore, it is proposed that the Secretary be authorized to estimate, early in May, what the July 1 wheat parity price will be for the purpose of computing certificate payments. This change would not diminish producer benefits, neither would it lessen the effectiveness of the program. It would substantially enhance opportunities to make more effective and efficient use of personnel in field offices and automatic data processing equipment. No difficulty is foreseen to estimate accurately July 1 parity 2 months in advance, because most of the factors influencing this calculation are already known or clearly evident.

TITLE V—WOOL

Section 501 extends the National Wool Act of 1954 without change. The wool program is designed, through use of annual incentive payments, to encourage domestic production at a yearly level of 300 million pounds of shorn wool. This policy was established by the Congress "* * * as a measure for our national security and in promotion of the general economic welfare."

TITLE VI—CROPLAND ADJUSTMENT PROGRAM

Section 601 extends the cropland adjustment program.

Section 602 permits payment of expenses to members of the Advisory Board on Wildlife. The proposed change would remove the prohibition against payment of expenses to Board members. The act requires that the 12 members of the committee be chosen from representatives of the wildlife organizations, farm organizations, State game and fish agencies and representatives of the general public. To get the broad representation which this requirement of the act seeks, it is desirable that members be appointed from different geographic areas of the country. Although Board meetings are infrequent, not more than two or three per year, travel and living costs are substantial. It is unfair to require a citizen who is willing to contribute his time to serving the program as a wildlife adviser to also bear unusual expenses in doing so.

Section 603 permits the Secretary unilaterally, and after ample public notice, to terminate future cropland adjustment contracts when such action is in the public interest. The Secretary now can cancel an agreement only if it is violated by the farmer. He can terminate an agreement which the farmer wants canceled but only then when the Secretary considers termination to be in the public interest. It is

unlikely that any CAP land will need be returned to crops before the end of an agreement period in order to avoid food or fiber shortages. Certainly USDA will try to avoid taking land under agreement which might be needed to supply the public's needs. However, it is only the course of wisdom to provide a way through which the Secretary can terminate an agreement should a problem arise. The proposed legislation requires the Secretary to notify the farmer sufficiently in advance of a termination so that a crop could be grown that year.

TITLE VII—RICE

Section 701 extends the provision requiring a rice diversion program whenever the national acreage allotment is less than that for 1965. While a diversion program would be authorized, it would be operative only if the national acreage allotment for anv year would be reduced below the 1,818,638-acre national acreage allotment in effect for the 1965 crop. If a diversion program were in effect, payments would be made to producers who complied with their rice allotments, diverted a specified acreage to approved conservation use, and complied with requirements prescribed by the Secretary.

TITLE VIII—MISCELLANEOUS

Section 801 extends authority to lease tobacco allotments. The lease and transfer of allotments for certain types of tobacc provide needed program flexibility so that more efficient tobacco operating units result. This provision has been very popular with producers; 25 percent of all eligible allotments were leased and transferred in 1967.

Section 802 restricts the reduction in State or county projected yield from year to year to not more than 5 percent. This provision is directed specifically to relieve undue producer hardship resulting from abnormally low yields in more than one of the base period years because of adverse weather conditions or other factors.

Section 803 extends the current exemption of peanuts for boiling from marketing quotas. This exemption was authorized because the provision did not interfere with the normal and orderly marketing of harvested peanuts.

Section 804 extends authority for marketing orders to apples produced in the States of Colorado, Utah, and New Mexico (not including those for canning or freezing) and their products. Similar authority now exists for apples produced in the States of Washington, Oregon, Idaho, New York, Michigan, Maryland, New Jersey, Indiana, California, Maine, Vermont, New Hampshire, Rhode Island, Massachusetts, and Connecticut.

Section 805 adds apples to the commodities for which advertising programs may be provided by marketing orders. It also amends section 2(3) of the marketing order law to permit research and development programs to be included in marketing orders for commodities other than milk even when the price of the commodity is above parity.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted

is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

AGRICULTURAL ADJUSTMENT ACT, AS REENACTED AND AMENDED BY THE AGRICULTURAL MARKETING AGREEMENT ACT OF 1937 AND SUBSEQUENT LEGISLATION

* * * * * * *

SEC. 2. It is hereby declared to be the policy of Congress—

(1) Through the exercise of the powers conferred upon the Secretary of Agriculture under this title, to establish and maintain such orderly marketing conditions for agricultural commodities in interstate commerce as will establish, as the prices to farmers, parity prices as defined by section 301(a)(1) of the Agricultural Adjustment Act of 1938.[2]

(2) To protect the interest of the consumer by (a) approaching the level of prices which it is declared to be the policy of Congress to establish in subsection (1) of this section by gradual correction of the current level at as rapid a rate as the Secretary of Agriculture deems to be in the public interest and feasible in view of the current consumptive demand in domestic and foreign markets, and (b) authorizing no action under this title which has for its purpose the maintenance of prices to farmers above the level which it is declared to be the policy of Congress to establish in subsection (1) of this section.

(3) Through the exercise of the power conferred upon the Secretary of Agriculture under this title, to establish and maintain such container and pack requirements provided in section 8(c)(6)(H), *such marketing research and development projects provided in section 8c(6)(I), and* such minimum standards of quality and maturity and such grading and inspection requirements for agricultural commodities enumerated in section 8c(2), other than milk and its products, in interstate commerce as will effectuate such orderly marketing of such agricultural commodities as will be in the public interest.

(4) Through the exercise of the power conferred upon the Secretary of Agriculture under this title, to establish and maintain such orderly marketing conditions for any agricultural commodity enumerated in section 8c(2) as will provide, in the interests of producers and consumers, an orderly flow of the supply thereof to market throughout its normal marketing season to avoid unreasonable fluctuations in supplies and prices.

(5) Through the exercise of the power conferred upon the Secretary of Agriculture under this title, to continue for the remainder of any marketing season or marketing year, such regulation pursuant to any order as will tend to avoid a disruption of the orderly marketing of any commodity and be in the public interest, if the regulation of such commodity under such order has been initiated during such marketing season or marketing year on the basis of its need to effectuate the policy of this title.

* * * * * * *

Sec 8c * * *

(2) Orders issued pursuant to this section shall be applicable only to (A) the following agricultural commodities and the products thereof (except canned or frozen grapefruit, cherries, apples or cranberries, the products of naval stores, and the products of honeybees), or to any regional, or market classification of any such commodity or product: Milk, fruits (including filberts, almonds, pecans and walnuts but not including apples, other than apples produced in the States of Washington, Oregon, Idaho, New York, Michigan, Maryland, New Jersey, Indiana, California, Maine, Vermont, New Hampshire, Rhode Island, Massachusetts, [and] Connecticut, *Colorado, Utah, and New Mexico*, and not including fruits for canning or freezing other than olives, grapefruit, cherries, cranberries, and apples produced in the States named above except Washington, Oregon, and Idaho), tobacco, vegetables (not including vegetables, other than asparagus, for canning or freezing), hops, honeybees and naval stores as included in the Naval Stores Act and standards established thereunder (including refined or partially refined oleoresin): *Provided*, That no order issued pursuant to this section shall be effective as to any grapefruit for canning or freezing unless the Secretary of Agriculture determines, in addition to other findings and determinations required by this Act, that the issuance of such order is approved or favored by the processors who, during a representative period determined by the Secretary, have been engaged in canning or freezing such commodity for market and have canned or frozen for market more than 50 per centum of the total volume of such commodity canned or frozen for market during such representative period; and (B) any agricultural commodity (except honey, cotton, rice, wheat, corn, grain sorghums, oats, barley, rye, sugarcane, sugarbeets, wool, mohair, livestock, soybeans, cottonseed, flaxseed, poultry (but not excepting turkeys), eggs (but not excepting turkey hatching eggs), fruits and vegetables for canning or freezing, and apples), or any regional or market classification thereof, not subject to orders under (A) of this paragraph, but not the products (including canned or frozen commodities or products) thereof. No order issued pursuant to this section shall be effective as to cherries, apples, or cranberries for canning or freezing unless the Secretary of Agriculture determines, in addition to other required findings and determinations, that the issuance of such order is approved or favored by processors who, during a representartive period determined by the Secretary, have engaged in canning or freezing such commodity for market and have frozen or canned more than 50 per centum of the total volume of the commodity to be regulated which was canned or frozen within the production area, or marketed within the marketing area, defined in such order, during such representative period. No order issued pursuant to this section shall be applicable to peanuts produced in more than one of the following production areas: the Virginia-Carolina production area, the Southeast production area, and the Southwest production area. If the Secretary determines that the declared policy of the title will be better achieved, thereby (i) the commodities of the same general class and used wholly or in part for the same purposes may be combined and treated as a

single commodity and (ii) the portion of an agricultural commodity devoted to or marketed for a particular use or combination of uses, may be treated as a separate agricultural commodity. All agricultural commodities and products covered hereby shall be deemed specified herein for the purposes of section 8c (6) and (7) of this title.

* * * * * * *

(5) In the case of milk and its products, orders issued pursuant to this section shall contain one or more of the following terms and conditions, and (except as provided in subsection (7)) no others:

* * * * * * *

(I) Establishing or providing for the establishment of marketing research and development programs, other research programs, and advertising (excluding brand advertising), sales promotion, educational, and other similar programs, designed to improve or promote the domestic marketing and consumption of milk and its products, to be financed by producers in a manner and at a rate specified in the order, on all producer milk under the order. Producer contributions under this subparagraph may be deducted from funds due producers in computing total pool value or otherwise computing total funds due producers and such deductions shall be in addition to the adjustments authorized by subparagraph (B) of this subsection 8c(5). Provision may be made in the order to exempt, or allow suitable adjustments or credits in connection with, milk on which a mandatory checkoff for advertising or research is required under the authority of any State law. Such funds shall be paid to an agency organized by milk producers and producers' cooperative associations in such form and with such methods of operation as shall be specified in the order. Such agency may expend such funds for any of the purposes authorized by this subparagraph and may designate, employ, and allocate funds to persons and organizations engaged in such programs which meet the standards and qualifications specified in the order. All funds collected under this subparagraph shall be separately accounted for and shall be used only for the purposes for which they were collected. Programs authorized by this subparagraph may be either local or national in scope, or both, as provided in the order, but shall not be international. Order provisions under this subparagraph shall not become effective in any marketing order unless such provisions are approved by producers separately from other order provisions, in the same manner provided for the approval of marketing orders, and may be terminated separately whenever the Secretary makes a determination with respect to such provisions as is provided for the termination of an order in subsection 8c(16)(B). Disapproval or termination of such order provisions shall not be considered disapproval of the order or of other terms of the order.

Terms—Other Commodities

(6) In the case of the agricultural commodities and the products thereof, other than milk and its products, specified in subsection

(2) orders issued pursuant to this section shall contain one or more of the following terms and conditions, and (except as provided in subsection (7)), no others:

* * * * * * *

(I) Establishing or providing for the establishment of marketing research and development projects designed to assist, improve, or promote the marketing, distribution, and consumption of any such commodity or product, the expense of such projects to be paid from funds collected pursuant to the marketing order: *Provided,* That with respect to orders applicable to cherries, carrots, citrus fruits, onions, Tokay grapes, fresh pears, dates, plums, nectarines, celery, sweet corn, limes, olives, pecans, **[**or**]** avocados, *or apples* such projects may provide for any form of marketing promotion including paid advertising.

Soil Conservation and Domestic Allotment Act

* * * * * * *

Sec. 16. * * *

(i) Notwithstanding any other provision of law—

(1) For the 1966 through **[**1969**]** *1973* crops of feed grains, if the Secretary determines that the total supply of feed grains will, in the absence of an acreage diversion program, likely be excessive, taking into account the need for an adequate carryover to maintain reasonable and stable supplies and prices of feed grains and to meet any national emergency, he may formulate and carry out an acreage diversion program for feed grains, without regard to provisions which would be applicable to the regular agricultural conservation program, under which, subject to such terms and conditions as the Secretary determines, conservation payments shall be made to producers who divert acreage from the production of feed grains to an approved conservation use and increase their average acreage of cropland devoted in 1959 and 1960 to designated soil-conserving crops or practices including summer fallow and idle land by an equal amount. Payments shall be made at such rate or rates as the Secretary determines will provide producers with a fair and reasonable return for the acreage diverted, but not in excess of 50 per centum of the estimated basic county support rate, including the lowest rate of payment-in-kind, on the normal production of the acreage diverted from the commodity on the farm based on the farm projected yield per acre. Notwithstanding the foregoing provisions, the Secretary may permit all or any part of such diverted acreage to be devoted to the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, and flaxseed, if he determines that such production of the commodity is needed to provide an adequate supply, is not likely to increase the cost of the price support program, and will not adversely affect farm income subject to the condition that payment with respect to diverted acreage devoted to any such crop shall be at a rate determined by the Secretary to be fair and reasonable, taking into

consideration the use of such acreage for the production of such crops, but in no event shall the payment exceed one-half the rate which otherwise would be applicable if such acreage were devoted to conservation uses. The term "feed grains" means corn, grain sorghums, and, if designated by the Secretary, barley, and if for any crop the producer so requests for purposes of having acreage devoted to the production of wheat considered as devoted to the production of feed grains, pursuant to the provisions of section 328 of the Food and Agriculture Act of 1962, the term "feed grains" shall include oats and rye and barley if not designated by the Secretary as provided above: *Provided*, That acreages of corn, grain sorghums, and, if designated by the Secretary, barley, shall not be planted in lieu of acreages of oats and rye and barley if not designated by the Secretary as provided above: *Provided further*, That the acreage devoted to the production of wheat shall not be considered as an acreage of feed grains for purposes of establishing the feed grain base acreage for the farm for subsequent crops. Such feed grain diversion program shall require the producer to take such measures as the Secretary may deem appropriate to keep such diverted acreage free from erosion, insects, weeds, and rodents. The acreage eligible for participation in the program shall be such acreage (not to exceed 50 per centum of the average acreage on the farm devoted to feed grains in the crop years 1959 and 1960 or twenty-five acres, whichever is greater) as the Secretary determines necessary to achieve the acreage reduction goal for the crop. Payments shall be made in kind. The acreage of wheat produced on the farm during the crop years 1959, 1960, and 1961, pursuant to the exemption provided in section 335(f) of the Agricultural Adjustment Act of 1938, as amended, prior to its repeal by the Food and Agriculture Act of 1962, in excess of the small farm base acreage for wheat established under section 335 of the Agricultural Adjustment Act of 1938, as amended, may be taken into consideration in establishing the feed grain base acreage for the farm. The Secretary may make such adjustments in acreage as he determines necessary to correct for abnormal factors affecting production, and to give due consideration to tillable acreage, crop-rotation practices, types of soil, soil and water conservation measures, and topography. Notwithstanding any other provision of this subsection (i)(1), the Secretary may, upon unanimous request of the State committee established pursuant to section 8(b) of the Soil Conservation and Domestic Allotment Act, as amended, adjust the feed grain bases for farms within any State or county to the extent he determines such adjustment to be necessary in order to establish fair and equitable feed grain bases for farms within such State or county. The Secretary may make not to exceed 50 per centum of any payments to producers in advance of determination of performance. Notwithstanding any other provision of this subsection, barley shall not be included in the program for a producer of malting barley exempted pursuant to section 105(e) of the Agricultural Act of 1949, who participates only with respect to corn and grain sorghums and does not knowingly devote an acreage on the farm to barley in excess of

110 per centum of the average acreage devoted on the farm to barley in 1959 and 1960.

(2) Notwithstanding any other provision of this subsection, not to exceed 1 per centum of the estimated total feed grain bases for all farms in a State for any year may be reserved from the feed grain bases established for farms in the State for apportionment to farms on which there were no acreages devoted to feed grains in the crop years 1959 and 1960 on the basis of the following factors: Suitability of the land for the production of feed grains, the past experience of the farm operator in the production of feed grains, the extent to which the farm operator is dependent on income from farming for his livelihood, the production of feed grains on other farms owned, operated, or controlled by the farm operator, and such other factors as the Secretary determines should be considered for the purpose of establishing fair and equitable feed grain bases. An acreage equal to the feed grain base so established for each farm shall be deemed to have been devoted to feed grains on the farm in each of the crop years 1959 and 1960 for purposes of this subsection except that producers on such farm shall not be eligible for conservation payments for the first year for which the feed grain base is established.

(3) There are hereby authorized to be appropriated such amounts as may be necessary to enable the Secretary to carry out this section 16(i).

(4) The Secretary shall provide by regulations for the sharing of payments under this subsection among producers on the farm on a fair and equitable basis and in keeping with existing contracts.

(5) Payments in kind shall be made through the issuance of negotiable certificates which the Commodity Credit Corporation shall redeem for feed grains in accordance with regulations prescribed by the Secretary and, notwithstanding any other provision of law, the Commodity Credit Corporation shall, in accordance with regulations prescribed by the Secretary, assist the producer in the marketing of such certificates. Feed grains with which Commodity Credit Corporation redeems certificates pursuant to this paragraph shall be valued at not less than the current support price made available through loans and purchases, plus reasonable carrying charges.

(6) Notwithstanding any other provision of law, the Secretary may, by mutual agreement with the producer, terminate or modify any agreement previously entered into pursuant to this subsection if he determines such action necessary because of an emergency created by drought or other disaster, or in order to prevent or alleviate a shortage in the supply of feed grains.

Agricultural Adjustment Act of 1938

*   *   *   *   *   *   *

Sec. 301. (a) * * *

(b) Definitions Applicable to One or More Commodities.—For the purposes of this title.—

(13) * * *

(K) "Projected farm yield" for any crop of wheat shall be determined on the basis of the yield per harvested acre of such commodity on the farm during each of the [three] *five* calendar years immediately preceding the year in which such projected farm yield is determined, adjusted for abnormal weather conditions affecting such yield, for trends in yields and for any significant changes in production practices, but in no event shall such projected farm yield be less than the normal yield for such farm as provided in subparagraph (E) of this paragraph.

* * * * * * *

SEC. 316. (a) Notwithstanding any other provision of this Act for the crop years 1962 through [1969] *1973* the owner and operator of any farm for which a tobacco acreage allotment (other than a Burley tobacco acreage allotment or a cigar-filler and cigar-binder (types 42, 43, 44, 53, 54, and 55) tobacco acreage allotment) is established may lease any part of such allotment to any other owner or operator of a farm in the same county for use in such county on a farm having a current tobacco allotment of the same kind. Such lease and transfer of allotment shall be recognized and considered valid by the county committee provided the conditions set forth in this section are met.

* * * * * * *

SEC. 332. * * *

(b) If a national marketing quota for wheat has been proclaimed for any marketing year, the Secretary shall determine and proclaim the amount of the national marketing quota for such marketing year not earlier than January 1 or later than April 15 of the calendar year preceding the year in which such marketing year begins. The amount of the national marketing quota for wheat for any marketing year shall be an amount of wheat which the Secretary estimates (i) will be utilized during such marketing year for human consumption in the United States as food, food products, and beverages, composed wholly or partly of wheat (ii), will be utilized during such marketing year in the United States for seed (iii), will be exported either in the form of wheat or products thereof, and (iv) will be utilized during such marketing year in the United States as livestock (including poultry) feed, excluding the estimated quantity of wheat which will be utilized for such purpose as a result of the substitution of wheat for feed grains under section 328 of the Food and Agriculture Act of 1962; less (A) an amount of wheat equal to the estimated imports of wheat into the United States during such marketing year and, (B) if the stocks of wheat [owned by the Commodity Credit Corporation] *on hand in the United States* are determined by the Secretary to be excessive, an amount of wheat determined by the Secretary to be a desirable reduction in such marketing year in such stocks to achieve the policy of the Act: *Provided*, That if the Secretary determines that the total stocks of wheat in the Nation are insufficient to assure an adequate carryover for the next succeeding marketing year, the national marketing quota otherwise determined shall be increased by the amount the Secretary determines to be necessary to assure an adequate carryover: *And provided further*, That the national marketing quota for wheat for any marketing year shall be not less than one billion bushels

* * * * * * *

(d) Notwithstanding any other provision of this Act, the Secretary shall not proclaim a national marketing quota for the crops of wheat planted for harvest in [the calendar years 1966 through 1969] *1964 through 1973 calendar years,* and farm marketing quotas shall not be in effect for such crops of wheat.

* * * * * * *

SEC. 339. * * *

(b) The Secretary is authorized to formulate and carry out a program with respect to the crops of wheat planted for harvest in [the calendar years 1964 through 1969] *1964 through 1973 calendar years* under which, subject to such terms and conditions as he determines are desirable to effectuate the purposes of this section, payments may be made in amounts not in excess of 50 per centum of the estimated basic county support rate for wheat not accompanied by marketing certificates on the normal production of the acreage diverted taking into account the income objectives of the Act, determined by the Secretary to be fair and reasonable with respect to acreage diverted pursuant to subsection (a) of this section. Any producer who complies with his 1964 farm acreage allotment for wheat and with the other requirements of the program shall be eligible to receive payments under the program for the 1964 crop of wheat. The Secretary may permit producers on any farm to divert from the production of wheat an acreage, in addition to the acreage diverted pursuant to subsection (a), equal to 50 per centum of the farm acreage allotment for wheat: *Provided,* That the producers on any farm may, at their election, divert such acreage in addition to the acreage diverted pursuant to subsection (a), as will bring the total acreage diverted on the farm to twenty-five acres. Such program shall require (1) that the diverted acreage shall be devoted to conservation uses approved by the Secretary; (2) that the total acreage of cropland on the farm devoted to soil-conserving uses, including summer fallow and idle land but excluding the acreage diverted as provided above, shall be not less than the total average acreage of cropland devoted to soil-conserving uses including summer fallow and idle land on the farm during a representative period, as determined by the Secretary, adjusted to the extent the Secretary determines appropriate for (i) abnormal weather conditions or other factors affecting production, (ii) established crop-rotation practices on the farm, (iii) participation in other Federal farm programs, (iv) unusually high percentage of land on the farm devoted to conserving uses, and (v) other factors which the Secretary determines should be considered for the purpose of establishing a fair and equitable soil-conserving acreage for the farm; and (3) that the producer shall not knowingly exceed (i) any farm acreage allotment in effect for any commodity produced on the farm, and (ii) except as the Secretary may by regulations prescribe, with the farm acreage allotments on any other farm for any crop in which the producer has a share: *Provided,* That no producer shall be deemed to have exceeded a farm acreage allotment for wheat if the entire amount of the farm marketing excess is delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone payment of the penalty: *And provided further,* That no producer shall be deemed to have exceeded a farm acreage allotment for any crop of wheat if the farm is exempt from the farm marketing

quota for such crop under section 335. The producers on a new farm shall not be eligible for payments hereunder. The Secretary shall provide for the sharing of payment among producers on the farm on a fair and equitable basis. Payments may be made in cash or in wheat.

*   *   *   *   *   *   *

SEC. 344a. (a) Notwithstanding any other provision of law, the Secretary, if he determines that it will not impair the effective operation of the program involved, (1) may permit the owner and operator of any farm for which a cotton acreage allotment is established to sell or lease all or any part or the right to all or any part of such allotment [(excluding that part of the allotment which the Secretary determines was apportioned to the farm from the national acreage reserve)] to any other owner or operator of a farm for transfer to such farm; (2) may permit the owner of a farm to transfer all or any part of such allotment to any other farm owned or controlled by him: *Provided*, That the authority granted under this section may be exercised for the calendar years [1966, 1967, 1968, and 1969] *1966 through 1973*, but all transfers hereunder shall be for such period of years as the parties thereto may agree.

(b) Transfers under this section shall be subject to the following conditions: (i) no allotment shall be transferred to a farm in another State or to a person for use in another State; (ii) no farm allotment may be sold or leased for transfer to a farm in another county unless the producers of cotton in the county from which transfer is being made have voted in a referendum within three years of the date of such transfer, by a two-thirds majority of the producers participating in such referendum, to permit the transfer of allotments to farms outside the county, which referendum, insofar as practicable, shall be held in conjunction with the marketing quota referendum for the commodity; (iii) no transfer of an allotment from a farm subject to a mortgage or other lien shall be permitted unless the transfer is agreed to by the lienholder; (iv) no sale of a farm allotment shall be permitted if any sale of cotton allotment to the same farm has been made within the three immediately preceding crop years; (v) the total cotton allotment for any farm to which allotment is transferred by sale or lease shall not exceed the farm acreage allotment (excluding reapportioned acreage) established for such farm for 1965 by more than one hundred acres; (vi) no cotton in excess of the remaining acreage allotment on the farm shall be planted on any farm from which the allotment (or part of an allotment) is sold for a period of five years following such sale, nor shall any cotton in excess of the remaining acreage allotment on the farm be planted on any farm from which the allotment (or part of an allotment) is leased during the period of such lease, and the producer on such farm shall so agree as a condition precedent to the Secretary's approval of any such sale or lease; and (vii) no transfer of allotment shall be effective until a record thereof is filed with the county committee of the county to which such transfer is made and such committee determines that the transfer complies with the provisions of this section. [Such record may be filed with such committee only during the period beginning June 1 and ending December 31.]

*   *   *   *   *   *   *

SEC. 346. * * *

(e) Notwithstanding any other provision of this Act, for the [1966, 1967, 1968, and 1969] *1966 through 1973* crops of upland cotton, if the farm operator elects to forgo price support for any such crop of cotton by applying to the county committee of the county in which the farm is located for additional acreage under this subsection, he may plant an acreage not in excess of the farm acreage allotment established under section 344 plus the acreage apportioned to the farm from the national export market acreage reserve, and all cotton of such crop produced on the farm may be marketed for export free of any penalty under this section: *Provided,* That the foregoing shall be applicable only to farms which had upland cotton allotments for 1965 and are operated by the same operator as in 1965 or by his heir.

For the 1966 crop the national export market acreage reserve shall be 250,000 acres. For [each subsequent crop] *the 1967 and 1968 crops*—

If the carryover at the end of the marketing year for the preceding crop is estimated to be less than the carryover at the beginning of such marketing year by—	The national export market acreage reserve shall be—
At least 1,000,000 bales	250,000 acres.
At least 750,000 bales, but not as much as 1,000,000 bales	187,500 acres.
At least 500,000 bales, but not as much as 750,000 bales	125,000 acres.
At least 250,000 bales, but not as much as 500,000 bales	62,500 acres.
Less than 250,000 bales	None.

For the 1969 through 1973 crops the national export market acreage reserve shall be an amount prescribed by the Secretary, not to exceed 250,000 acres.

The national export market acreage reserve shall be apportioned to farms by the Secretary on the basis of the applications therefor. No application shall be accepted for a greater acreage than is avalable on the farm for the production of upland cotton. After apportionments are thus made to farms, the Secretary shall provide farm operators a reasonable time in which to cancel their applications (and agreements to forgo price support) and surrender to the Secretary through the county committee the export market acreage assigned to the farm. Acreage so surrendered shall be available for reassignment by the Secretary to other eligible farms to which export market acreage has been apportioned on the basis of the applications remaining outstanding. The operator of any farm who elects to forgo price support for any such crop under this subsection shall not be eligible for price support on cotton of such crop produced on any other farm in which he has a controlling or substantial interest as determined by the Secretary. Acreage planted to cotton in excess of the farm acreage allotment established under section 344 shall not be taken into account in establishing future State, county, and farm acreage allotments. The operator of any farm to which export market acreage is apportioned, or the purchasers of cotton produced on such farm, shall, under regulations issued by the Secretary, furnish a bond or other undertaking prescribed by the Secretary providing for the exportation, without benefit of any Government cotton export subsidy and within such time as the Secretary may specify, of [all cotton produced on such farm for such year.] *a quantity of cotton equal to the quantity of all cotton produced on such farm for such year.* The bond or other undertaking given pursuant to this subsection shall provide that,

upon failure to comply with the terms and conditions thereof, the person furnishing such bond or other undertaking shall be liable for liquidated damages in an amount which the Secretary determines and specifies in such undertaking will approximate the amount payable on excess cotton under subsection (a). The Secretary may, in lieu of the furnishing of a bond or other undertaking, provide for the payment of an amount equal to that which would be payable as liquidated damages under such bond or other undertaking. If such bond or other undertaking is not furnished, or if payment in lieu thereof is not made as provided herein, at such time and in the manner required by regulations of the Secretary, or if the acreage planted to cotton on the farm exceeds the sum of the farm acreage allotment established under section 344 and the acreage apportioned to the farm from the national export market acreage reserve, the acreage planted to cotton in excess of the farm acreage allotment established under section 344 shall be regarded as excess acreage for purposes of this section and section 345. Amounts collected by the Secretary under this subsection shall be remitted so the Commodity Credit Corporation.

SEC. 350. In order to afford producers an opportunity to participate in a program of reduced acreage and higher price support, as provided in section 103(b) of the Agricultural Act of 1949, as amended, the Secretary shall determine a national domestic allotment for the [1966, 1967, 1968, and 1969] *1966 through 1973* crops of upland cotton equal to the estimated domestic consumption of upland cotton (standard bales of four hundred and eighty pounds net weight) for the marketing year beginning in the year in which the crop is to be produced. The Secretary shall determine a farm domestic acreage allotment percentage for each such year by dividing (1) the national domestic allotment (in net weight pounds) by (2) the total for all States of the product of the State acreage allotment and the projected State yield. The farm domestic acreage allotment shall be established by multiplying the farm acreage allotment established under section 344 by the farm domestic acreage allotment percentage: *Provided*, That no farm domestic acreage allotment shall be less than 65 percentum of such farm acreage allotment. Such national domestic allotment shall be determined not later than October 15 of the calendar year preceding the year in which the crop is to be produced; except that in the case of the 1966 crop, such determination shall be made within 15 days after enactment of the Food and Agriculture Act of 1965.

* * * * * * *

SEC. 353. * * *

(c) Notwithstanding any other provisions of this Act—

(1) If farm acreage allotments are established by using past production of rice on the farm and the acreage allotments previously established for the farm in lieu of past production of rice by the producer and the acreage allotments previously established for owners or operators, the State acreage allotment shall be apportioned among counties in the State on the same basis as the national acreage allotment is apportioned among the States and the county acreage allotments shall be apportioned to farms on the basis of the applicable factors set forth in subsection (b) of this section: *Provided*, That if the State is divided into

administrative areas pursuant to subjsection (b) of this section the allotment for each administrative area shall be determined by apportioning the State acreage allotment among counties as provided in this subsection and totaling the allotments for the counties in such area: *Provided,* That the State committee may reserve not to exceed 5 per centum of the State allotment, which shall be used to make adjustments in county allotments for trends in acreage and for abnormal conditions affecting plantings;

(2) Any acreage planted to rice in excess of the farm acreage allotment shall not be taken into account in establishing State, county, and farm acreage allotments.

In determining the past production of rice by producers on a farm for the purpose of establishing farm acreage allotments for the 1956 and subsequent crops, the acreage of rice on the farm for any year for which farm acreage allotments were in effect shall be divided among the producers thereon in the proportion in which they contributed to the farm acreage allotment.

(3) Each of the State acreage allotments for 1955 heretofore proclaimed by the Secretary shall be increased by 2 per centum or by such greater acreage as may be necessary to provide such State with an allotment equal to its 1950 allotment. In any State having county acreage allotments for 1955 (i) the increase in the State allotment shall be apportioned among counties in the State on the same basis as the State allotment was heretofore apportioned among the counties, but without regard to adjustments for trends in acreage, and (ii) the 1955 allotment for any county in which the 1950–1954 average planted plus diverted acreage of rice, adjusted for trends in acreage, exceeds the 1945–1949 average planted acreage of rice, similarly adjusted, by more than 2 per centum shall then be further increased by such additional acreage as may be necessary to provide such county with an allotment equal to its 1950 allotment. The increases in the county acreage allotments and the increases in the State allotments, where county allotments are not determined, shall be used to establish farm acreage allotments which are fair and reasonable in relation to the applicable allotment factors specified in subsection (b) of this section and to correct inequities and prevent hardships.

(4) The reserve acreage made available for 1955 in any State for apportionment to farms operated by persons who have not produced rice during the preceding five years or on which rice has not been planted in the preceding five years shall not be less than five hundred acres; and the additional acreage necessary to provide such minimum reserve acreages shall be in addition to the National and State acreage allotments.

(5) Each of the State acreage allotments for 1956 heretofore proclaimed by the Secretary, after adding thereto any acreage apportioned to farms in the State from the reserve acreage set aside pursuant to subsection (a) of this section, shall be increased by such amount as may be necessary to provide such State with an allotment of not less than 85 per centum of its final allotment established for 1955. Any additional acreage required to provide such minimum allotment shall be additional to the national acreage allotment. In any State having county acreage allotments

for 1956, the increase in the State allotment shall be apportioned among counties in the State on the same basis as the State allotment was heretofore apportioned among the counties, but without regard to adjustments for trends in acreage.

(6) The national acreage allotments of rice for 1957 and subsequent years shall be not less than the national acreage allotment for 1956, including any acreage allotted under paragraph (5) of this subsection, and such national allotments for 1957 and subsequent years shall be apportioned among the States in the same proportion that they shared in the total acreage allotted in 1956.

(7) If the national acreage allotment for rice for [1966, 1967, 1968, or 1969] *1966 or any succeeding year up to and including 1973* is less than the national acreage allotment for rice for 1965, the Secretary shall formulate and carry out an acreage diversion program for rice for such year designed to support the gross income of rice producers at a level not lower than that for 1965, minus any reduction in production costs resulting from the reduced rice acreage. Under such program conservation payments shall be made to producers who comply with their rice acreage allotments, devote to an approved conservation use an acreage of cropland on the farm equal to the number of acres determined by multiplying the farm acreage allotment by the diversion factor, and comply with such additional terms and conditions as the Secretary may prescribe. The diversion factor shall be determined by dividing the number of acres by which the national acreage allotment is reduced below the national acreage allotment for 1965 by the number of acres in the national acreage allotment. Notwithstanding the foregoing provisions, the Secretary may permit all or any part of such diverted acreage to be devoted to the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, and flaxseed, if he determines that such production is not likely to increase the cost of the price-support program and will not adversely affect farm income, subject to the condition that payment with respect to diverted acreage devoted to any such crops shall be at a rate determined by the Secretary to be fair and reasonable, taking into consideration the use of such acreage for the production of such crops; but in no event shall the payment exceed one-half the rate which otherwise would be applicable if such acreage were devoted to conservation uses. Such program shall require the producer to take such measures as the Secretary may deem appropriate to keep such diverted acreage free from erosion, insects, weeds, and rodents. The Secretary may make not to exceed 50 per centum of any payments to producers in advance of determination of performance. The Secretary shall provide for the sharing of payments under this paragraph among producers on the farm on a fair and equitable basis as determined by the Secretary. The Commodity Credit Corporation is authorized to utilize its capital funds and other assets for the purpose of making the payments authorized in this paragraph and to pay administrative expenses necessary in carrying out this paragraph.

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SEC. 359. * * *

(c) The word "peanuts" for the purpose of this Act shall mean all peanuts produced, excluding any peanuts which it is established by the producer or otherwise, in accordance with regulations of the Secretary, were not picked or threshed either before or after marketing from the farm, or were marketed by the producer before drying or removal of moisture from such peanuts either by natural or artificial means for consumption exclusively as boiled peanuts.[1]

* * * * * * *

SEC. 379b. A wheat marketing allocation program as provided in this subtitle shall be in effect for the marketing years for the crops planted for harvest in [the calendar years 1966 through 1969] *1966 through 1973 calendar years.* Whenever a wheat marketing allocation program is in effect for any marketing year the Secretary shall determine (1) the wheat marketing allocation for such year which shall be the amount of wheat he estimates will be used during such year for food products for consumption in the United States, but the amount of wheat included in the marketing allocation for food products for consumption in the United States shall not be less than five hundred million bushels, and (2) the national allocation percentage for such year which shall be the percentage which, when applied to the farm as provided in this section, will result in marketing certificates being issued to producers in the amount of the national wheat marketing allocation. The cost of any domestic marketing certificates issued to producers in excess of the number of certificates acquired by processors as a result of the application of the five hundred million bushel minimum or an overestimate of the amount of wheat used during such year for food products for consumption in the United States shall be borne by Commodity Credit Corporation. Each farm shall receive a wheat marketing allocation for such marketing year equal to the number of bushels obtained by multiplying the number of acres in the farm acreage allotment for wheat by the projected farm yield, and multiplying the resulting number of bushels by the national allocation percentage.

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SEC. 379e. For the purpose of facilitating the purchase and sale of marketing certificates, the Commodity Credit Corporation is authorized to issue, buy, and sell marketing certificates in accordance with regulations prescribed by the Secretary. Such regulations may authorize the Corporation to issue and sell certificates in excess of the quantity of certificates which it purchases. Such regulations may authorize the Corporation in the sale of marketing certificates to charge, in addition to the face value thereof, an amount determined by the Secretary to be appropriate to cover estimated administrative costs in connection with the purchase and sale of the certificates and estimated interest incurred on funds of the Corporation invested in certificates purchased by it. Notwithstanding any other provision of this Act, Commodity Credit Corporation shall sell marketing certificates for the marketing years for the [1966 through the 1969 wheat crops to persons engaged in the processing of food products at the

[1] Effective for the 1957 through 1973 crops.

face value thereof less any amount by which price support for wheat accompanied by domestic certificates exceeds $2 per bushel.] *marketing years for the 1970 through 1973 wheat crops to persons engaged in the processing of food products at the lower of (1) the face value thereof or (2) $0.75 per bushel plus the amount by which the parity price for wheat as of the beginning of the marketing year for such crop as estimated by the Secretary not earlier than May 1, preceding the beginning of such marketing year exceeds the parity price as of July 1, 1969.*

Agricultural Act of 1949

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Sec. 103. * * *

(d) (1) Notwithstanding any other provision of this Act, if producers have not disapproved marketing quotas, price support and diversion payments shall be made available for the [1966, 1967, 1968, and 1969] *1966 through 1973* crops of upland cotton as provided in this subsection.

(2) Price support for each such crop of upland cotton shall be made available to cooperators through loans at such level, not exceeding a level which will reflect for Middling one-inch upland cotton at average location in the United States 90 per centum of the estimated average world market price for Middling one-inch upland cotton for the marketing year for such crop, as the Secretary determines will provide orderly marketing of cotton during the harvest season and will retain an adequate share of the world market for cotton produced in the United States taking into consideration the factors specified in section 401(b) of this Act: *Provided*, That the national average loan rate for the 1966 crop shall reflect 21 cents per pound for Middling one-inch upland cotton.

(3) The Secretary also shall provide additional price support for each such crop through payments in cash or in kind to cooperators at a rate not less than 9 cents per pound: *Provided*, That the rate shall be such that the amount obtained by—

(i) multiplying the rate by the farm domestic acreage allotment percentage, and

(ii) dividing the product thus obtained by the cooperator percentage established under section 408(b), and

(iii) adding the result thus obtained to the national average loan rate

shall not be less than 65 per centum or more than 90 per centum of the parity price for cotton as of the month in which the payment rate provided for by this paragraph is announced. Such payments shall be made on the quantity of cotton determined by multiplying the projected farm yield by the acreage planted to cotton within the farm domestic acreage allotment: *Provided*, That any such farm planting not less than 90 per centum of such domestic acreage allotment shall be deemed to have planted the entire amount of such allotment. An acreage on a farm in any such year which the Secretary finds was not planted to cotton because of drought, flood, or other natural disaster shall be deemed to be planted to cotton for purposes of payments under this subsection if such acreage is not subsequently

devoted to any other crop for which there are marketing quotas or voluntary adjustment programs in effect.

(4) The Secretary shall make diversion payments in cash or in kind in addition to the price support payments authorized in paragraph (3) to cooperators who reduce their cotton acreage by diverting a portion of their cotton acreage allotment from the production of cotton to approved conservation practices to the extent prescribed by the Secretary: *Provided*, That no reduction below the domestic acreage allotments established under section 350 of the Agricultural Adjustment Act of 1938, as amended, shall be prescribed: *Provided further*, That payment under this paragraph shall be made available for diverting to conserving uses that part of the acreage allotment which must be diverted from cotton in order that the producer may qualify as a cooperator. The rate of payment for acreage required to be diverted in order to qualify as a cooperator shall not be less than 25 per centum of the parity price for upland cotton as of the month in which such rate is announced. The rate of payment for additional acreage diverted shall be such rate as the Secretary determines to be fair and reasonable, but shall not exceed 40 per centum of such parity price. Payment at each applicable rate shall be made on the quantity of cotton determined by multiplying the acreage diverted from the production of cotton at such rate by the projected farm yield. In addition to the foregoing payment, if any, payments at the rate applicable for acreage required to be diverted to qualify as a cooperator shall be made to producers on small farms as defined in section 408(b) who do not exceed their farm acreage allotments on a quantity of cotton determined by multiplying an acreage equal to 35 per centum of such farm acreage allotment by the projected farm yield.

(5) The Secretary may make not to exceed 50 per centum of the payments under this subsection to producers in advance of determination of performance and the balance of such payments shall be made at such time as the Secretary may prescribe.

(6) Where the farm operator elects to participate in the diversion program authorized in this subsection and no acreage is planted to cotton on the farm, diversion payments shall be made at the [rate established under paragraph (4) for acreage required to be diverted to qualify as a cooperator on the quantity of cotton determined by multiplying that part of the farm acreage allotment required to be diverted to qualify as a cooperator by the projected farm yield, and the remainder of such allotment may be released under the provisions of section 344(m)(2) of the Agricultural Adjustment Act of 1938, as amended] *applicable rate or rates established under paragraph (4) on the quantity of cotton determined by multiplying that part of the farm acreage allotment diverted under the program by the projected farm yield, and the remainder of such allotment may be leased under the provision of section 344a of the Agricultural Adjustment Act of 1938, as amended, subject to the conditions of that section, or may be released under the provisions of section 344(m)(2) of such Act. Such lease or release shall not result in reduction of the acreage eligible for diversion under this paragraph. The acreage on which payment is made under this paragraph shall be regarded as planted to cotton for purposes of establishing future State, county, and farm acreage allotments, and farm bases.*

(7) Payments in kind under this subsection shall be made through the issuance of certificates which the Commodity Credit Corporation

shall redeem for cotton under regulations issued by the Secretary at a value per pound equal to not less than the current loan rate therefor. The Corporation may, under regulations prescribed by the Secretary, assist the producers in the marketing of such certificates at such times and in such manner as the Secretary determines will best effectuate the purposes of the program authorized by this subsection.

(8) Payments under this subsection shall be conditioned on the farm having an acreage of approved conservation uses equal to the sum of (i) the reduction in cotton acreage required to qualify for such payments (hereinafter called "diverted acreage"), and (ii) the average acreage of cropland on the farm devoted to designated soil-conserving crops or practices, including summer fallow and idle land, during a base period prescribed by the Secretary: *Provided*, That the Secretary may permit all or any part of such diverted acreage to be devoted to the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, and flaxseed, if he determines that such production is necessary to provide an adequate supply of such commodities, is not likely to increase the cost of the price support program, and will not adversely affect farm income, subject to the condition that payment under paragraph (4) or (6) with respect to diverted acreage devoted to any such crop shall be at a rate determined by the Secretary to be fair and reasonable, taking into consideration the use of such acreage for the production of such crops, but in no event shall the payment exceed one-half the rate which otherwise would be applicable if such acreage were devoted to conservation uses.

(9) The acreage regarded as planted to cotton on any farm which qualifies for payment under this subsection except under paragraph (6) shall, for purposes of establishing future State, county, and farm acreage allotments and farm bases, be the farm acreage allotment established under section 344 of the Agricultural Adjustment Act of 1938, as amended, excluding adjustments under subsection (m)(2) thereof.

(10) The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers, including provision for sharing diversion payments on a fair and equitable basis under this subsection. The Secretary shall provide for the sharing of price support payments among producers on the farm on the basis of their respective shares in the cotton crop produced on the farm, or the proceeds therefrom, except that in any case in which the Secretary determines that such basis would not be fair and equitable, the Secretary shall provide for such sharing on such other basis as he may determine to be fair and equitable.

(11) In any case in which the failure of a producer to comply fully with the terms and conditions of the programs formulated under this Act preclude the making of payments under this section, the Secretary may, nevertheless, make such payments in such amounts as he determines to be equitable in relation to the seriousness of the default.

(12) Notwithstanding any other provision of this Act, if, as a result of limitations hereafter enacted with respect to price support under this subsection, the Secretary is unable to make available to all cooperators the full amount of price support to which they would otherwise be entitled under paragraphs (2) and (3) of this subsection for any crop of upland cotton, (A) price sup-

port to cooperators shall be made available for such crop (if marketing quotas have not been disapproved) through loans or purchases at such level not less than 65 per centum nor more than 90 per centum of the parity price therefor as the Secretary determines appropriate; (B) in order to keep upland cotton to the maximum extent practicable in the normal channels of trade, such price support may be carried out through the simultaneous purchase of cotton at the support price therefor and resale at a lower price or through loans under which the cotton would be redeemable by payment of a price therefor lower than the amount of the loan thereon; and (C) such resale or redemption price shall be such as the Secretary determines will provide orderly marketing of cotton during the harvest season and will retain an adequate share of the world market for cotton produced in the United States.

(13) The provisions of subsection 8(g) of the Soil Conservation and Domestic Allotment Act, as amended (relating to assignment of payments), shall also apply to payments under this subsection.

(14) The Commodity Credit Corporation is authorized to utilize its capital funds and other assets for the purpose of making the payments authorized in this subsection and to pay administrative expenses necessary in carrying out this subsection.

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Sec. 105. * * *

(e) For the 1966 through 1969 crops of feed grains, the Secretary shall require, as a condition of eligibility for price support on the crop of any feed grain which is included in any acreage diversion program formulated under section 16(i) of the Soil Conservation and Domestic Allotment Act, as amended, that the producer shall participate in the diversion program to the extent prescribed by the Secretary, and, if no diversion program is in effect for any crop, he may require as a condition of eligibility for price support on such crop of feed grains that the producer shall not exceed his feed grain base: *Provided*, That the acreage on any farm which is diverted from the production of feed grains pursuant to a contract hereafter entered into under the Cropland Adjustment Program shall be deemed to be acreage diverted from the production of feed grains for purposes of meeting the foregoing requirements for eligibility for price support: *Provided further*, That the Secretary may provide that no producer of malting barley shall be required as a condition of eligibility for price support for barley to participate in the acreage diversion program for feed grains if such producer has previously produced a malting variety of barley, plants barley only of an acceptable malting variety for harvest, does not knowingly devote an acreage on the farm to barley in excess of 110 per centum of the average acreage devoted on the farm to barley in 1959 and 1960, does not knowingly devote an acreage on the farm to corn and grain sorghums in excess of the acreage devoted on the farm to corn and grain sorghums in 1959 and 1960, and does not devote any acreage devoted to the production of oats and rye in 1959 and 1960 to the production of wheat pursuant to the provisions of section 328 of the Food and Agriculture Act of 1962. Such portion of the support price for any feed grain included in the acreage diversion program as the Secretary determines desirable to assure that the benefits of the price-support and diversion programs inure primarily to those

producers who cooperate in reducing their acreage of feed grains shall be made available to producers through payments-in-kind. Such payments-in-kind shall be made available on the maximum permitted acreage, or the Secretary may make the same total amount available on a smaller acreage or acreages at a higher rate or rates. The number of bushels of such feed grain on which such payments-in-kind shall be made shall be determined by multiplying that part of the actual acreage of such feed grain planted on the farm for harvest on which the Secretary makes such payments available by the farm projected yield per acre: *Provided*, That for purposes of such payments, the Secretary may permit producers of feed grains to have acreage devoted to soybeans considered as devoted to the production of feed grains to such extent and subject to such terms and conditions as the Secretary determines will not impair the effective operation of the price support program: *Provided further*, That for purposes of such payments, producers on any farm who have planted not less than 90 per centum of the acreage of feed grains permitted to be planted shall be deemed to have planted the entire acreage permitted. Notwithstanding the provisions of subsection (a), that portion of the support price which is made available through loans and purchases for the 1966 through [1969] *1973* crops may be reduced below the loan level for the 1965 crop by such amounts and in such stages as may be necessary to promote increased participation in the feed grain program, taking into account increases in yields, but so as not to disrupt the feed grain and livestock economy: *Provided*, That this authority shall not be construed to modify or affect the Secretary's discretion to maintain or increase total price support levels to cooperators. An acreage on the farm which the Secretary finds was not planted to feed grains because of drought, flood, or other natural disaster shall be deemed to be an actual acreage of feed grains planted for harvest for purposes of such payments provided such acreage is not subsequently planted to any other income-producing crop during such year. The Secretary may make not to exceed 50 per centum of any payments hereunder to producers in advance of determination of performance. Payments-in-kind shall be made through the issuance of negotiable certificates which the Commodity Credit Corporation shall redeem for feed grains (such feed grains to be valued by the Secretary at not less than the current support price made available through loans and purchases, plus reasonable carrying charges) in accordance with regulations prescribed by the Secretary and notwithstanding any other provision of law, the Commodity Credit Corporation shall, in accordance with regulations prescribed by the Secretary, assist the producer in the marketing of such certificates. The Secretary shall provide for the sharing of such certificates among producers on the farm on the basis of their respective shares in the feed grain crop produced on the farm, or the proceeds therefrom, except that in any case in which the Secretary determines that such basis would not be fair and equitable, the Secretary shall provide for such sharing on such other basis as he may determine to be fair and equitable. If the operator of the farm elects to participate in the acreage diversion program, price support for feed grains included in the program shall be made available to the producers on such farm only if such producers divert from the production of such feed grains, in accordance with the provisions of such program, an acreage on the farm equal to the number of acres which such oper-

ator agrees to divert, and the agreement shall so provide. In any case in which the failure of a producer to comply fully with the terms and conditions of the programs formulated under this subsection (e) and subsection (d) of this section preclude the making of payments-in-kind, the Secretary may, nevertheless, make such payments-in-kind in such amounts as he determines to be equitable in relation to the seriousness of the default. *Notwithstanding any other provision of this subsection and section 16(i) of the Soil Conservation and Domestic Allotment Act, as amended, price support payments and diversion payments may be made in cash or in kind for the 1969 through 1973 crops of feed grains. Payment-in-kind certificates which the Commodity Credit Corporation acquired under the price support and diversion programs for feed grains through the 1968 crop in assisting producers in the marketing of such certificates and which are still on hand on September 30, 1969, shall not be marketed and shall be canceled.*

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Sec. 107. Notwithstanding the provisions of section 101 of this Act, for any marketing year—

(1)(a) Price support for wheat accompanied by domestic certificates shall be at 100 per centum of the parity price *as of the beginning of the marketing year as estimated by the Secretary not earlier than May 1 preceding the beginning of such marketing year*, or as near thereto as the Secretary determines practicable, and (b) price support for wheat not accompanied by marketing certificates shall be at such level, not in excess of the parity price therefor, as the Secretary determines appropriate, taking into consideration competitive world prices of wheat, the feeding value of wheat in relation to feed grains, and the level at which price support is made available for feed grains,

(2) notwithstanding the provisions of paragraph (1), for the 1966 crop, price support for wheat accompanied by domestic marketing certificates shall be at 100 per centum of the parity price therefor, and price support for wheat not accompanied by marketing certificates shall be not less than $1.25 per bushel. For any crop of wheat planted for harvest during the calendar years 1967 through 1969 for which the diversion factor established pursuant to section 339(a) of the Agricultural Adjustment Act of 1938, as amended, is not less than 10 per centum, the total average rate of return per bushel made available to a cooperator on the estimated production of his allotment based on projected yield through loans, domestic marketing certificates, estimated returns from export marketing certificates, and diversion payments for acreage diverted pursuant to section 339(a) of the Agricultural Adjustment Act of 1938, as amended, shall not be less than the total average rate of return per bushel made available to cooperators through loans and domestic marketing certificates for the 1966 crop.

(3) Price support shall be made available only to cooperators, and

(4) A "cooperator" with respect to any crop of wheat produced on a farm shall be a producer who (i) does not knowingly exceed (A) the farm acreage allotment for wheat on the farm or (B) except as the Secretary may by regulation prescribe, the farm acreage

allotment for wheat on any other farm on which the producer shares in the production of wheat, and (ii) complies with the land-use requirements of section 339 of the Agricultural Adjustment Act of 1938, as amended, to the extent prescribed by the Secretary. No producer shall be deemed to have exceeded a farm acreage allotment for wheat if the production on the acreage in excess of the farm acreage allotment is stored pursuant to the provisions of section 379c(b), but the producer shall not be eligible to receive price support on the wheat so stored.

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SEC. 407. The Commodity Credit Corporation may sell any farm commodity owned or controlled by it at any price not prohibited by this section. In determining sales policies for basic agricultural commodities or storable nonbasic commodities, the Corporation should give consideration to the establishing of such policies with respect to prices, terms, and conditions as it determines will not discourage or deter manufacturers, processors, and dealers from acquiring and carrying normal inventories of the commodity of the current crop. The Corporation shall not sell any basic agricultural commodity or storable nonbasic commodity at less than 5 per centum above the current support price for such commodity, plus reasonable carrying charges: *Provided*, That effective with the beginning of the marketing year for the 1961 crop, the Corporation shall not sell any upland or extra long staple cotton for unrestricted use at less than 15 per centum above the current support price for cotton plus reasonable carrying charges, except that the Corporation may, in an orderly manner and so as not to affect market prices unduly, sell for unrestricted use at the market price at the time of sale a number of bales of cotton equal to the number of bales by which the national marketing quota for such marketing year is reduced below the estimated domestic consumption and exports for such marketing year pursuant to the provisions of section 342 of the Agricultural Adjustment Act of 1938, as amended: *Provided further*, That beginning August 1, 1964, the Commodity Credit Corporation may sell upland cotton for unrestricted use at not less than 105 per centum of the current loan rate for such cotton under section 103(a) plus reasonable carrying charges: *Provided further*, That if a wheat marketing allocation program is in effect, the current support price for wheat shall be the support price for wheat not accompanied by marketing certificates: *Provided*, That whenever the Secretary of Agriculture determines that the carryover at the end of any marketing year of a price supported agricultural commodity for which a voluntary adjustment program is in effect will be less than 25 per centum (35 per centum in the case of wheat) of the estimated export and domestic consumption of such commodity during such marketing year, the Commodity Credit Corporation shall not sell any of its stocks of such commodity during such year for unrestricted use at less than 115 per centum (120 per centum in the case of wheat whenever its carryover will be less than 25 percentum of such estimated export and domestic consumption) of the current price support loan plus reasonable carrying charges. The foregoing restrictions shall not apply to (A) sales for new or byproduct uses; (B) sales of peanuts and oilseeds for the extraction of oil; (C) sales for seed or feed if such sales will not substantially impair any price-support program; (D) sales of commodities which have substantially

deteriorated in quality or as to which there is a danger of loss or waste through deterioration or spoilage; (E) sales for the purpose of establishing claims arising out of contract or against persons who have committed fraud, misrepresentation, or other wrongful acts with respect to the commodity; (F) sales for export; (G) sales of wool; and (H) sales for other than primary uses. Notwithstanding the foregoing, the Corporation, on such terms and conditions as the Secretary may deem in the public interest, shall make available any farm commodity or product thereof owned or controlled by it for use in relieving distress (1) in any area in the United States including the Virgin Islands declared by the President to be an acute distress area because of unemployment or other economic cause if the President finds that such use will not displace or interfere with normal marketing of agricultural commodities and (2) in connection with any major disaster determined by the President to warrant assistance by the Federal Government under Public Law 875, Eighty-first Congress, as amended and shall make feed owned or controlled by it available at any price not less than 75 per centum of the current basic county support rate for such feed including the value of any applicable price support payment in kind (or a comparable price if there is no current basic county support rate) for assistance in the preservation and maintenance of foundation herds of cattle (including producing dairy cattle), sheep, and goats, and their offspring, in any area of the United States including the Virgin Islands where, because of flood, drought, fire, hurricane, earthquake, storm, disease, insect infestation, or other catastrophe in such areas, the Secretary determines that an emergency exists which warrants such assistance, such feed to be made available only to persons who do not have, and are unable to obtain through normal channels of trade without undue financial hardship, sufficient feed for such livestock: *Provided*, That the Secretary may provide for the furnishing of feed or mixed feed, in accordance with regulations prescribed by him, to such persons by feed dealers under an arrangement whereby the feed grains (or other feed being sold by the Corporation) in the feed so furnished would be replaced with feed owned or controlled by the Corporation and sold to such persons at a price determined as provided above. Except on a reimbursable basis, the Corporation shall not bear any costs in connection with making such commodity available beyond the cost of the commodities to the Corporation in store and the handling and transportation costs in making delivery of the commodity to designated agencies at one or more central locations in each State or other area. Nor shall the foregoing restrictions apply to sales of commodities the disposition of which is desirable in the interest of the effective and efficient conduct of the Corporation's operations because of the small quantities involved, or because of age, location or questionable continued storability, but such sales shall be offset by such purchases of commodities as the Corporation determines are necessary to prevent such sales from substantially impairing any price-support program, but in no event shall the purchase price exceed the then current support price for such commodities. For the purposes of this section, sales for export shall not only include sales made on condition that the identical commodities sold be exported, but shall also include sales made on condition that commodities of the same kind and of comparable value or quantity be exported, either in raw or processed form. Notwith-

standing the foregoing, whenever prior to December 31, 1963, the Secretary determines it necessary in order to assure the Nation an adequate supply of milk free of contamination by radioactive fallout, he may make feed owned or controlled by the Commodity Credit Corporation available to producers of milk in any area or areas of the United States at such prices and on such terms and conditions as he deems appropriate in the public interest. Notwithstanding any other provision of this section, for the period August 1, 1966, through July 31, [1970,] *1974,* (1) the Commodity Credit Corporation shall sell upland cotton for unrestricted use at the same prices as it sells cotton for export, in no event, however, at less than 110 per centum of the loan rate, and (2) the Commodity Credit Corporation shall sell or make available for unrestricted use at current market prices in each marketing year a quantity of upland cotton equal to the amount by which the production of upland cotton is less than the estimated requirements for domestic use and for export for such marketing year. The Secretary may make such estimates and adjustments therein at such times as he determines will best effectuate the provisions of part (2) of the foregoing sentence and such quantities of cotton as are required to be sold under such sentence shall be offered for sale in an orderly manner and so as not to affect market prices unduly.

Sec. 408. * * *

(b) A "cooperator" with respect to any basic agricultural commodity shall be a producer on whose farm the acreage planted to the commodity does not exceed the farm acreage allotment for the commodity under title III of the Agricultural Adjustment Act of 1938, as amended, or in the case of price support for corn or wheat to a producer outside the commercial corn-producing or wheat-producing area, a producer who complies with conditions of eligibility prescribed by the Secretary: *Provided,* That for upland cotton a cooperator shall be a producer on whose farm the acreage planted to such cotton does not exceed the cooperator percentage, which shall be in the case of the 1966 crop, 87.5 per centum of such farm acreage allotment and, in the case of each of the [1967, 1968, and 1969] *1967 through 1973* crops, such percentage, not less than 87.5 or more than 100 per centum, of such farm acreage allotment as the Secretary may specify for such crop, except that in the case of small farms (i.e. farms on which the acreage allotment is 10 acres or less, or on which the projected farm yield times the acreage allotment is 3,600 pounds or less, and the acreage allotment has not been reduced under section 344(m)) the acreage of cotton on the farm shall not be required to be reduced below the farm acreage allotment. For the purpose of this subsection, a producer shall not be deemed to have exceeded his farm acreage allotment unless such producer knowingly exceeded such allotment.

National Wool Act of 1954

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Sec. 703. The Secretary of Agriculture shall, through the Commodity Credit Corporation, support the prices of wool and mohair, respectively, to the producers thereof by means of loans, purchases, payments, or other operations. Such price support shall be limited

to wool and mohair marketed during the period beginning April 1, 1955, and ending December 31, [1969] *1973*. The support price for shorn wool shall be at such incentive level as the Secretary, after consultation with the producer representatives, and after taking into consideration prices paid and other cost conditions affecting sheep production, determines to be necessary in order to encourage an annual production consistent with the declared policy of this title: *Provided*, That the support price for shorn wool shall not exceed 110 per centum of the parity price therefor: *Provided further*, That the support price for shorn wool for the 1966 and each subsequent marketing year shall be determined by multiplying 62 cents by the ratio of (i) the average of the parity index (the index of prices paid by farmers, including commodities and services, interest, taxes, and farm wage rates, as defined in section 301(a)(1)(C) of the Agricultural Adjustment Act of 1938, as amended) for the three calendar years immediately preceding the calendar year in which such price support is determined and announced to (ii) the average parity index for the three calendar years 1958, 1959, and 1960, and rounding the resulting amount to the nearest full cent. The support prices for pulled wool and for mohair shall be established at such levels, in relationship to the support price for shorn wool, as the Secretary determines will maintain normal marketing practices for pulled wool, and as the Secretary shall determine is necessary to maintain approximately the same percentage of parity for mohair as for shorn wool. The deviation of mohair support prices shall not be calculated so as to cause it to rise or fall more than 15 per centum above or below the comparable percentage of parity at which shorn wool is supported. Notwithstanding the foregoing, no price support shall be made available, other than through payments, at a level in excess of 90 per centum of the parity price for the commodity. The Secretary shall, to the extent practicable, announce the support price levels for wool and mohair sufficiently in advance of each marketing year as will permit producers to plan their production for such marketing year.

Public Law 85–127

85TH CONGRESS, H.R. 6570, AUGUST 13, 1957

AN ACT To amend the peanut marketing quota provisions of the Agricultural Adjustment Act of 1938, as amended, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 359(c) of the Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1359(c)), be amended to read as follows:

"(c) The word 'peanuts' for the purposes of this Act shall mean all peanuts produced, excluding any peanuts which it is established by the producer or otherwise, in accordance with regulations of the Secretary, were not picked or threshed either before or after marketing from the farm, or were marketed by the producer before drying or removal of moisture from such peanuts either by natural or artificial means for consumption exclusively as boiled peanuts."

This amendment shall be effective for the [1957, 1958, and 1959] *1957 through 1973* crops of peanuts.

Agricultural Act of 1964

* * * * * * *

TITLE II—WHEAT

* * * * * * *

Sec. 202. * * *

(7) Section 339(a)(1) is amended, effective only with respect to the crops planted for harvest in 1964 and 1965, to read as follows:

"(a)(1) As a condition of eligibility for wheat marketing certificates with respect to any farm, the producers on such farm shall be required to divert from the production of wheat to an approved conservation use an acreage of cropland on the farm equal to the number of acres determined by multiplying the farm acreage allotment by the diversion factor, and to participate in any program formulated under subsection (b) to the extent prescribed by the Secretary. Such diversion factor shall be determined by dividing the number of acres by which the national acreage allotment is reduced below fifty-five million acres by the number of acres in the national acreage allotment."

* * * * * * *

(13) Section 379c(b) of the Agricultural Adjustment Act of 1938, as amended, is amended, effective with respect to the crops planted for harvest in [the calendar years 1965 through 1969] *1965 through 1973 calendar years*, by adding at the end thereof the following: "For purposes of this section, but not for purposes of diversion payments under subsection (b) of section 339, a producer shall be deemed not to have exceeded the farm acreage allotment for wheat if the acreage in excess of the farm acreage allotment does not exceed 50 per centum of the farm acreage allotment and the amount of wheat produced on the acreage in excess of the farm acreage allotment is stored in accordance with regulations issued by the Secretary. The amount of wheat required to be stored hereunder shall be an amount equal to twice the normal yield of wheat per acre established for the farm multiplied by the number of acres of such crop of wheat on the farm in excess of the farm acreage allotment for such crop unless the producer, in accordance with regulations prescribed by the Secretary and within the time prescribed therein, establishes to the satisfaction of the Secretary the actual production of such crop of wheat on the farm. If such actual production is so established, the amount of wheat required to be stored shall be such actual production less the actual production of the farm wheat acreage allotment based upon the average yield per acre for the entire wheat acreage on the farm: *Provided, however*, That the amount of wheat required to be stored shall not be larger than the amount by which the actual production so established exceeds the normal production of the farm wheat acreage allotment. At the time and to the extent of any depletion in the amount of wheat so stored, except depletion resulting from the release of wheat from storage on account of underplanting or underproduction, as provided below or depletion resulting from some cause beyond the control of the producer, the producer shall pay an amount to the Secretary equal to one and one-half times the value of the wheat marketing certificates issued with respect to the farm for the year in

which the wheat on the acreage in excess of the allotment was produced. Whenever the planted acreage of the then current crop of wheat on the farm is less than the farm acreage allotment, the total amount of wheat from any previous crops stored hereunder or stored in order to avoid or postpone a marketing quota penalty shall be reduced by that amount which is equal to the normal production of the number of acres by which the farm acreage allotment exceeds the planted acreage, and whenever the actual production of the acreage of wheat is less than the normal production of the farm acreage allotment, the total amount of wheat from any previous crops stored hereunder on in order to avoid a marketing quota penalty shall be reduced by that amount which together with the actual production of the then current crop will equal the normal production of the farm acreage allotment."

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Food and Agriculture Act of 1965

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TITLE I—DAIRY

Sec. 101. The Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is further amended by striking in subparagraph (B) of subsection 8c(5) all of clause (d) and inserting in lieu thereof a new clause (d) to read as follows:

"(d) a further adjustment, equitably to apportion the total value of the milk purchased by any handler, or by all handlers, among producers and associations of producers, on the basis of their marketings of milk, which may be adjusted to reflect sales of such milk by any handler or by all handlers in any use classification or classifications, during a representative period of time which need not be limited to one year. In the event a producer holding a base allocated under this clause (d) shall reduce his marketings, such reduction shall not adversely affect his history of production and marketing for the determination of future bases. Allocations to producers under this clause (d) may be transferable under an order on such terms and conditions as may be prescribed if the Secretary of Agriculture determines that transferability will be in the best interest of the public, existing producers, and prospective new producers. Any increase in class one base resulting from enlarged or increased consumption and any producer class one bases forfeited or surrendered shall first be made available to new producers and to the alleviation of hardship and inequity among producers. In the case of any producer who during any accounting period delivers a portion of his milk to persons not fully regulated by the order, provision may be made for reducing the allocation of, or payments to be received by, any such producer under this clause (d) to compensate for any marketings of milk to such other persons for such period or periods as necessary to insure equitable participation in marketings among all producers";

and by adding at the end of said subparagraph (B) the following: "Notwithstanding the provisions of section 8c(12) and the last sen-

tence of section 8c(19) of this Act, order provisions under (d) above shall not become effective in any marketing order unless separately approved by producers in a referendum in which each individual producer shall have one vote and may be terminated separately whenever the Secretary makes a determination with respect to such provisions as is provided for the termination of an order in subparagraph 8c(16)(B). Disapproval or termination of such order provisions shall not be considered disapproval of the order or of other terms of the order."

SEC. 102. Such Act is further amended (a) by adding to subsection 8c(5) the following new paragraph: "(H) Marketing orders applicable to milk and its products may be limited in application to milk used for manufacturing."; and (b) by amending subsection 8c(18) by adding after the words "marketing area" wherever they occur the words "or, in the case of orders applying only to manufacturing milk, the production area".

SEC. 103. The provisions of this title shall not be effective after December 31, [1969] *1973*.

SEC. 104. The legal status of producer handlers of milk under the provisions of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, shall be the same subsequent to the adoption of the amendments made by this title as it was prior thereto.

*   *   *   *   *   *   *

SEC. 502. Effective only with respect to the crops of wheat planted for harvest in [the calendar years 1966 through 1969], *1966 through 1973 calendar years*, and the marketing years for such crops, section 379b is amended to read as follows:

"SEC. 379b. A wheat marketing allocation program as provided in this subtitle shall be in effect for the marketing years for the crops planted for harvest in the calendar years 1966 through 1969. Whenever a wheat marketing allocation program is in effect for any marketing year the Secretary shall determine (1) the wheat marketing allocation for such year which shall be the amount of wheat he estimates will be used during such year for food products for consumption in the United States, but the amount of wheat included in the marketing allocation for food products for consumption in the United States shall not be less than five hundred million bushels, and (2) the national allocation percentage for such year which shall be the percentage which, when applied to the farm as provided in this section, will result in marketing certificates being issued to producers in the amount of the national wheat marketing allocation. The cost of any domestic marketing certificates issued to producers in excess of the number of certificates acquired by processors as a result of the application of the five hundred million bushel minimum or an overestimate of the amount of wheat used during such year for food products for consumption in the United States shall be borne by Commodity Credit Corporation. Each farm shall receive a wheat marketing allocation for such marketing year equal to the number of bushels obtained by multiplying the number of acres in the farm acreage allotment for wheat by the projected farm yield, and multiplying the resulting number of bushels by the national allocation percentage."

*   *   *   *   *   *   *

SEC. 506. Effective only with respect to the 1966 through [1969] *1973* crops, section 107 of the Agricultural Act of 1949, as amended (7 U.S.C. 1445a), is amended to read as follows:

"SEC. 107. Notwithstanding the provisions of section 101 of this Act, for any marketing year—

"(1)(a) Price support for wheat accompanied by domestic certificates shall be at 100 per centum of the parity price *as of the beginning of the marketing year as estimated by the Secretary not earlier than May 1 preceding the beginning of such marketing year*, or as near thereto as the Secretary determines practicable, and (b) price support for wheat not accompanied by marketing certificates shall be at such level, not in excess of the parity price therefor, as the Secretary determines appropriate, taking into consideration competitive world prices of wheat, the feeding value of wheat in relation to feed grains, and the level at which price support is made available for feed grains,

"(2) notwithstanding the provisions of paragraph (1), for the 1966 crop, price support for wheat accompanied by domestic marketing certificates shall be at 100 per centum of the parity price therefor, and price support for wheat not accompanied by marketing certificates shall be not less than $1.25 per bushel. For any crop of wheat planted for harvest during the calendar years 1967 through 1969 for which the diversion factor established pursuant to section 339(a) of the Agricultural Adjustment Act of 1938, as amended, is not less than 10 per centum, the total average rate of return per bushel made available to a cooperator on the estimated production of his allotment based on projected yield through loans, domestic marketing certificates, estimated returns from export marketing certificates, and diversion payments for acreage diverted pursuant to section 339(a) of the Agricultural Adjustment Act of 1938, as amended, shall not be less than the total average rate of return per bushel made available to cooperators through loans and domestic marketing certificates for the 1966 crop.

"(3) Price support shall be made available only to cooperators, and

"(4) A 'cooperator' with respect to any crop of wheat produced on a farm shall be a producer who (i) does not knowingly exceed (A) the farm acreage allotment for wheat on the farm or (B) except as the Secretary may by regulation prescribe, the farm acreage allotment for wheat on any other farm on which the producer shares in the production of wheat, and (ii) complies with the land-use requirements of section 339 of the Agricultural Adjustment Act of 1938, as amended, to the extent prescribed by the Secretary. No producer shall be deemed to have exceeded a farm acreage allotment for wheat if the production on the acreage in excess of the farm acreage allotment is stored pursuant to the provisions of section 379c(b), but the producer shall not be eligible to receive price support on the wheat so stored."

*   *   *   *   *   *   *

SEC. 402. * * *

(b) Section 408(b) of the Agricultural Act of 1949, as amended, is amended, effective only for the 1966 through [1969] *1973* crops, by

changing the period at the end of the first sentence thereof to a colon and adding the following: "*Provided*, That for upland cotton a cooperator shall be a producer on whose farm the acreage planted to such cotton does not exceed the cooperator percentage, which shall be in the case of the 1966 crop, 87.5 per centum of such farm acreage allotment and, in the case of each of the [1967, 1968, and 1969] *1967 through 1973* crops, such percentage, not less than 87.5 or more than 100 per centum, of such farm acreage allotment as the Secretary may specify for such crop, except that in the case of small farms (i.e. farms on which the acreage allotment is 10 acres or less, or on which the projected farm yield times the acreage allotment is 3,600 pounds or less, and the acreage allotment has not been reduced under section 344(m)) the acreage of cotton on the farm shall not be required to be reduced below the farm acreage allotment."

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SEC. 602. (a) Notwithstanding any other provision of law, for the purpose of reducing the costs of farm programs, assisting farmers in turning their land to nonagricultural uses, promoting the development and conservation of the Nation's soil, water, forest, wildlife, and recreational resources, establishing, protecting, and conserving open spaces and natural beauty, the Secretary of Agriculture is authorized to formulate and carry out a program during [the calendar years 1965 through 1969] *1965 through 1973 calendar years* under which agreements would be entered into with producers as hereinafter provided for periods of not less than five nor more than ten years. No agreement shall be entered into under this section concerning land with respect to which the ownership has changed in the three-year period preceding the first year of the agreement period unless the new ownership was acquired by will or succession as a result of the death of the previous owner, or unless the new ownership was acquired prior to January 1, 1965, under other circumstances which the Secretary determines, and specifies by regulation, will give adequate assurance that such land was not acquired for the purpose of placing it in the program: *Provided*, That this provision shall not be construed to prohibit the continuation of an agreement by a new owner after an agreement has once been entered into under this section: *Provided further*, That the Secretary shall not require a person who has operated the land to be covered by an agreement under this section for as long as three years preceding the date of the agreement and who controls the land for the agreement period to own the land as a condition of eligibility for entering into the agreement."

(b) The producer shall agree (1) to carry out on a specifically designated acreage of land on the farm regularly used in the production of crops (including crops, such as tame hay, alfalfa, and clovers, which do not require annual tillage and which have been planted within five years preceding the date of the agreement), hereinafter called "designated acreage", and maintain for the agreement period practices or uses which will conserve soil, water, or forest resources, or establish or protect or conserve open spaces, natural beauty, wildlife or recreational resources, or prevent air or water pollution, in such manner as the Secretary may prescribe (priority being given to the extent practicable to practices or uses which are most likely to result in permanent retirement to noncrop uses); (2) to maintain in con-

serving crops or uses or allow to remain idle throughout the agreement period the acreage normally devoted to such crops or uses; (3) not to harvest any crop from or graze the designated acreage during the agreement period, unless the Secretary, after certification by the Governor of the State in which such acreage is situated of the need for grazing or harvesting of such acreage, determines that it is necessary to permit grazing or harvesting in order to alleviate damage, hardship, or suffering caused by severe drought, flood, or other natural disaster, and consents to such grazing or harvesting subject to an appropriate reduction in the rate of payment; and (4) to such additional terms and conditions as the Secretary determines are desirable to effectuate the purposes of the program, including such measures as the Secretary may deem appropriate to keep the designated acreage free from erosion, insects, weeds, and rodents. Agreements entered into under which 1966 is the first year of the agreement period (A) shall require the producer to divert from production all of one or more crops designated by the Secretary; and (B) shall not provide for diversion from the production of upland cotton in any county in which the county committee by resolution determines, and requests of the Secretary, that there should not be such diversion in 1966.

(c) Under such agreements the Secretary shall (1) bear such part of the average cost (including labor) for the county or area in which the farm is situated of establishing and maintaining authorized practices or uses on the designated acreage as the Secretary determines to be necessary to effectuate the purposes of the program, but not to exceed the average rate for comparable practices or uses under the agricultural conservation program, and (2) make an annual adjustment payment to the producer for the period of the agreement at such rate or rates as the Secretary determines to be fair and reasonable in consideration of the obligations undertaken by the producers. The rate or rates of annual adjustment payments as determined hereunder may be increased by an amount determined by the Secretary to be appropriate in relation to the benefit to the general public of the use of the designated acreage if the producer further agrees to permit, without other compensation, access to such acreage by the general public, during the agreement period, for hunting, trapping, fishing, and hiking, subject to applicable State and Federal regulations. The Secretary and the producer may agree that the annual adjustment payments for all years of the agreement period shall be made either upon approval of the agreement or in such installments as they may agree to be desirable: *Provided*, That for each year any annual adjustment payment is made in advance of performance, the annual adjustment payment shall be reduced by 5 percentum. The Secretary may provide for adjusting any payment on account of failure to comply with the terms and conditions of the program.

(d) The Secretary shall, unless he determines that such action will be inconsistent with the effective administration of the program, use an advertising and bid procedure in determining the lands in any area to be covered by agreements. The total acreage placed under contract in any county or local community shall be limited to a percentage of the total eligible acreage in such county or local community which the Secretary determines would not adversely affect the economy of the county or local community. In determining such percentage the Secretary shall give appropriate consideration to the productivity of the

acreage being retired as compared to the average productivity of eligible acreage in the county or local community.

(e) The annual adjustment payment shall not exceed 40 per centum of the estimated value, as determined by the Secretary, on the basis of prices in effect at the time the agreement is entered into, of the crops or types of crops which might otherwise be grown. The estimated value may be established by the Secretary on a county, area, or individual farm basis as he deems appropriate.

(f) The Secretary may terminate any agreement with a producer by mutual agreement with the producer if the Secretary determines that such termination would be in the public interest, and may agree to such modification of agreements as he may determine to be desirable to carry out the purposes of the program or facilitate its administration.

(g) Notwithstanding any other provision of law, the Secretary of Agriculture may, to the extent he deems it desirable, provide by appropriate regulations for preservation of cropland, crop acreage, and allotment history applicable to acreage diverted from the production of crops in order to establish or maintain vegetative cover or other approved practices for the purpose of any Federal program under which such history is used as a basis for an allotment or other limitation or for participation in such program. Subsections (b) (3) and (4) and (e)(6) of section 16 of the Soil Conservation and Domestic Allotment Act, as amended, are repealed, except that all rights accruing thereunder to persons who entered into contracts or agreements prior to such repeal shall be preserved.

(h) In carrying out the program, the Secretary shall utilize the services of local, county, and State committees established under section 8 of the Soil Conservation and Domestic Allotment Act, as amended.

(i) For the purpose of obtaining an increase in the permanent retirement of cropland to noncrop uses the Secretary may, notwithstanding any other provision of law, transfer funds available for carrying out the program to any other Federal agency or to States or local government agencies for use in acquiring cropland for the preservation of open spaces, natural beauty, the development of wildlife or recreational facilities, or the prevention of air or water pollution under terms and conditions consistent with and at costs not greater than those under agreements entered into with producers, provided the Secretary determines that the purposes of the program will be accomplished by such action.

(j) The Secretary also is authorized to share the cost with State and local governmental agencies in the establishment of practices or uses which will establish, protect, and conserve open spaces, natural beauty, wildlife or recreational resources, or prevent air or water pollution under terms and conditions and at costs consistent with those under agreements entered into with producers, provided the Secretary determines that the purposes of the program will be accomplished by such action.

(k) In carrying out the program, the Secretary shall not during any of the fiscal years ending [June 30, 1966 through June 30, 1968 or during the period June 30, 1968 through December 31, 1969] *prior to July 1, 1972, or during the period July 1, 1972, through December 31, 1973,* enter into agreements with producers which would require payments to producers in any calendar year under such agreements in

excess of $225,000,000 plus any amount by which agreements entered into in prior fiscal years require payments in amounts less than authorized for such prior fiscal years. For purposes of applying this limitation, the annual adjustment payment shall be chargeable to the year in which performance is rendered regardless of the year in which it is made.

(l) The Secretary is authorized to utilize the facilities, services, authorities, and funds of the Commodity Credit Corporation in discharging his functions and responsibilities under this program, including payment of costs of administration: *Provided*, That after December 31, 1966, the Commodity Credit Corporation shall not make any expenditures for carrying out the purposes of this title unless the Corporation has received funds to cover such expenditures from appropriations made to carry out the purposes of this title. There are hereby authorized to be appropriated such sums as may be necessary to carry out the program, including such amounts as may be required to make payments to the Corporation for its actual costs incurred or to be incurred under this program.

(m) In case any producer who is entitled to any payment or compensation dies, becomes incompetent, or disappears before receiving such payment or compensation, or is succeeded by another who renders or completes the required performance, the payment or compensation shall, without regard to any other provisions of law, be made as the Secretary may determine to be fair and reasonable in all the circumstances and so provide by regulations.

(n) The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers, including provision for sharing, on a fair and equitable basis, in payments or compensation under this program.

(o) The acreage on any farm which is diverted from the production of any commodity pursuant to an agreement hereafter entered into under this title shall be deemed to be acreage diverted from that commodity for the purposes of any commodity program under which diversion is required as a condition of eligibility for price support.

(p) The Secretary may, without regard to the civil service laws, appoint an Advisory Board on Wildlife to advise and consult on matters relating to his functions under this title as he deems appropriate. The Board shall consist of twelve persons chosen from members of wildlife organizations, farm organizations, State game and fish agencies, and representatives of the general public. Members of such Advisory Board who are not regular full-time employees of the United States shall not be entitled to any compensation [or expenses] *other than transportation expenses and per diem as provided by section 5703(c) of title 5, United States Code.*

(q) The Secretary shall prescribe such regulations as he determines necessary to carry out the provisions of this title.

(r) The Secretary may terminate agreements which are entered into with producers after the effective date of this subsection if he determines such action to be in the national interest and gives public notice in ample time to permit producers a reasonable opportunity to make arrangements to return their land to agricultural production.

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SEC. 708. Notwithstanding any other provision of law, in the determination of farm yields the Secretary may use projected yields in lieu of normal yields. In the determination of such yields the Secretary shall take into account the actual yield proved by the producer for the base period used in determining the projected yield, and the projected yield shall not be less than such actual yield proved by the producer. *The projected yield for any State or county for the 1969 and succeeding crops of any commodity shall not be less than 95 per centum of the yield established for such State or county for the preceding corp.*

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Calendar No. 1357

90TH CONGRESS
2D SESSION

S. 3590

[Report No. 1378]

IN THE SENATE OF THE UNITED STATES

JUNE 6, 1968

Mr. ELLENDER introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

JULY 11, 1968

Reported by Mr. ELLENDER, with amendments

[Omit the part struck through and insert the part printed in italic]

A BILL

To extend and improve legislation for maintaining farm income, stabilizing prices and assuring adequate supplies of agricultural commodities.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Act of 1968".

TITLE I—DAIRY

EXTENSION OF CLASS I—BASE PLAN AUTHORITY

SEC. 101. The class I dairymen's base plan is extended by striking out *"December 31, 1969" and inserting "Decembe 31, 1973" in* section 103 of the Food and Agriculture Act of 1965.

RESEARCH, PROMOTION, AND ADVERTISING

SEC. 102. The Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937 and subsequent legislation is further amended, by adding at the end of subsection 8c(5) the following new subparagraph (I):

"(I) Establishing or providing for the establishment of marketing research and development programs, other research programs, and advertising (excluding brand advertising), sales promotion, educational, and other similar programs, designed to improve or promote the domestic marketing and consumption of milk and its products, to be financed by producers in a manner and at a rate specified in the order, or all producer milk under the order. Producer contributions under this subparagraph may be deducted from funds due producers in computing total pool value or otherwise computing total funds due producers and such deductions shall be in addition to the adjustments authorized by subparagraph (B) of this subsection 8c(5). Provision may be made in the order to exempt, or allow suitable adjustments or credits in connection with, milk on which a mandatory checkoff for advertising or research is required under the authority of any State law. Such funds shall be paid

to an agency organized by milk producers and producers' cooperative associations in such form and with such methods of operation as shall be specified in the order. Such agency may expend such funds for any of the purposes authorized by this subparagraph and may designate, employ, and allocate funds to persons and organizations engaged in such programs which meet the standards and qualifications specified in the order. All funds collected under this subparagraph shall be separately accounted for and shall be used only for the purposes for which they were collected. Programs authorized by this subparagraph may be either local or national in scope, or both, as provided in the order, but shall not be international. Order provisions under this subparagraph shall not become effective in any marketing order unless such provisions are approved by producers separately from other order provisions, in the same manner provided for the approval of marketing orders, and may be terminated separately whenever the Secretary makes a determination with respect to such provisions as is provided for the termination of an order in subsection 8c(16)(B). Disapproval or termination of such order provisions shall not be considered disapproval of the order or of other terms of the order."

TITLE II—FEED GRAINS

EXTENSION OF CURRENT PROGRAM AUTHORITY

SEC. 201. The feed grain program is extended by striking out "1966 through 1969 crops" wherever it appears and substituting "1966 through 1973 crops" in the following provisions of law:

(1) Section 105(e) of the Agricultural Act of 1949, as amended.

(2) Section 16(i) of the Soil Conservation and Domestic Allotment Act, as amended.

AUTHORITY FOR PAYMENTS IN CASH OR KIND

SEC. 202. Effective beginning with the 1969 crop, section 105(e) of the Agricultural Act of 1949, as amended, is amended by adding at the end thereof the following: "Notwithstanding any other provision of this subsection and section 16(i) of the Soil Conservation and Domestic Allotment Act, as amended, price support payments and diversion payments may be made in cash or in kind for the 1969 through 1973 crops of feed grains. Payment-in-kind certificates which the Commodity Credit Corporation acquired under the price support and diversion programs for feed grains through the 1968 crop in assisting producers in the marketing of such certificates and which are still on hand on September 30, 1969, shall not be marketed and shall be canceled."

TITLE III—COTTON

EXTENSION OF AUTHORITY FOR ALLOTMENT TRANSFERS, EXPORT MARKET ACREAGE, AND DOMESTIC ALLOTMENT

SEC. 301. The Agricultural Adjustment Act of 1938, as amended, is amended—

(1) By striking out "1966, 1967, 1968, and 1969" in section 344a (a) and inserting "1966 through 1973".

(2) By striking out "the 1966, 1967, 1968, and 1969 crops" in the first sentence of subsection (e) of section 346 and substituting "the 1966 through 1973 crops".

(3) By striking out "the 1966, 1967, 1968, and 1969 crops" in section 350 and substituting "the 1966 through 1973 crops".

EXTENSION OF AUTHORITY FOR PRICE SUPPORT AND DIVERSION PAYMENTS, LEASE OF ACREAGE NOT DIVERTED, AND EXTENSION OF CCC RESALE PRICE PROVISION

SEC. 302. Effective beginning with the 1969 crop, the Agricultural Act of 1949, as amended, is amended—

(1) By amending paragraph (1) of section 103 (d) by striking out "the 1966, 1967, 1968, and 1969 crops" and substituting "the 1966 through 1973 crops".

(2) By striking out the first sentence in paragraph (6) of section 103 (d) and substituting the following: "Where the farm operator elects to participate in the

diversion program authorized in this subsection and no acreage is planted to cotton on the farm, diversion payments shall be made at the applicable rate or rates established under paragraph (4) on the quantity of cotton determined by multiplying that part of the farm acreage allotment diverted under the program by the projected farm yield, and the remainder of such allotment may be leased under the provision of section 344a of the Agricultural Adjustment Act of 1938, as amended, subject to the conditions of that section, or may be released under the provisions of section 344 (m) (2) of such Act. Such lease or release shall not result in reduction of the acreage eligible for diversion under this paragraph."

(3) By striking out "July 31, 1970" in the next to last sentence of section 407 and substituting "July 31, 1974".

EXTENSION OF CURRENT DEFINITION OF COOPERATOR

SEC. 303. Section 402 (b) of the Food and Agriculture Act of 1965 is amended by striking out "1966 through 1969 crops" and substituting "1966 through 1973 crops", and by striking out "1967, 1968, and 1969 crops" and substituting "1967 through 1973 crops".

EXPANSION OF ALLOTMENT TRANSFER AUTHORITY

SEC. 304. Section 344a of the Agricultural Adjustment Act of 1938, as amended, is amended—

(1) By striking out in subsection (a) the following: "(excluding that part of the allotment which the Secretary determines was apportioned to the farm from the national acreage reserve)".

(2) By striking out the last sentence in subsection (b).

EXPORT MARKET ACREAGE

SEC. 305. Section 346(e) of the Agricultural Adjustment Act of 1938, as amended, is amended—

(1) By striking out in the third sentence thereof "For each subsequent crop—" and substituting "For the 1967 and 1968 crops—".

(2) By inserting after the table in the third sentence thereof, the following: "For the 1969 through 1973 crops the national export market acreage reserve shall be an amount prescribed by the Secretary, not to exceed 250,000 acres."

(3) By striking out in the tenth sentence thereof "of all cotton produced on such farm for such year" and

substituting "of a quantity of cotton equal to the quantity of all cotton produced on such farm for such year".

TITLE IV—WHEAT

EXTENSION OF CURRENT WHEAT PROGRAM

SEC. 401. The wheat program is extended—

(1) By striking out "the calendar years 1964 through 1969" in amendment (7) of section 202 of the Agricultural Act of 1964, as amended by amendment (1) of section 505 of the Food and Agriculture Act of 1965, and substituting "1964 through 1973 calendar years".

(2) By striking out "the calendar years 1965 through 1969" in amendment (13) of section 202 of the Agricultural Act of 1964, as amended by amendment (2) of section 505 of the Food and Agriculture Act of 1965, and substituting "1965 through 1973 calendar years".

(3) By striking out "the calendar years 1964 through 1969" in section 204 of the Agricultural Act of 1964, as amended by amendment (3) of section 505 of the Food and Agriculture Act of 1965, and substituting "1964 through 1973 calendar years".

(4) By striking out "the calendar years 1966 through 1969" in section 332 (d) of the Agricultural

Adjustment Act of 1938, as amended, and substituting "1966 through 1973 calendar years".

(5) By striking out "the calendar years 1964 through 1969" in section 339 (b) of the Agricultural Adjustment Act of 1938, as amended, and substituting "1964 through 1973 calendar years".

(6) By striking out "the calendar years 1966 through 1969" wherever they appear in section 502 of the Food and Agriculture Act of 1965, and substituting "1966 through 1973 calendar years".

(7) By striking out "1966 through 1969 crops" in section 506 of the Food and Agriculture Act of 1965, and substituting "1966 through 1973 crops".

PROJECTED FARM YIELD COMPUTATION

SEC. 402. Effective beginning with the 1969 crop, section 301 (b) (13) (K) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out "three calendar years" and substituting "five calendar years".

WHEAT ALLOTMENT COMPUTATION

SEC. 403. Effective beginning with the 1969 crop, section 332 (b) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out "owned by the Commodity Credit Corporation" and substituting "on hand in the United States".

COST OF WHEAT MARKETING CERTIFICATES TO PROCESSORS

SEC. 404. The last sentence of section 379e of the Agricultural Adjustment Act of 1938, as amended, is amended, effective beginning with the 1970 crop, to read as follows: "Notwithstanding any other provision of this Act, Commodity Credit Corporation shall sell marketing certificates for the marketing years for the 1970 through 1973 wheat crops to persons engaged in the processing of food products at the lower of (1) the face value thereof or (2) $0.75 per bushel plus the amount by which the parity price for wheat as of the beginning of the marketing year for such crop as estimated by the Secretary not earlier than May 1 preceding the beginning of such marketing year exceeds the parity price as of July 1, 1969."

DATE FOR DETERMINING WHEAT SUPPORT PRICE

SEC. 405. Effective beginning with the 1969 crop, section 107 of the Agricultural Act of 1949, as amended, is amended by inserting in paragraph (1) (a) after the words "100 per centum of the parity price" the following: "as of the beginning of the marketing year as estimated by the Secretary not earlier than May 1 preceding the beginning of such marketing year,".

TITLE V—WOOL

EXTENSION OF WOOL ACT

SEC. 501. Section 703 of the National Wool Act of 1954, as amended, is extended by striking out "December 31, 1969" and substituting "December 31, 1973".

TITLE VI—CROPLAND ADJUSTMENT

EXTENSION OF CROPLAND ADJUSTMENT PROGRAM

SEC. 601. Section 602 of the Food and Agriculture Act of 1965 is amended—

(1) By striking out "the calendar years 1965 through 1969" in subsection (a) and substituting "1965 through 1973 calendar years".

(2) By striking out "during any of the fiscal years ending June 30, 1966 through June 30, 1968 or during the period June 30, 1968 through December 31, 1969" in subsection (k) and substituting "during any of the fiscal years ending prior to July 1, 1972, or during the period July 1, 1972, through December 31, 1973".

ADVISORY COMMITTEE EXPENSES

SEC. 602. Section 602 (p) of such Act is amended by striking out of the last sentence thereof the words "or expenses" and inserting "other than transportation expenses

and per diem as provided by section 5703 (c) of title 5, United States Code".

TERMINATION OF AGREEMENTS

SEC. 603. Section 602 of such Act is amended by adding a new subsection (r) as follows: "(r) The Secretary may terminate agreements which are entered into with producers after the effective date of this subsection if he determines such action to be in the national interest and gives public notice in ample time to permit producers a reasonable opportunity to make arrangements to return their land to agricultural production."

TITLE VII—RICE

EXTENSION OF CONTINGENT RICE ACREAGE DIVERSION PROGRAM

SEC. 701. Section 353 (c) (7) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out "1966, 1967, 1968, or 1969" and substituting "1966 or any succeeding year up to and including 1973".

TITLE VIII—MISCELLANEOUS

EXTENSION OF TOBACCO ALLOTMENT LEASE AUTHORITY

SEC. 801. Section 316 (a) of the Agricultural Adjustment Act of 1938, as amended, is amended (i) by striking out of the first sentence thereof "1962 through 1969", and inserting "1962 through 1973" ~~and (ii) by striking out~~

~~of the last sentence thereof "1964 through 1969" and inserting "1964 through 1973"~~.

RESTRICTION ON REDUCTION OF STATE AND COUNTY PROJECTED YIELDS

SEC. 802. Section 708 of the Food and Agriculture Act of 1965 is amended by adding at the end thereof the following: "The projected yield for any State or county for the 1969 and succeeding crops of any commodity shall not be less than 95 per centum of the yield established for such State or county for the preceding crop."

EXTENSION OF BOILED PEANUT EXEMPTION

SEC. 803. The last paragraph of the Act entitled "An Act to amend the peanut marketing quota provisions of the Agricultural Adjustment Act of 1938, as amended, and for other purposes," approved August 13, 1957 (7 U.S.C. 1359 note), is amended to read as follows: "This amendment shall be effective for the 1957 through 1973 crops of peanuts."

MARKETING ORDERS FOR APPLES PRODUCED IN COLORADO, UTAH, AND NEW MEXICO

SEC. 804. Clause (A) of the first sentence of section 8c (2) of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937 and subsequent legislation, is amended by striking out

"and Connecticut" and inserting in lieu thereof "Connecticut, Colorado, Utah, and New Mexico".

ADVERTISING PROGRAMS FOR APPLES

SEC. 805. (a) Section 2(3) of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937 and subsequent legislation, is amended by inserting ", such marketing research and development projects provided in section 8c(6)(I), and" immediately after "section 8c(6)(H)".

(b) The proviso at the end of section 8c(6)(I) of such Act, as amended, is amended by striking out "or avocados" and inserting in lieu thereof "avocados, or apples".

~~TITLE IX—MARKETING ORDERS~~

~~ADDITIONAL COMMODITIES SUBJECT TO MARKETING ORDERS~~

~~SEC. 901. Section 8c(2) of the Agricultural Adjustment Act of 1933, as amended, and as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is amended by inserting after the third sentence ending with the words "Southwest production area." the following: "Notwithstanding any of the commodity, product, area, or approval exceptions or limitations in the foregoing sentences hereof, any agricultural commodity or product (except canned or frozen products) thereof, or any regional or market classification thereof, shall be eligible for an order,~~

~~exempt from any special approval required by the preceding sentences hereof, if after referendum of the affected producers of such commodity the Secretary finds that a majority of such producers voting in such referendum favor making such commodity or product thereof, or the regional or market classification thereof specified in the referendum, eligible for an order: *Provided, however,* That such referendum shall not be required for any commodity or product for which an order otherwise is authorized under the preceding sentences of this subsection (2) and for which no special approval or area limitation is specified therein."~~

~~ENFORCEMENT OF COLLECTIVE BARGAINING AS A PURPOSE OF THE ACT~~

~~SEC. 902. Section 2 (3) of such Act is amended by inserting "such minimum prices and other terms and conditions for the acquisition of commodities by handlers as are provided for in section 8c (6) (J)," immediately after "establish and maintain"~~.

~~COLLECTIVE BARGAINING FOR MILK PRICES~~

~~SEC. 903. Section 8c (5) (A) of such Act is amended by inserting "by collective bargaining in good faith (including provisions for the designation, by election of committees of producer representatives to bargain with handlers, or groups of handlers), or otherwise," after the phrase "method for fixing".~~

~~REGULATION OF SPECIES OR OTHER CLASSIFICATION~~

~~SEC. 904. Sections 8(c)(6) (A), (B), (C), (D), and (E) of such Act are amended by insetring ", species or other classification" after the words "grade, size, or quality" wherever the latter words appear.~~

~~COLLECTIVE BARGAINING FOR COMMODITIES OTHER THAN MILK~~

~~SEC. 905. Section 8c(6) of such Act is further amended by adding the following at the end thereof:~~

~~"(J) Except with respect to cotton, wheat, corn, grain sorghums, barley, rye, oats, rice, forest products, soybeans, tobacco, and peanuts, and their products, providing a method for establishing by collective bargaining in good faith between producers and handlers (including provision for the designation by election of committees of producer representatives to bargain with handlers or groups of handlers), the minimum price or prices and other minimum terms and conditions under which any such commodity or product, or any grade, size, quality, variety, species, container, pack, use, disposition, or volume thereof may be acquired by handlers from producers or associations of producers:~~ ~~*Provided,*~~ ~~That no such minimum price or prices or other terms and conditions shall become effective unless agreed to by handlers who during the preceding marketing year acquired from producers at least 50 per centum of the commodity sold by producers~~

~~which was produced in the production area subject to the order and unless thereafter approved by the Secretary of Agriculture: *Provided further*, That if the Secretary of Agriculture finds that the parity price of any such commodity, other than milk or its products, for which such minimum prices or other terms or conditions are to be established is not adequate in view of production costs, prices to consumers, and other economic conditions which affect market supply and demand for such commodity subject to such order (including any marketing limitation of the commodity otherwise provided by such order), the Secretary of Agriculture shall determine a price or prices for such commodity at such levels as he finds will insure a sufficient market supply of the commodity, reflect such factors, and be in the public interest, and such price or prices shall be used in lieu of the parity price for the purpose of section 2 of this title: *Provided further*, That the agency designated to administer provisions authorized under this subsection shall be a committee primarily composed of producers of the commodity: *And provided further*, That an order containing provisions authorized under this subsection shall also contain provisions authorized under section 8c(6)(K) or section 8c(7)(E), or both, if the Secretary of Agriculture finds that such combination of provisions is necessary to provide an equitable distribution of market opportunity and returns among producers.~~

~~"(K) With respect to orders providing for minimum prices on a classified use basis (i) providing for the payment to all producers or associations of producers of uniform minimum prices for the commodity or product marketed by them (within their allotments, if any), irrespective of the use or disposition thereof, subject, however, to adjustments specified by the order, including but not limited to adjustments for place of production or delivery, grade, condition, size, weight, quality, or maturity, or any other adjustments found to be appropriate to provide equity among producers, and (ii) providing a method for making adjustments in payments as among handlers (including producers who are also handlers), to the end that the total sums paid by each handler shall equal the value of the commodity or product purchased or acquired by him at the classified use minimum prices fixed pursuant to such order."~~

~~PRODUCER ALLOTMENTS~~

~~SEC. 906. Section 8c(7) of such Act is amended by adding the following at the end thereof:~~

~~"(E) Notwithstanding any other provisions of this title—~~

~~"(1) allotting, or providing methods for allotting, the quantity of such commodity or product or any grade, size, or quality thereof, which each producer may be permitted to market or dispose of in any or all markets~~

~~or use classifications during any specified period or periods on the basis of (i) the amount produced or marketed by such producer or produced on or marketed from the farm on which he is a producer in such prior period as the Secretary of Agriculture determines to be representative, subject to such adjustment for abnormal conditions and other factors affecting production or marketing as the Secretary may determine, or (ii) the current quantities available for marketing by such producer, or (iii) any combination of (i) and (ii), to the end that the total allotment during any specified period or periods shall be apportioned equitably among producers. Allotments hereunder may be in terms of quantities or production from given acres or other production units. If the Secretary determines that such action will facilitate the administration of a marketing order hereunder and will not substantially impair the effective operation thereof he may fix, or provide a method for fixing, a minimum allotment applicable to producers and producers whose production does not exceed such minimum shall not be subject to the regulatory provisions of the order except as prescribed therein;~~

~~“(2) any producer for whom an allotment is established or refused under the authority of this subsection may obtain a review of the lawfulness of his allotment as~~

~~prescribed by the order of the Secretary establishing the allotment and rules and regulations thereunder, which shall constitute the exclusive procedure for review thereof and section 8c (15) (A) of this title shall not apply thereto. Under such order, rules or regulations any officers or employees of the Department or any committees or boards created or designated by the Secretary of Agriculture may be vested with authority to perform any or all functions in connection with such review proceedings including ruling thereon. Committees or boards created or designated for this purpose shall be deemed agencies of the Secretary within the meaning of subsection 8c (7) (C) and section 10 of this title. The ruling upon such review shall be final if in accordance with law. The producer may obtain a judicial review of such ruling in accordance with the provisions of section 8c (15) (B) of this title;~~

~~"(3) when allotments for producers are established under this subsection the order may contain provisions allotting or providing a method for allotting the quantity which any handler may handle so that any and all handlers will be limited as to any producer to the allotment established for such producer, and such allotment shall constitute an allotment fixed for each handler within the meaning of section 8a (5) of this title."~~

~~PRODUCER ADVISORY COMMITTEES~~

~~SEC. 907. Section 8c of such Act is amended by adding at the end thereof a new paragraph (20) as follows:~~

~~"(20) PRODUCER ADVISORY COMMITTEES.—The Secretary of Agriculture may establish a producer advisory committee with respect to any commodity, or group of commodities, for which a marketing order is potentially authorized. Such commitee shall be composed of producers of the commodity or commodities for which the committee is established. Such committees may be called on by the Secretary of Agriculture to provide advice and counsel with respect to the initiation of proceedings for the promulgation of a marketing agreement or marketing order for such commodity or commodities and may also formulate specific proposals for purposes of a public hearing concerning such a proposed marketing agreement or marketing order. The establishment of such a committee shall not, however, be deemed necessary to the initiation of any such proceeding to promulgate a marketing agreement or marketing order."~~

~~ASSESSMENTS AGAINST PRODUCERS~~

~~SEC. 908. Section 10(b)(2) of such Act is amended by adding at the end thereof a new subparagraph (iv) as follows:~~

~~"(iv) If the order contains provisions authorized by section 8c(6)(J) or section 8c(7)(E) it shall pro-~~

~~vide that the assessments payable by handlers under subsections (i) or (ii) shall initially be payable pro rata by the producers of the commodity to such handlers thereof, who shall be responsible for the collection thereof from producers and payment to the authority or agency established under such order."~~

~~NOT TO SUPERSEDE OTHER LAWS~~

~~SEC. 909. Nothing in this title shall supersede the provisions of other statutes relating to marketing quotas, acreage allotments or limitations, or price support, with respect to agricultural commodities and no action taken or provisions in an order issued under this title shall be inconsistent with the provisions of such other statutes or actions taken by the Secretary of Agriculture under such other statutes.~~

Calendar No. 1357

90TH CONGRESS
2D SESSION

S. 3590

[Report No. 1378]

A BILL

To extend and improve legislation for maintaining farm income, stabilizing prices and assuring adequate supplies of agricultural commodities.

By Mr. ELLENDER

JUNE 6, 1968

Read twice and referred to the Committee on Agriculture and Forestry

JULY 11, 1968

Reported with amendments

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued July 19, 1968
For actions of July 18, 1968
90th-2nd; No. 124

CONTENTS

HIGHLIGHTS: Senate debated farm bill. House passed foreign aid authorization bill.

SENATE

1. FARM PROGRAM. Began consideration of S. 3590, to extend and improve legislation for maintaining farm income, stabilizing prices and assuring adequate supplies of agricultural commodities (pp. S8939-44). Sen. Ellender said this is a simple 4-year extension of the Food and Agriculture Act, with some minor changes and asked the Senate to approve this legislation without delay. pp. S8939-44

2. OCEANOGRAPHY. The Labor and Public Welfare Committee reported with amendments H. R. 13781, authorizing funds for sea-grant colleges and ocean exploration (S. Rept. 1439). p. S8845

3. TRADE FAIRS. The Commerce Committee reported without amendment H. R. 18340, to amend the Merchant Marine Act, 1936, to provide for continuation of authority to develop American flag carriers and promote the foreign commerce of the U. S. through the use of mobile trade fairs (S. Rept. 1441). p. S8845

4. METRIC SYSTEM. The Commerce Committee reported with amendment H. R. 3136, to authorize the Secretary of Commerce to make a study to determine the advantages and disadvantages of increased use of the metric system in the United States (S. Rept. 1442). p. S8845

5. FLOOD CONTROL. Conferees were appointed on S. 3710, to authorize the construction, repair, and preservation of certain public works on rivers and harbors for navigation, flood control (pp. S8864-70). House conferees have not been appointed.

6. WATER RESOURCES. Sen. Fannin was appointed as a conferee on S. 20, to provide for a comprehensive review of national water resource problems and programs, in place of Sen. Allot who asked to be excused from serving. p. S8921

7. APPROPRIATIONS. Passed with amendments H. R. 17023, the independent offices and HUD appropriation bill (pp. S8909-38). Conferees were appointed for the Senate (p. S8938). House conferees have not been appointed.
   Sen. Bennett urged approval of the Bonneville unit of the central Utah public works project included in the public works appropriation bill. pp. S8889-90

8. RECREATION. Sen. Gruening discussed the need for additional visitor facilities in Alaska's Glacier Bay National Monument area. pp. S8878-9

9. TRADE. The Commerce Committee voted to report (but did not actually report) S. 927, to make unlawful certain discriminatory property tax assessments of common carrier property (amended). p. D702

10. HIGHWAYS. Sen. Monroney commended the inclusion in the highway authorization bill of the provision to prohibit the construction of any toll highway on the Interstate Highway System after June 30, 1968, unless the Secretary of Transportation makes an affirmative finding that a toll facility rather than a free facility is in the public interest. pp. S8855-6

11. MAIL. Sen. Monroney expressed concern over the requirement in the tax bill that the Post Office begin to reduce employment, stating "the Post Office cannot continue all services at their present level, and also absorb an increase in mail volume, with fewer employees to do the work." pp. S8856-7
   Sen. Brewster supported legislation exempting the Post Office Department from the requirement to reduce employment. p. S8889

claims totalled $833,000. A.I.D. will now pay to the contractor only $390,000, less than half of its demands.

Mr. President, this lenient settlement of the fraud charges and claims against this company cannot be defended, and it arouses a major question as to whether or not the political connections of some of the employees involved may not have been a factor.

TRIBUTE TO SECRETARY UDALL FOR ADMINISTRATION OF MANDATORY OIL IMPORT CONTROL PROGRAM

Mr. LONG of Louisiana. Mr. President, several years ago a so-called Senate amendment to a revenue measure was the forerunner of the mandatory oil import control program that our Nation has today.

Controlling oil imports is no easy problem. It involves a fantastic amount of money and an enormous amount of material. It involves a tremendous number of vested interests.

Since placing this language on the statute books, some of us have felt that we should implement it by drafting language to place on the statute books substantially what the existing program is.

I made an effort to draft language along that line by suggesting what I would consider to be improvements to the program. Hearings have been conducted before the Senate Committee on Finance to discuss the possibility of putting meat on the skeleton of the program that exists in the law, with a considerable amount of resistance from the executive branch.

It was my feeling that the need for legislative language to spell out precisely what the program involved was necessary, in large measure because of the pressures placed upon any person administering such a program, in which interests were so varied and pressing, that it seemed to me no man could withstand all the pressures put upon him over any period of time, and continue to administer the program on a completely impartial basis above and beyond the pressures brought to bear upon a program where the discretion exercised by the administrator was subject to criticism by anyone dissatisfied, or anyone who hoped to get more consideration than would be accorded him otherwise.

Mr. President, against that background I think the present Secretary of the Interior, the Honorable Stewart L. Udall, is entitled to the highest commendation for the very fine way in which he has administered that program. Without a mandatory oil import program, this Nation in a very few years would be almost totally dependent upon foreign sources for its fuel. Were that to be the case, we would not be able to defend ourselves in the event of a national emergency. We would be confronted with the prospect of having all or most of our fuel supplies cut off almost immediately.

In the event of a major war, we would have our ability to move things around in this country in a defensive way or even in a way to wage war against an enemy power subject to the whim and caprice of other nations and subject to being terminated by the submarine forces of the Soviet Union or some other hostile power.

Each oil company, nevertheless, wishes to receive additional consideration. Each chemical company can find an argument to support its desire to receive more consideration than it is receiving.

No one feels like thanking the administrator for what he has done to help them with their problems for fear that the administrator might feel that they are satisfied and will then do no more for them. Most of them believe in the theory that the wheel that squeaks gets the grease.

Accordingly, people are quick to criticize and slow to commend a man for doing as honest and intelligent a job as the good Lord gives him the light to see it.

The new regulations are now available. In my judgment, Secretary of the Interior Udall has done a completely honest, sincere, and courageous job of administering the program in a way that is in accord with the national interests and that would protect the small competitors in this industry from the enormous power of the large companies, who, of course, have ways of achieving more influence on the Washington scene.

I do not say that to be critical of those companies. They are well represented and have enormous economic and other powers.

The way in which the Secretary of the Interior has undertaken to draft the regulations for the future indicates that he has great interest in maintaining the smaller competitors in the oil industry and in the petrochemical field and that, although cognizant of it, he does not propose to yield to the great economic power of the majors when he is confronted with an inequity and injustice which should be corrected in the interest of permitting smaller competitors to stay in the field and compete with the major firms.

I have been importuned a number of times to make statements critical of this program. I have consistently refused to do so because it was so apparent to me that the honesty and integrity of the Secretary of the Interior, the Honorable Stewart L. Udall, was completely above and beyond dispute.

More recently, I became concerned with the administration of the mandatory oil import control program because of the great importance of this program to our future national existence. Moreover, a growing barrage of attacks on this program developed a fear within me that the program might be in jeopardy.

It is my pleasure to take this opportunity to state, for the RECORD, that, in my judgment, Stewart L. Udall has fulfilled his awesome responsibilities with honor, honesty, and integrity and with full recognition of the present and future needs of the people of this Nation. He has acted to promote equity within the industries affected by his decisions and has not sacrificed small business for the benefit of the large.

In the administration of the mandatory oil import control program he has fulfilled his responsibilities as a true statesman. During his tenure as a member of the President's Cabinet, he has given strength and recognition to the vital position that mineral development occupies in this Nation's future and has done much to perpetuate the petroleum self-sufficiency of the United States.

It is my firm conclusion that this Nation is fortunate indeed to have Stewart L. Udall in this very important position in the Cabinet.

As we near the close of one of the most trying and most legislatively successful administrations in the history of this Nation, I offer the hope that the future Secretaries of the Interior will follow the letter and the intent of the Presidential proclamation first establishing the mandatory oil import control program and the future Secretaries of the Interior will administer their national interest responsibilities with the courage and with the compassion of Stewart Udall.

MOTION TO RECONSIDER VOTE BY WHICH HOUSE CONCURRENT RESOLUTION 798 WAS AGREED TO

Mr. BYRD of West Virginia. Mr. President, yesterday the Senate concurred in House Concurrent Resolution 798, authorizing the Clerk of the House to make a change in the enrollment of H.R. 9098, dealing with the Badlands National Monument.

Upon request of the Committee on Interior and Insular Affairs, I enter a motion for the reconsideration of the vote by which House Concurrent Resolution 798 was agreed to.

The PRESIDING OFFICER. The motion is entered.

AGRICULTURE ACT OF 1968

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1357, S. 3590.

The PRESIDING OFFICER. The bill will be stated by title.

The ASSISTANT LEGISLATIVE CLERK. A bill (S. 3590) to extend and improve legislation for maintaining farm income, stabilizing prices and assuring adequate supplies of agricultural commodities.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Agriculture and Forestry with amendments on page 1, line 8, after the word "out" insert " 'December 31, 1969' and inserting 'December 31, 1973' in"; at the top of page 2, insert a new section, as follows:

RESEARCH, PROMOTION, AND ADVERTISING

SEC. 102. The Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937 and subsequent legislation is further amended, by adding at the end of subsection 8c(5) the following new subparagraph (I):

"(I) Establishing or providing for the establishment of marketing research and development programs, other research programs, and advertising (excluding brand advertising), sales promotion, educational, and other similar programs, designed to improve or promote the domestic marketing and con-

sumption of milk and its products, to be financed by producers in a manner and at a rate specified in the order, or all producer milk under the order. Producer contributions under this subparagraph may be deducted from funds due producers in computing total pool value or otherwise computing total funds due producers and such deductions shall be in addition to the adjustments authorized by subparagraph (B) of this subsection 8c(5). Provision may be made in the order to exempt, or allow suitable adjustments or credits in connection with, milk on which a mandatory checkoff for advertising or research is required under the authority of any State law. Such funds shall be paid to an agency organized by milk producers and producers' cooperative associations in such form and with such methods of operation as shall be specified in the order. Such agency may expend such funds for any of the purposes authorized by this subparagraph and may designate, employ, and allocate funds to persons and organizations engaged in such programs which meet the standards and qualifications specified in the order. All funds collected under this subparagraph shall be separately accounted for and shall be used only for the purposes for which they were collected. Programs authorized by this subparagraph may be either local or national in scope, or both, as provided in the order, but shall not be international. Order provisions under tihs subparagraph shall not become effective in any marketing order unless such provisions are approved by producers separately from other order provisions, in the same manner provided for the approval of marketing orders, and may be terminated separately whenever the Secretary makes a determination with respect to such provisions as is provided for the termination of an order in subsection 8c(16)(B). Disapproval or termination of such order provisions shall not be considered disapproval of the order or of other terms of the order."

On page 12, line 24, after "1973'" strike out "and (ii) by striking out of the last sentence thereof '1964 through 1969' and inserting '1964 through 1973' "; on page 13, after line 17, insert a new section, as follows:

COLORADO, UTAH, AND NEW MEXICO

SEC. 804. Clause (A) of the first sentence of section 8c(2) of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937 and subsequent legislation, is amended by striking out "and Connecticut" and inserting in lieu thereof "Connecticut, Colorado, Utah, and New Mexico".

On page 14, after line 2, insert a new section, as follows:

ADVERTISING PROGRAMS FOR APPLES

SEC. 805. (a) Section 2(3) of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937 and subsequent legislation, is amended by inserting ", such marketing research and development projects provided in section 8c(6)(I), and" immediately after "section 8c(6)(H)".

(b) The proviso at the end of section 8c(6)(I) of such Act, as amended, is amended by striking out "or avocados" and inserting in lieu thereof "avocados, or apples".

And after line 12 strike out:

TITLE IX—MARKETING ORDERS

ADDITIONAL COMMODITIES SUBJECT TO MARKETING ORDERS

SEC. 901. Section 8c(2) of the Agricultural Adjustment Act of 1933, as amended, and as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is amended by inserting after the third sentence ending with the words "Southwest production area." the following: "Notwithstanding any of the commodity, product, area, or approval exceptions or limitations in the foregoing sentences hereof, any agricultural commodity or product (except canned or frozen products) thereof, or any regional or market classification thereof, shall be eligible for an order, exempt from any special approval required by the preceding sentences hereof, if after referendum of the affected producers of such commodity the Secretary finds that a majority of such producers voting in such referendum favor making such commodity or product thereof, or the regional or market classification thereof specified in the referendum, eligible for an order: *Provided, however,* That such referendum shall not be required for any commodity or product for which an order otherwise is authorized under the preceding sentences of this subsection (2) and for which no special approval or area limitation is specified therein."

ENFORCEMENT OF COLLECTIVE BARGAINING AS A PURPOSE OF THE ACT

SEC. 902. Section 2(3) of such Act is amended by inserting "such minimum prices and other terms and conditions for the acquisition of commodities by handlers as are provided for in section 8c(6)(J)," immediately after "establish and maintain".

COLLECTIVE BARGAINING FOR MILK PRICES

SEC. 903. Section 8c(5)(A) of such Act is amended by inserting "by collective bargaining in good faith (including provisions for the designation, by election of committees of producer representatives to bargain with handlers, or groups of handlers); or otherwise," after the phrase "method for fixing".

REGULATION OF SPECIES OR OTHER CLASSIFICATIONS

SEC. 904. Sections 8(c)(6) (A), (B), (C), (D), and (E) of such Act are amended by inserting ", species or other classification" after the words "grade, size, or quality" wherever the latter words appear.

COLLECTIVE BARGAINING FOR COMMODITIES OTHER THAN MILK

SEC. 905. Section 8c(6) of such Act is further amended by adding the following at the end thereof:

"(J) Except with respect to cotton, wheat, corn, grain sorghums, barley, rye, oats, rice, forest products, soybeans, tobacco, and peanuts, and their products, providing a method for establishing by collective bargaining in good faith between producers and handlers (including provision for the designation by election of committees of producer representatives to bargain with handlers or groups of handlers), the minimum price or prices and other minimum terms and conditions under which any such commodity or product, or any grade, size, quality, variety, species, container, pack, use, disposition, or volume thereof may be acquired by handlers from producers or associations of producers: *Provided,* That no such minimum price or prices or other terms and conditions shall become effective unless agreed to by handlers who during the preceding marketing year acquired from producers at least 50 per centum of the commodity sold by producers which was produced in the production area subject to the order and unless thereafter approved by the Secretary of Agriculture: *Provided further,* That if the Secretary of Agriculture finds that the parity price of any such commodity, other than milk or its products, for which such minimum prices or other terms or conditions are to be established is not adequate in view of production costs, prices to consumers, and other economic conditions which affect market supply and demand for such commodity subject to such order (including any marketing limitation of the commodity otherwise provided by such order), the Secretary of Agriculture shall determine a price or prices for such commodity at such levels as he finds will insure a sufficient market supply of the commodity, reflect such factors, and be in the public interest, and such price or prices shall be used in lieu of the parity price for the purpose of section 2 of this title: *Provided further,* That the agency designated to administer provisions authorized under this subsection shall be a committee primarily composed of producers of the commodity: *And provided further,* That an order containing provisions authorized under this subsection shall also contain provisions authorized under section 8c(6)(K) or section 8c(7)(E), or both, if the Secretary of Agriculture finds that such combination of provisions is necessary to provide an equitable distribution of market opportunity and returns among producers.

"(K) With respect to orders providing for minimum prices on a classified use basis (i) providing for the payment to all producers or associations of producers of uniform minimum prices for the commodity or product marketed by them (within their allotments, if any), irrespective of the use or disposition thereof, subject, however, to adjustments specified by the order, including but not limited to adjustments for place of production or delivery, grade, condition, size, weight, quality, or maturity, or any other adjustments found to be appropriate to provide equity among producers, and (ii) providing a method for making adjustments in payments as among handlers (including producers who are also handlers) to the end that the total sums paid by each handler shall equal the value of the commodity or product purchased or acquired by him at the classified use minimum prices fixed pursuant to such order."

PRODUCER ALLOTMENTS

SEC. 906. Section 8c(7) of such Act is amended by adding the following at the end thereof:

"(E) Notwithstanding any other provisions of this title—

"(1) allotting, or providing methods for alloting, the quantity of such commodity or product or any grade, size, or quality thereof, which each producer may be permitted to market or dispose of in any or all markets or use classifications during any specified period or periods on the basis of (i) the amount produced or marketed by such producer or produced on or marketed from the farm on which he is a producer in such prior period as the Secretary of Agriculture determines to be representative, subject to such adjustment for abnormal conditions and other factors affecting production or marketing as the Secretary may determine, or (ii) the current quantities available for marketing by such producer, or (iii) any combination of (i) and (ii), to the end that the total allotment during any specified period or periods shall be apportioned equitably among producers. Allotments hereunder may be in terms of quantities or production from given acres or other production units. If the Secretary determines that such action will facilitate the administration of a marketing order hereunder and will not substantially impair the effective operation thereof he may fix, or provide a method for fixing, a minimum allotment applicable to producers and producers whose production does not exceed such minimum shall not be subject to the regulatory provisions of the order except as prescribed therein;

"(2) any producer for whom an allotment is established or refused under the authority of this subsection may obtain a review of the lawfulness of his allotment as prescribed by the order of the Secretary establishing the allotment and rules and regulations thereunder, which shall constitute the exclusive procedure for review thereof and section 8c(15)(A) of this title shall not apply thereto. Under such order, rules or regulations any

officers or employees of the Department or any committees or boards created or designated by the Secretary of Agriculture may be vested with authority to perform any or all functions in connection with such review proceedings including ruling thereon. Committees or boards created or designated for this purpose shall be deemed agencies of the Secretary within the meaning of subsection 8c(7)(C) and section 10 of this title. The ruling upon such review shall be final if in accordance with law. The producer may obtain a judicial review of such ruling in accordance with the provisions of section 8c (15)(B) of this title;

"(3) when allotments for producers are established under this subsection the order may contain provisions allotting or providing a method for allotting the quantity which any handler may handle so that any and all handlers will be limited as to any producer to the allotment established for such producer, and such allotment shall constitute an allotment fixed for each handler within the meaning of section 8a(5) of this title."

PRODUCER ADVISORY COMMITTEES

SEC. 907. Section 8c of such Act is amended by adding at the end thereof a new paragraph (20) as follows:

"(20) PRODUCER ADVISORY COMMITTEES. The Secretary of Agriculture may establish a producer advisory committee with respect to any commodity or group of commodities, for which a marketing order is potentially authorized. Such committee shall be composed of producers of the commodity or commodities for which the committee is established. Such committees may be called on by the Secretary of Agriculture to provide advice and counsel with respect to the initiation of proceedings for the promulgation of a marketing agreement or marketing order for such commodity or commodities and may also formulate specific proposals for purposes of a public hearing concerning such a proposed marketing agreement or marketing order. The establishment of such a committee shall not, however, be deemed necessary to the initiation of any such proceeding to promulgate a marketing agreement or marketing order."

ASSESSMENTS AGAINST PRODUCERS

SEC. 908. Section 10(b)(2) of such Act is amended by adding at the end thereof a new subparagraph (iv) as follows:

"(iv) If the order contains provisions authorized by section 8c(6)(J) or section 8c (7)(E) it shall provide that the assessments payable by handlers under subsections (i) or (ii) shall initially be payable pro rata by the producers of the commodity to such handlers thereof, who shall be responsible for the collection thereof from producers and payment to the authority or agency established under such order."

NOT TO SUPERSEDE OTHER LAWS

SEC. 909. Nothing in this title shall supersede the provisions of other statutes relating to marketing quotas, acreage allotments or limitations, or price support, with respect to agricultural commodities and no action taken or provisions in an order issued under this title shall be inconsistent with the provisions of such other statutes or actions taken by the Secretary of Agriculture under such other statutes.

So as to make the bill read:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Act of 1968".

TITLE I—DAIRY

EXTENSION OF CLASS I—BASE PLAN AUTHORITY

SEC. 101. The class I dairymen's base plan is extended by striking out "December 31, 1969" and inserting "December 31, 1973" in section 103 of the Food and Agriculture Act of 1965.

RESEARCH, PROMOTION, AND ADVERTISING

SEC. 102. The Agricultural Adjustment Act as reenacted and amended by the Agricultural Marketing Agreement Act of 1937 and subsequent legislation is further amended, by adding at the end of subsection 8c(5) the following new subparagraph (I):

"(I) Establishing or providing for the establishment of marketing research and development programs, other research programs, and advertising (excluding brand advertising), sales promotion, educational, and other similar programs, designed to improve or promote the domestic marketing and consumption of milk and its products, to be financed by producers in a manner and at a rate specified in the order, or all producer milk under the order. Producer contributions under this subparagraph may be deducted from funds due producers in computing total pool value or otherwise computing total funds due producers and such deductions shall be in addition to the adjustments authorized by subparagraph (B) of this subsection 8c(5). Provision may be made in the order to exempt, or allow suitable adjustments or credits in connection with, milk on which a mandatory checkoff for advertising or research is required under the authority of any State law. Such funds shall be paid to an agency organized by milk producers and producers' cooperative associations in such form and with such methods of operation as shall be specified in the order. Such agency may expend such funds for any of the purposes authorized by this subparagraph and may designate, employ, and allocate funds to persons and organizations engaged in such programs which meet the standards and qualifications specified in the order. All funds collected under this subparagraph shall be separately accounted for and shall be used only for the purposes for which they were collected. Programs authorized by this subparagraph may be either local or national in scope or both, as provided in the order, but shall not be international. Order provisions under this subparagraph shall not become effective in any marketing order unless such provisions are approved by producers separately from other order provisions, in the same manner provided for the approval of marketing orders, and may be terminated separately whenever the Secretary makes a determination with respect to such provisions as is provided for the termination of an order in subsection 8c(16)(B). Disapproval or termination of such order provisions shall not be considered disapproval of the order or of other terms of the order."

TITLE II—FEED GRAINS

EXTENSION OF CURRENT PROGRAM AUTHORITY

SEC. 201. The feed grain program is extended by striking out "1966 through 1969 crops" wherever it appears and substituting "1966 through 1973 crops" in the following provisions of law:

(1) Section 105(e) of the Agricultural Act of 1949, as amended.

(2) Section 16(i) of the Soil Conservation and Domestic Allotment Act, as amended.

AUTHORITY FOR PAYMENTS IN CASH OR KIND

SEC. 202. Effective beginning with the 1969 crop, section 105(e) of the Agricultural Act of 1949, as amended, is amended by adding at the end thereof the following: "Notwithstanding any other provision of this subsection and section 16(i) of the Soil Conservation and Domestic Allotment Act, as amended, price support payments and diversion payments may be made in cash or in kind for the 1969 through 1973 crops of feed grains. Payment-in-kind certificates which the Commodity Credit Corporation acquired under the price support and diversion programs for feed grains through the 1968 crop in assisting producers in the marketing of such certificates and which are still on hand on September 30, 1969, shall not be marketed and shall be canceled."

TITLE III—COTTON

EXTENSION OF AUTHORITY FOR ALLOTMENT TRANSFERS, EXPORT MARKET ACREAGE, AND DOMESTIC ALLOTMENT

SEC. 301. The Agricultural Adjustment Act of 1938, as amended, is amended—

(1) By striking out "1966, 1967, 1968, and 1969" in section 344a(a) and inserting "1966 through 1973".

(2) By striking out "the 1966, 1967, 1968, and 1969 crops" in the first sentence of subsection (e) of section 346 and substituting "the 1966 through 1973 crops".

(3) By striking out "the 1966, 1967, 1968, and 1969 crops" in section 350 and substituting "the 1966 through 1973 crops".

EXTENSION OF AUTHORITY FOR PRICE SUPPORT AND DIVERSION PAYMENTS, LEASE OF ACREAGE NOT DIVERTED, AND EXTENSION OF CCC RESALE PRICE PROVISION

SEC. 302. Effective beginning with the 1969 crop, the Agricultural Act of 1949, as amended, is amended—

(1) By amending paragraph (1) of section 10 by striking out "the 1966, 1967, 1968, and 1969" and substituting "the 1966 through 1973 crops".

(2) By striking out the first sentence in paragraph (6) of section 103(d) and substituting the following: "Where the farm operator elects to participate in the diversion program authorized in this subsection and no acreage is planted to cotton on the farm, diversion payments shall be made at the applicable rate or rates established under paragraph (4) on the quantity of cotton determined by multiplying that part of the farm acreage allotment diverted under the program by the projected farm yield, and the remainder of such allotment may be leased under the provision of section 344a of the Agricultural Adjustment Act of 1938, as amended, subject to the conditions of that section, or may be released under the provisions of section 344(m)(2) of such Act. Such lease or release shall not result in reduction of the acreage eligible for diversion under this paragraph."

(3) By striking out "July 31, 1970" in the next to last sentence of section 407 and substituting "July 31, 1974".

EXTENSION OF CURRENT DEFINITION OF COOPERATOR

SEC. 303. Section 402(b) of the Food and Agriculture Act of 1965 is amended by striking out "1966 through 1969 crops" and substituting "1966 through 1973 crops", and by striking out "1967, 1968, and 1969 crops" and substituting "1967 through 1973 crops".

EXPANSION OF ALLOTMENT TRANSFER AUTHORITY

SEC. 304. Section 344a of the Agricultural Adjustment Act of 1938, as amended, is amended—

(1) By striking out in subsection (a) the following: "(excluding that part of the allotment which the Secretary determines was apportioned to the farm from the national acreage reserve)".

(2) By striking out the last sentence in subsection (b).

EXPORT MARKET ACREAGE

SEC. 305. Section 346(e) of the Agricultural Adjustment Act of 1938, as amended, is amended—

(1) By striking out in the third sentence thereof "For each subsequent crop—" and substituting "For the 1967 and 1968 crops—".

(2) By inserting after the table in the third sentence thereof, the following: "For the 1969 through 1973 crops the national export market acreage reserve shall be an amount prescribed by the Secretary, not to exceed 250,000 acres."

(3) By striking out in the tenth sentence thereof "of all cotton produced on such farm for such year" and substituting "of a quantity of cotton equal to the quantity of all cotton produced on such farm for such year".

TITLE IV—WHEAT

EXTENSION OF CURRENT WHEAT PROGRAM

SEC. 401. The wheat program is extended—

(1) By striking out "the calendar years 1964 through 1969" in amendment (7) of section 202 of the Agricultural Act of 1964, as amended by amendment (1) of section 505 of the Food and Agriculture Act of 1965, and substituting "1964 through 1973 calendar years".

(2) By striking out "the calendar years 1965 through 1969" in amendment (13) of section 202 of the Agricultural Act of 1964, as amended by amendment (2) of section 505 of the Food and Agriculture Act of 1965, and substituting "1965 through 1973 calendar years".

(3) By striking out "the calendar years 1964 through 1969" in section 204 of the Agricultural Act of 1964, as amended by amendment (3) of section 505 of the Food and Agriculture Act of 1965, and substituting "1964 through 1973 calendar years".

(4) By striking out "the calendar years 1966 through 1969" in section 332(d) of the Agricultural Adjustment Act of 1938, as amended, and substituting "1966 through 1973 calendar years".

(5) By striking out "the calendar years 1964 through 1969" in section 339(b) of the Agricultural Adjustment Act of 1938, as amended, and substituting "1964 through 1973 calendar years".

(6) By striking out the "calendar years 1966 through 1969" wherever they appear in section 502 of the Food and Agriculture Act of 1965, and substituting "1966 through 1973 calendar years".

(7) By striking out "1966 through 1969 crops" in section 506 of the Food and Agriculture Act of 1965, and substituting "1966 through 1973 crops".

PROJECTED FARM YIELD COMPUTATION

SEC. 402. Effective beginning with the 1969 crop, section 301(b)(13)(K) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out "three calendar years" and substituting "five calendar years".

WHEAT ALLOTMENT COMPUTATION

SEC. 403. Effective beginning with the 1969 crop, section 332(b) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out "owned by the Commodity Credit Corporation" and substituting "on hand in the United States".

COST OF WHEAT MARKETING CERTIFICATES TO PROCESSORS

SEC. 404. The last sentence of section 379e of the Agricultural Adjustment Act of 1938, as amended, is amended, effective beginning with the 1970 crop, to read as follows: "Notwithstanding any other provision of this Act, Commodity Credit Corporation shall sell marketing certificates for the marketing years for the 1970 through 1973 wheat crops to persons engaged in the processing of food products at the lower of (1) the face value thereof or (2) $0.75 per bushel plus the amount by which the parity price for wheat as of the beginning of the marketing year for such crop as estimated by the Secretary not earlier than May 1 preceding the beginning of such marketing year exceeds the parity price as of July 1, 1969."

DATE FOR DETERMINING WHEAT SUPPORT PRICE

SEC. 405. Effective beginning with the 1969 crop, section 107 of the Agricultural Act of 1949, as amended, is amended by inserting in paragraph (1)(a) after the words "100 per centum of the parity price" the following: "as of the beginning of the marketing year as estimated by the Secretary not earlier than May 1 preceding the beginning of such marketing year,".

TITLE V—WOOL

EXTENSION OF WOOL ACT

SEC. 501. Section 703 of the National Wool Act of 1954, as amended, is extended by striking out "December 31, 1969" and substituting "December 31, 1973".

TITLE VI—CROPLAND ADJUSTMENT

EXTENSION OF CROPLAND ADJUSTMENT PROGRAM

SEC. 601. Section 602 of the Food and Agriculture Act of 1965 is amended—

(1) By striking out "the calendar years 1965 through 1969" in subsection (a) and substituting "1965 through 1973 calendar years".

(2) By striking out "during any of the fiscal years ending June 30, 1966 through June 30, 1968 or during the period June 30, 1968 through December 31, 1969" in subsection (k) and substituting "during any of the fiscal years ending prior to July 1, 1972, or during the period July 1, 1972, through December 31, 1973".

ADVISORY COMMITTEE EXPENSES

SEC. 602. Section 602(p) of such Act is amended by striking out of the last sentence thereof the words "or expenses" and inserting "other than transportation expenses and per diem as provided by section 5703(c) of title 5, United States Code".

TERMINATION OF AGREEMENTS

SEC. 603. Section 602 of such Act is amended by adding a new subsection (r) as follows: "(r) The Secretary may terminate agreements which are entered into with producers after the effective date of this subsection if he determines such action to be in the national interest and gives public notice in ample time to permit producers a reasonable opportunity to make arrangements to return their land to agricultural production."

TITLE VII—RICE

EXTENSION OF CONTINGENT RICE ACREAGE DIVERSION PROGRAM

SEC. 701. Section 353(c)(7) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out "1966, 1967, 1968, or 1969" and substituting "1966 or any succeeding year up to and including 1973".

TITLE VIII—MISCELLANEOUS

EXTENSION OF TOBACCO ALLOTMENT LEASE AUTHORITY

SEC. 801. Section 316(a) of the Agricultural Adjustment Act of 1938, as amended, is amended (i) by striking out of the first sentence thereof "1962 through 1969", and inserting "1962 through 1973".

RESTRICTION ON REDUCTION OF STATE AND COUNTY PROJECTED YIELDS

SEC. 802. Section 708 of the Food and Agriculture Act of 1965 is amended by adding at the end thereof the following: "The projected yield for any State or county for the 1969 and succeeding crops of any commodity shall not be less than 95 per centum of the yield established for such State or county for the preceding crop."

EXTENSION OF BOILED PEANUT EXEMPTION

SEC. 803. The last paragraph of the Act entitled "An Act to amend the peanut marketing quota provisions of the Agricultural Adjustment Act of 1938, as amended, and for other purposes," approved August 13, 1957 (7 U.S.C. 1359 note), is amended to read as follows: "This amendment shall be effective for the 1957 through 1973 crops of peanuts."

MARKETING ORDERS FOR APPLES PRODUCED IN COLORADO, UTAH, AND NEW MEXICO

SEC. 804. Clause (A) of the first sentence of section 8c(2) of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937 and subsequent legislation, is amended by striking out "and Connecticut" and inserting in lieu thereof "Connecticut, Colorado, Utah, and New Mexico".

ADVERTISING PROGRAMS FOR APPLES

SEC. 805. (a) Section 2(3) of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937 and subsequent legislation, is amended by inserting ", such marketing research and development projects provided in section 8c(6)(I), and" immediately after "section 8c(6)(H)".

(b) The proviso at the end of section 8c(6)(I) of such Act, as amended, is amended by striking out "or avocados" and inserting in lieu thereof "avocados, or apples".

Mr. ELLENDER. Mr. President, I should like to correct an error in the committee report on S. 3590. On page 10, in the explanation of section 804, appears the parenthetical phrase "(not including those for canning of freezing)". This is not correct. The bill does extend marketing order authority to apples for canning or freezing produced in the States of Colorado, Utah, and New Mexico. What the report should have stated was that it did not extend marketing order authority to the canned or frozen product.

Mr. President, we have before us the Agriculture Act of 1968. By and large, it is a simple 4-year extension of the 1965 act, with some minor changes.

Title I, milk, extends authority for class I base plans without change, and provides new authority for milk research and promotion—including advertising—programs.

Title II, feed grains, extends the current program; permits payments in cash, as well as kind; and provides for cancellation of payment in kind certificates held by Commodity Credit Corporation on September 30, 1968.

Title III, cotton, extends the current program—including authority for transfer of allotments—but amends it:

First, to permit farms that participate in the diversion program to divert up to 35 percent of their original allotments and lease the balance;

Second, to permit transfer of that part of the allotment apportioned to the farm from the national acreage reserve;

Third, to repeal the requirement for filing allotment transfers between June 1 and December 31;

Fourth, to give the Secretary discretion as to the amount of export market acreage within the 250,000 acre maximum—rather than have it fixed by statute in relation to carryover reduction—and,

Fifth, to permit a producer having export market acreage to export other cotton in lieu of that grown on his farm.

Title IV, wheat, extends the current program with the following changes:

First. To conform to the method of computing county projected yields, farm projected yields would be computed on a 5-year—instead of a 3-year—base.

Second. The maximum cost of certificates to processors for 1970 and subsequent crops would be 75 cents, plus the amount by which the parity price had increased over the parity price as of July 1, 1969, instead of the difference between the loan value and $2—assuming in each case that the face value of the certificate is higher than such cost.

Third. The support price announced as early as May 1 would not be subject to change because of difference between the actual July 1 parity price and that estimated by the Secretary.

Title V, wool, extends the National Wool Act of 1954 without change.

Title VI, cropland adjustment program, extends the program with changes, first, permitting payment of expenses to members of the Advisory Board on Wildlife; and, second, permitting the Secretary unilaterally and after ample public notice to terminate future cropland adjustment contracts when such action is in the public interest.

Title VII, rice, extends the provision requiring a rice diversion program whenever the national acreage allotment is less than that for 1965.

Title VIII, miscellaneous, contains provisions first, extending authority to lease tobacco allotments; second, restricting the reduction in State or county projected yields from year to year to not more than 5 percent; third, extending the current exemption of peanuts for boiling from marketing quotas; fourth, adding apples produced in the States of Colorado, Utah, and New Mexico to the list of those for which market orders are authorized; and fifth, adding apples to the list of commodities for which advertising programs under marketing orders are authorized, and authorizing research, promotion, and advertising programs for commodities other than milk under marketing orders even when prices are above parity.

Immediate action on this proposed legislation has been urged by nearly all witnesses representing the views and interests of producers. The preponderance of opinion that delay would be undesirable or dangerous to agriculture has deeply impressed a majority of the committee. Hence, although mindful that the act of 1965 applies to the crops of 1969, the committee recommends affirmative action during this session.

Wheat is particularly vunerable unless early action is taken. However, producers of all commodities need to know as far ahead as possible what farm programs will be available. For example, the class I milk base plan authority expires at the end of 1969. As a result, the industry is in a quandary as to any action they should take. The reasons stated to the committee include the following:

Expiration of the act of 1965 would, in effect, bring back programs of the 1950's, and the changes could well alter both short-term and long-range plans of farmers and agribusiness concerns. Even if major changes in programs are not to be made, plans for expansion or contraction of livestock numbers must be made long before the actual changes take place. Concomitantly, the plans of livestock producers affect feed grain producers, and the obverse is also true. Arrangements for credit and for the leasing of land must be made long before the advent of a new crop season. Seedsmen and suppliers of fertilizers, herbicides, and insecticides follow the program changes as guides in their business interprises.

While it is desirable for many people to know the future of farm programs as early as possible, wheat producers and their suppliers find it imperative to know during the first part of 1969 what they can count on for 1970.

If we were to revert to the legislation in effect before the 1965 enactment, the Secretary of Agriculture would be required to proclaim marketing quotas for the 1970 crop not later than April 15, 1969—theoretically, he could determine that they were not necessary, but this does not now appear to be a practical possibility. If quotas were proclaimed, a referendum would have to be held by August 1.

Assuming that the quota proclamation could be deferred by congressional action, it would still be necessary to determine the 1970 acreage allotment by about the middle of June. By that time many farmers will have invested considerable amounts of money in tillage operations on land that they plan to seed to wheat the following fall for harvest the following June or July. They will need to know the size of the acreage allotments for the 1970 crop. They will have decided whether to sell or store grain held from the previous harvests, whether to try to arrange for the use of more land or for less, whether to replace certain machines or not.

Wheat growers' decisions will be made partly on the basis of whether the voluntary program will be available or whether a marketing quota referendum will have to be held and, if held, whether quota would be accepted or rejected.

Their decisions will also be based upon the expectation of having or of not having the benefit of wheat certificates, which this year are worth $1.38 per bushel on all wheat produced by program participants within their domestic allotments. This year certificates are expected to augment market returns from wheat by $730 million. The certainty of this kind of supplement to wheat income, plus price-support loans, under a voluntary program contrasts sharply with the uncertainties of a marketing quota program which failed to gain support in a referendum in 1963.

Further, the 1965 act has achieved many of its objectives.

The surpluses which once clogged our warehouses have been largely eliminated. The buildup of new surpluses have been largely prevented. Carryover stocks of cotton, wheat, and feed grains are at or close to desirable levels—and well below the burdensome peaks that existed prior to the enactment of these programs.

Diversion of acreage from these crops has held production below utilization in most cases, and additional demand has been met by sales from CCC stocks. This has meant a sharp reduction in taxpayers' money spent for storage, handling, and interest on commodities held in Government hands. Further, the programs provide the flexibility needed to adjust the acreage removed from production from about 29 million in total up to 50 million acres, as the situation warranted. At the end of the marketing year for the 1967 crops stocks of these commodities are well below the peaks when the programs began:

First. Cotton stocks are expected to be about 6.4 million bales compared to the peak of 16.6 million on hand when the program began. Only about 700,000 bales will be in Government hands this year.

Second. Wheat stocks are expected to be about 545 million bushels, down from the 1.4 billion bushels on hand when the 1962 program began, with only 290 million bushels in Government stocks.

Third. Feed grain stocks will be between 45 and 50 million tons, compared to 85 million tons when the 1961 program began, with about 31 million tons in Government stocks.

Supplementing the commodity programs is the Cropland Adjustment Program, also authorized by the 1965 act. The agreements that remain in effect 5 to 10 years are beneficial to farmers and the public. Older, part-time farmers are able to place their farms in conservation uses with assurance, allowing them to remain on the farm and enjoy the benefits of rural living.

And CAP helps meet the outdoor recreational needs of a growing U.S. population. Its public access features have opened up more than a million acres of privately owned farmland for public use in hunting, hiking, and camping. At the same time, farmers' income is helped with a small per year additional payment. Greenspan has aided 137 communities to acquire eligible land and move it permanently from cropland to parks, playgrounds, picnic areas, and other outdoor recreation, desperately needed by many of our small communities.

The commodity programs have played a vital role in export expansion. Last year we exported products equivalent to the harvest of 71 million acres or one acre out of every four. The 1965 act made possible the support of cotton, wheat and feed grains at world market levels. As a result, the United States has been very competitive in world trade. Also, substantial savings have been made in export subsidies, which were large in earlier years under high price supports. At the same time certificates and direct payments help assure farmers returns in excess of world prices.

Since fiscal year 1960, total agricultural exports have been pushed up from $4.5 to $6.8 billion in fiscal year 1967. During the same period commercial exports—dollar sales—climbed 62 percent, from $3.2 to $5.2 billion. Preliminary estimates for fiscal year 1968—a year marked by very strong competition in world markets—indicates total agricultural exports of $6.4 billion, of which nearly $5 billion will be commercial sales.

American farmers now report over half of their wheat production; two-thirds of the annual milled rice production; a third or more of their grain sorghums, soybeans, cotton, and tobacco; over a fourth of their flaxseed; and nearly a fourth of their corn.

Mr. President, the existing program is not perfect, as witnessed by the amendments included in the bill before the Senate. Farm prices in some cases are too low. However, it is far preferable to any alternative programs, either on the books or offered in testimony before the committee during the hearings. Farm or-

ganizations were almost unanimous in support of this legislation, with some recommending that it be made permanent. It seems to me that it behooves the Senate to provide farmers with the assurance they desire for an extension now. Therefore, Mr. President, I ask the Senate to approve this legislation without delay.

ADJOURNMENT

Mr. LONG of Louisiana. Mr. President, in accordance with the previous order, I move that the Senate stand in adjournment until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 7 o'clock and 18 minutes p.m.) the Senate adjourned until tomorrow, Friday, July 19, 1968, at 12 noon.

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250
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Issued July 22, 1968
For actions of July 19 ~~and 20, 1968~~
90th-2nd; Nos. 125 & 126

CONTENTS

HIGHLIGHT: Senate passed farm bill.

HOUSE - July 19, 1968

1. FLOOD CONTROL. Conferees were appointed on S. 3710, to authorize the construction, repair, and preservation of certain public works on rivers and harbors for navigation and flood control. Senate conferees have been appointed. p. H7041

2. APPROPRIATIONS. The Appropriations Committee reported H. R. 18785, the Defense Department appropriation bill, 1969 (H. Rept. 1754). p. H7116

3. HOUSING. The conferees agreed to file a conference report on the differences between the Senate- and House-passed versions of S. 3497, the housing bill. p. D711

4. EXPENDITURES. Rep. Mahon stated "I do not now see that we are going to achieve the $6 billion cut in expenditures in the individual bills" and that the President will have to "take whatever additional measures that are necessary." p. H7040

5. POSTAL SERVICE. Rep. Dorn stated that he was "shocked" at the recent decree by the Post Office Dept. to the effect that mail service would be curtailed and small post offices serving rural communities would be closed. p. H7041

6. COMMUNITY DEVELOPMENT. Rep. Goodell spoke in support of the "comprehensive community self-help program which can stem from the passage of the Community Self-Determination Act." p. H7106

7. LEGISLATIVE PROGRAM. Rep. Albert announced the program for Mon. and the balance of the week as follows: Higher Education Amendments, food stamp bill, farm bill, military construction bill, District of Columbia and Defense Dept. appropriation bills, supergrade bill, endangered species of wildlife and fishermen's protective bills. pp. H7099-7100

8. ADJOURNED until Mon., July 22. p. H7115

SENATE -- July 19, 1968

9. PERSONNEL. The Post Office and Civil Service Committee reported with amendments H.R. 13844, to grant time off for employees to arrange funerals of their children lost in hostile military action (S. Rept. 1443). p. S8946

10. WILDLIFE. Passed as reported H. R. 25, to authorize the Secretary of the Interior in cooperation with the States to preserve, protect, develop, restore, and make accessible estuarine areas of the Nation which are valuable for sport and commercial fishing, wildlife conservation, recreation, and scenic beauty. pp. S8956-7

11. FPC. Concurred in House amendments of a technical and clarifying nature to S. 2445, to amend part I of the Federal Power Act to clarify the manner in which the licensing authority of the Commission and the right of the U. S. to take over a project or projects upon or after the expiration of any license shall be exercised (p. S8951). This bill will now be sent to the President.

12. LANDS. Passed without amendment S. 3687, to direct the Secretary of Agriculture to release on behalf of the U. S. a condition in a deed conveying certain lands to the State of Ohio. p. S8950

13. FARM PROGRAM. Continued debate on S. 3590, the farm bill (pp. S9008-41). Agreed to committee amendments en bloc to be considered as original text for the purpose of amendment (p. S9009). Rejected, 40-40, an Aiken amendment to provide for a

3-year extension of the farm programs which the bill would extend for 4 years (p. S9019). Agreed to a Morton amendment to continue the present law regarding wheat certificates for 4 years (p. S9020). Agreed to a Lausche-Dirksen amendment to include Ohio and Ill. among States whose apple production is eligible to be included in marketing agreements and orders (p. S9020). By unanimous consent, it was agreed to limit further debate to 1 hour equally divided on any amendment or motion and the question of passage of the bill (pp. S9030-1). Pending at recess was the modified Williams, Del.,-Brewster amendment to limit agricultural payments.

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14. ARTS AND HUMANITIES. Sen. Pell announced hearings on a bill to establish a Presidential Commission on Negro History and Culture July 23 in the Labor and Public Welfare Committee hearing room. pp. S8947-8

15. CROP INSURANCE. Sen. Pell commended the Federal Crop Insurance program as an important factor in strengthening the credit and farm future of growers who participate. p. S8950-1

16. NOMINATION. Confirmed the nomination of Howard J. Samuels, N.Y., to be Administrator of the Small Business Administration. p. S8967

17. POVERTY. Sen. Nelson announced that he and Sen. Percy intend to cosponsor a bill to provide our rural areas with new businesses and more jobs to stem the migration of people to large cities. p. S8976

18. FLOODING. Sen. Hansen inserted a resolution requesting that action be taken to make it possible to conduct an investigation of recurrent flooding on the Little Wind River in Wyo. pp. S8991-2

19. MAIL. Sen. Byrd, W. Va., supported pending legislation to exempt the mail-handling operations of the Post Office Department from manpower restrictions. p. S8992

20. ELECTRIFICATION. Sen. Muskie spoke in support of the construction of the Dickey-Lincoln hydroelectric project on the St. John River, Maine. pp. S8995-6

21. WATERSHEDS. Sen. Church commended Forest Service's emergency treatment of watersheds which help prevent damage from wildlife. p. S8996

22. LEGISLATIVE PROGRAM. Sen. Mansfield announced that following action on the farm bill the Senate will consider the public works appropriation bill. p. S9008

<u>SENATE -- July 20, 1968</u>

23. FARM PROGRAM. Passed, 58-18, with amendments S. 3590, to extend and improve legislation for maintaining farm income, stabilizing prices and assuring adequate supplies of agricultural commodities (pp. S9045, S9049-69). Rejected, 25-47, a Williams, Del.,-Brewster amendment to limit the amount of payments to any single recipient for any one year to $25,000, except under the Sugar

Act (pp. S9049-52). Rejected, 30-40, a Williams, Del.,-Lausche-Brewster amendmen to limit the amount of payments to any single recipient for any one year to $75,000, except under the Sugar and Wool Acts (pp. S9052-3). Rejected, 26-48, a Monroney amendment to establish and maintain emergency reserves of storable agricultural commodities (pp. S9053-64).

24. MANPOWER. The Labor and Public Welfare Committee reported with amendments S. 2938, to extend certain expiring provisions under the Manpower Development and Training Act of 1962, as amended (S. Rept. 1445). p. S9087

25. TRADE FAIRS. Passed without amendment H. R. 18340, to amend section 212(B) of the Merchant Marine Act, 1936, as amended, to provide for the continuation of authority to develop American flag carriers and promote the foreign commerce of the United States through the use of mobile trade fairs (p. S9048). This bill will now be sent to the President.

26. OCEANOGRAPHY. Passed as reported H. R. 13781, authorizing funds for sea-grant colleges and ocean exploration for the fiscal year 1969, from not to exceed $8.5 million to not to exceed $15 million, and for the fiscal year 1970, from not to exceed $12 million to not to exceed $15 million. pp. S9047-8

27. PERSONNEL. Passed as reported H. R. 13844, to provide time off from duty without loss of pay or reduction in leave for employees of executive agencies to attend and make necessary arrangements in connection with the funerals of their sons or daughters in the U. S. Armed Forces overseas who died in or as a result of armed conflict with a hostile foreign force. pp. S9108-9

28. APPROPRIATIONS. Began consideration of H. R. 18188, the Transportation Dept. appropriation bill, 1969 (includes funds for forest highways) (p. S9108). As reported by the House Appropriations Committee this bill provides that "no funds shall be available to finance interdepartmental boards, commissions, councils, committees, or similar groups which do not have prior and specific congressional approval."

Passed, 67-3, with amendments H. R. 17903, the public works and Atomic Energy Commission appropriation bill, 1969 (pp. S9069-87). Conferees were appointed. House conferees have not been appointed. As reported by the House Appropriations Committee this bill provides that "no part of any appropriation contained in this or any other Act, shall be available to finance interdepartmental boards, commissions, councils, committees, or similar groups...which do not have prior and specific congressional approval."

29. FAMILY PLANNING. Sen. Gruening inserted a White House news release describing the mandate of the committee to review our Government's policies and programs in the field of population and family planning domestically and internationally. p. S9090

30. LEGISLATIVE PROGRAM. Sen. Mansfield announced on Mon. the Senate will consider the Transportation Department appropriation bill and the long staple cotton bill, later in the week the Labor-HEW appropriations measure, if reported. p. S9076

Congress to be one of the most important and fruitful functions of the legislative body.

I share that opinion. At stake here, of course, is the simple issue of whether Congress shall have an effective capacity to investigate whatever comes before the Senate or House in terms of something which indicates that an investigation should be made.

Without the power to be able to summon witnesses, without the power of subpena to get them before a committee and the authority to get them to respond to appropriate questions, the whole investigative procedure of the Senate would become a fruitless farce. Nothing effective could be accomplished. We might as well turn over to agencies of the Government, the private sector, or anyone else who may have done something which requires investigation, the complete authority to build a great big Chinese wall around themselves and keep from Congress and the public the pertinent facts which are necessary.

I repeat, the issue is simple. At stake is not whether this particular witness shall have the power to refuse to answer questions without taking recourse to the fifth amendment or without providing any extenuating circumstances. But here is a man who has been a Federal employee, drawing in the neighborhood of $6,000 to $7,000 a year. Certainly, if Congress does not have the right to investigate what he has been doing with the money and what kind of program he has been running, then Congress would have the right to investigate no one and the right to investigate nothing, because without the power of subpena and the right to compel testimony, the investigative procedure, of course, would come to naught.

Thus, I strongly recommend to my colleagues that in the forthcoming rollcall vote, we overwhelmingly reaffirm the investigative power of Congress by citing Jeff Fort for contempt of the Senate.

Mr. CURTIS. Mr. President, will the Senator from South Dakota yield?

Mr. MUNDT. I am happy to yield to the Senator from Nebraska such time as he may desire.

Mr. CURTIS. I thank the distinguished Senator from South Dakota.

Mr. President, there is no alternative to a citation for contempt in this case. It is my hope that it will be prosecuted and sustained by the court. If anything less than that occurs, the investigative power of the Senate and the House—Congress as a whole—will be greatly impaired.

Mr. President, I have observed the conduct of the investigative committee under the chairmanship of the distinguished Senator from Arkansas [Mr. McCLELLAN]. I have found that he has operated fairly and judiciously. The committee has operated under written rules. The written rules provide that a witness may submit questions to the committee to be propounded by the committee to any witness he feels has maligned or adversely affected him.

The committee has also honored the right of a witness to decline to answer because of self-incrimination. As a matter of fact, the committee has refrained from asking questions when it knew that the subject matter involved a pending criminal action.

In this particular case, the witness, Jeff Fort, did not even remain in the committee room. He did not exercise his right to decline to answer because his answers might tend to incriminate him. After giving his name, his attorney announced in substance that unless the committee changed its written rules of many years standing, they would refuse to answer and would leave the room.

His attention was called to the fact that he might be cited for contempt. Two or three times the chairman asked the witness and his attorney to pause for a moment so he might inform him of the seriousness of the situation. The rules were referred to and read into the record. He knew he had a right to submit questions to the committee to be propounded to other witnesses. His attorney said: "No. We ask that you change the rules and permit the attorney for the witness to cross-examine other witnesses"—not just other witnesses who happened to be there. His request was that all witnesses in the past be resubpenaed and brought there for the attorney for the witness to conduct his own investigation. And on such a demand, the witness turned and walked out of the room, following his attorney.

Now, Mr. President, if witnesses before congressional committees can just turn and walk away, the power of congressional committees has come to an end——

The PRESIDING OFFICER. All time of the Senator has expired. The Senator from Arkansas [Mr. McCLELLAN] still has 3 minutes remaining.

Mr. McCLELLAN. Mr. President, for the RECORD, I would like to state that the Permanent Subcommittee on Investigations is composed of nine members. Subsequent to the contempt committed by the witness, the subcommittee met, and with eight of the nine members present, voted unanimously for this citation. Thereafter the full Committee on Government Operations, now composed of 14 members met. Eleven members were present, and all 11 voted for this citation.

Mr. President, I share the views expressed by the distinguished Senator from Nebraska [Mr. CURTIS]. If the Senate cannot require a witness to testify under the circumstances attending this inquiry and the occasion when this witness walked out, if the authority of the duly constituted committees of this body can be flouted with impunity and with contempt such as the action and conduct that occurred in this instance, then the Senate of the United States, whenever that happens, will have become impotent to discharge its functions properly and adequately.

I hope the Senate will vote unanimously for adoption of the resolution.

I yield back the balance of my time.

I understand a rollcall has been ordered. I am ready for the call of the roll.

The PRESIDING OFFICER. All time has been yielded back. The question is on agreeing to Senate Resolution 379. On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr, BYRD of West Virginia. I announce that the Senator from Hawaii [Mr. INOUYE] is absent on official business.

I also announce that the Senator from Alaska [Mr. BARTLETT], the Senator from Indiana [Mr. BAYH], the Senator from Maryland [Mr. BREWSTER], the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Massachusetts [Mr. KENNEDY], the Senator from Missouri [Mr. LONG], the Senator from Louisiana [Mr. LONG], the Senator from Minnesota [Mr. McCARTHY], and the Senator from Wyoming [Mr. McGEE] are necessarily absent.

I further announce that, if present and voting, the Senator from Alaska [Mr. BARTLETT], the Senator from Indiana [Mr. BAYH], and the Senator from Maryland [Mr. BREWSTER] would each vote "yea."

Mr. KUCHEL. I announce that the Senator from Utah [Mr. BENNETT], the Senator from Colorado [Mr. DOMINICK], the Senator from Michigan [Mr. GRIFFIN], the Senator from New York [Mr. JAVITS], the Senator from California [Mr. MURPHY], the Senator from Illinois [Mr. PERCY], and the Senator from Vermont [Mr. PROUTY] are necessarily absent.

The Senator from Tennessee [Mr. BAKER] and the Senator from Texas [Mr. TOWER] are detained on official business.

If present and voting, the Senator from Tennessee [Mr. BAKER], the Senator from Utah [Mr. BENNETT], the Senator from Colorado [Mr. DOMINICK], the Senator from New York [Mr. JAVITS], the Senator from California [Mr. MURPHY], the Senator from Illinois [Mr. PERCY], the Senator from Vermont [Mr. PROUTY], and the Senator from Texas [Mr. TOWER] would each vote "yea."

The result was announced—yeas 80, nays 0, as follows:

[No. 223 Leg.]

YEAS—80

Aiken	Harris	Moss
Allott	Hart	Mundt
Anderson	Hartke	Muskie
Bible	Hatfield	Nelson
Boggs	Hayden	Pastore
Brooke	Hickenlooper	Pearson
Burdick	Hill	Pell
Byrd, Va.	Holland	Proxmire
Byrd, W. Va.	Hollings	Randolph
Cannon	Hruska	Ribicoff
Carlson	Jackson	Russell
Case	Jordan, N.C.	Scott
Church	Jordan, Idaho	Smathers
Clark	Kuchel	Smith
Cooper	Lausche	Sparkman
Cotton	Magnuson	Spong
Curtis	Mansfield	Stennis
Dirksen	McClellan	Symington
Dodd	McGovern	Talmadge
Eastland	McIntyre	Thurmond
Ellender	Metcalf	Tydings
Ervin	Miller	Williams, N.J.
Fannin	Mondale	Williams, Del.
Fong	Monroney	Yarborough
Gore	Montoya	Young, N. Dak.
Gruening	Morse	Young, Ohio
Hansen	Morton	

NAYS—0

NOT VOTING—19

Baker	Griffin	McGee
Bartlett	Inouye	Murphy
Bayh	Javits	Percy
Bennett	Kennedy	Prouty
Brewster	Long, Mo.	Tower
Dominick	Long, La.	
Fulbright	McCarthy	

So the resolution (S. Res. 379) was agreed to.

LISTER HILL NATIONAL CENTER FOR BIOMEDICAL COMMUNICATIONS—SENATE JOINT RESOLUTION 193

Mr. SPARKMAN. Mr. President, I send to the desk a joint resolution and ask for its immediate consideration.

The PRESIDING OFFICER. Is there objection?

There being no objection, the joint resolution (S.J. Res. 193) was read the first time by title, and the second time at length, as follows:

S.J. RES. 193

Whereas, during his long and distinguished career in the Congress, Senator Lister Hill has achieved more forward-looking legislation relating to improved health and educational opportunities for the American people than any other individual in the history of this body; and

Whereas, Senator Hill's legislative interests in health, in education, and in libraries are epitomized in the National Library of Medicine, to whose establishment and development Senator Hill has paid particular attention during the course of his career; and

Whereas, a National Center for Biomedical Communications to be constructed and located as a part of this Library has been proposed by two legislators of the House, the late John E. Fogarty of Rhode Island, and Paul G. Rogers of Florida; and further that this Center has ben strongly endorsed by representatives of the scientific community as an urgently required facility for the improvement of communications necessary for health education, research, and practice; and further that this Center would function to contribute enduringly to the life-long objectives of Senator Hill's legislative career: Be it therefore

Resolved, That this Center be named and designated as the Lister Hill National Center for Biomedical Communications, thus perpetuating the name of the distinguished Senator from Alabama, and the legislative interests of his long and fruitful career in the U.S. Senate.

The PRESIDING OFFICER. Is there objection to the present consideration of the joint resolution?

There being no objection, the joint resolution (S.J. Res. 193) was considered, ordered to be engrossed for a third reading, read the third time, and passed.

THE DANGER IN JUSTIFYING EXCESS FEDERAL EXPENDITURES ON THE BASIS OF A HIGHER GROSS NATIONAL PRODUCT

Mr. SYMINGTON. For several years now, in testimony before various Senate committees, we have heard numerous officials of this administration defend their ever-increasing budget requests on the grounds that the increased amount involved nevertheless represents a no greater percentage of the in turn increased gross national product.

This justification for these steadily growing expenditures—more than $80 billion this year for defense alone—is now cause for serious apprehension; because followed to its logical conclusion, this theory means the Federal Government can spend an unlimited amount on its programs, so long as the expenditure in question represents a no greater percentage of the total GNP.

The present economic predicament of this Nation, however, demonstrates that even a country as strong as the United States cannot continue with such a heavy program of guns and butter, all at the same time.

It has now become clear also that the relative share of the gross national product devoted to defense in the national income accounts budget is an inadequate measure of the impact of these expenditures on the economy at any given time; and this is true for a variety of reasons.

The state of resource use in the economy is a critical factor; and if the economy were plagued with both serious unemployment and considerable excess capacity, defense expenditures as a share of GNP might be maintained, or even increased, with little or no inflationary effect on the economy.

The situation is far different, however, when the economy is operating close to, or at capacity, with low rates of unemployment and developing inflationary pressures.

In the latter situation, any increase in autonomous expenditures could well add to inflationary pressures, particularly if the rate of increase in spending is more rapid than the economy can sustain.

In other words, defense expenditures could be growing at a slower rate than total GNP, or even declining as a share of GNP, but they could still be contributing to an unsustainably high rate of growth of the economy, with the attendant increase of inflationary pressures.

The inadequacy of measuring the impact of defense expenditures on the economy in terms of its relative share of GNP is clearly evident in the experience of 1965–66, with the subsequent economic development.

Defense expenditures began to rise in the second half of 1965. Between the second quarter of 1965 and the first quarter of 1966 they were up about $6 billion.

As a share of GNP, these defense expenditures rose only from 7.3 to 7.6 percent. But this increase was a prime factor in the initiation of a serious overheating of the economy. Industrial production rose sharply, a capital equipment boom gained momentum, wholesale prices began to rise sharply, unemployment dropped to under 4 percent, labor shortages began to appear, and strong wage pressures began to develop in some sectors of industry.

As a result, strong measures of monetary restraint became necessary; and at that time also we should have established measures of fiscal restraint.

Even when defense spending maintains only the same percentage of the GNP, it frequently absorbs resources needed for other sectors of the economy, sectors which have high economic and social priorities.

When the economy is operating at close to full employment, further expansion is limited by both the labor force and productivity growth; and if defense expenditures keep pace with expansion of the GNP, the increase in real resources available to other sectors of the economy can only be such as to permit them to maintain their present shares of GNP. But our national goals call for the reverse; namely, an expanded share of resources to other sectors we now know only too well must be expanded.

As but one example, the housing sector has been severely squeezed over the last several years; and to expand housing expenditures so as to meet the pent-up demand and population shifts would require an increase in its relative share of the GNP.

A greater share of the total output as represented by the GNP is also required for urban renewal, for income programs for the poor, and for comparable programs. All these programs become that much more difficult if defense expenditures are maintained at a constant share of that output.

In addition, the percentage of GNP devoted to defense expenditures may be a most misleading indicator of the amount of resources devoted to military purposes, particularly when expenditures increase, because the impact of new military orders on additions to business inventory, along with capacity expansion programs, is often felt long before higher military outlays actually appear in the GNP.

This is but part of the reason why the movement of defense expenditures from 7.3 to 7.6 percent of GNP in late 1965 and early 1966—in itself a small increase—was associated with such large secondary impacts; because it is obvious that heavy drafting of young men from the civilian labor force involves a loss of productive resources, along with, in many cases, a decline in the productivity of the civilian economy.

LEGISLATIVE PROGRAM

Mr. MANSFIELD. Mr. President, for the information of the Senate, it is hoped that we can complete action today on the pending business, the agricultural bill, but that is doubtful. If we do not finish with it today, we will, of course, continue with it tomorrow. Completion of action on the pending bill, today or tomorrow or whenever, will be followed by the public works appropriation bill.

AGRICULTURAL ACT OF 1968

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the unfinished business be laid before the Senate.

The PRESIDING OFFICER. The bill will be stated by title.

The ASSISTANT LEGISLATIVE CLERK. A bill (S. 3590) to extend and improve legislation for maintaining farm income,

stabilizing prices, and assuring adequate supplies of agricultural commodities.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. ELLENDER. Mr. President, I ask unanimous consent that the committee amendments be agreed to en bloc, and that the bill as thus amended be considered as original text for the purpose of amendment.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Louisiana? The Chair hears none, and it is so ordered.

Mr. AIKEN. Mr. President, all of the committee amendments are subject to amendment.

The PRESIDING OFFICER. The Senator is correct.

Mr. AIKEN. Mr. President, I will devote a very short time to a discussion of the bill itself. The bill, as we know, extends, and to some extent amends the Agricultural Act of 1965. The Agricultural Act of 1965, I must say, has not been an unqualified success insofar as raising the income of the farmer has been concerned.

In 1965, the farmers of the United States were receiving an average of 80 percent of parity for their production. After about 3½ years under this law, they are now receiving 73 percent of parity for their crops.

I might say the pending bill is probably not absolutely necessary because the provisions which it purports to extend do not expire, any of them, until July 1, 1969. However, on the other hand, I believe it will help maintain a continuity between this program and the next program, whatever that may be, if the 1965 law, or the provisions of it, particularly as they pertain to grain and wheat, can be extended for 1, 2, or even 3 years.

The administration has been rather insistent that we extend this for 4 years. Four years would bring the expiration of it near the expiration of the next 4-year term of the incoming President, whoever he may be.

I do not think it is a good idea to start our 1972 presidential campaign at this point. And I think it is rather amazing that the administration is so concerned about this matter that it is virtually admitting the loss of the coming election several months in advance of the election; because if it felt confident of winning the election in November, it certainly would not be asking for this 4-year extension at this time.

However, be that as it may, we do have an agricultural bill before us, and some extension of the 1965 act is desirable.

There are a couple of new features in this bill. They authorize producer checkoffs for promotion and research programs for milk and advertising programs for apples in certain parts of the country. The authorization for deductions for the promotion of the consumption of milk extends through the entire country.

Title I of this bill relates to the dairyman's base plan authority. That is a provision of the law which never should have existed at all. It provides that in a marketing order area, the milk producers can in effect divide the production among themselves, and they cannot increase their individual production unless they can purchase production rights from somebody who already holds the right to produce. I am sorry that this provision is in the bill. Only one of approximately 80 marketing order areas in the United States has availed itself of this provision, and I understand that, as a result, in this particular marketing order area they make Las Vegas look like a rather amateurish community, since the going price of producing a pound of milk per day is now, I understand, $13. In other words, if I want to increase my production a thousand pounds a day, I would have to buy the right to produce that thousand pounds from someone who already holds an official base and pay about $13,000 for it. I am told that almost $4 million in cash changed hands because of the speculation in the sale of the right to produce milk.

I do not approve of requiring farmers to buy the right to produce milk or any other crop, but this is now in the law. There is no indication that any other marketing order area will try to avail itself of these provisions, so I am not objecting strenuously to leaving it in there as it is now.

The base plan proposal, if it goes far enough, as one can see, could easily lead to a monopoly of production of a particular crop in a few hands. That is something we certainly do not want.

A 1-year extension for crops would be preferable to none at all. But, I would go as high as a 3-year extension, because then we could go to conference with the House and decide what length of time would really be advisable and would be in the best interests of American agriculture.

At this point, Mr. President, I would like to correct an error on the part of myself or somebody else which appears on page 20 of the printed hearings on this bill. I am quoted as saying, in questioning the Secretary of Agriculture:

> Do you not agree that the Extension Service has had its day and might be reduced or abolished?

That certainly is not what I intended to say. I do not think I said it, but the reporter understood it that way, and it got by everybody and was printed that way, much to the consternation of my friends in the Extension Service who have always regarded me as one of the best friends they had anywhere.

What I said—what I think I said—was:

> You do not agree that the Extension Service has had its day and might be reduced or abolished?

But it got into print as "do you not agree," which made it entirely different.

I am glad to make the correction at this time, and I am going to see that some of my friends in the Extension Service get a copy of the RECORD of today, so that they will see that it was in error on my part. And I want to assure them that I am just as strong for the Extension Service today as I ever was, and that is very strong.

I have said, Mr. President, that I just cannot go along with a 4-year extension of this bill because, as I have said, I do not want to start the 1972 election campaign yet. So I am willing to go further than I think advisable, and I send to the desk an amendment, and ask to have it made the pending business. This amendment would reduce the 4-year extension to 3 years.

The PRESIDING OFFICER. The amendment will be stated.

The bill clerk proceeded to read the amendment.

Mr. AIKEN. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and, without objection, the amendment will be printed in the RECORD.

The amendment is as follows:

On page 1, line 9, strike out "1973" and insert in lieu thereof "1972".

On page 4, lines 5 and 19, strike out "1973" each time it appears, and insert in lieu thereof "1972".

On page 5, lines 7, 10, 14, and 22, strike out "1973" each time it appears, and insert in lieu thereof "1972".

On page 6, line 17, strike out "1974" and insert in lieu thereof "1973".

On page 6, lines 21 and 23, strike out "1973" each time it appears, and insert in lieu thereof "1972".

On page 7, line 18, strike out "1973" and insert in lieu thereof "1972".

On page 8, lines 10, 16, and 22, strike out "1973" each time it appears, and insert in lieu thereof "1972".

On page 9, lines 2, 6, 10, and 13, strike out "1973" each time it appears, and insert in lieu thereof "1972".

On page 9, line 18, strike out "five calendar years" and insert in lieu thereof "four calendar years".

On page 10, line 7, strike out "1973" and insert in lieu thereof "1972".

On page 11, lines 5, 12, and 18, strike out "1973" each time it appears, and insert in lieu thereof "1972".

On page 11, lines 17 and 18, strike out "1972" each time it appears, and insert in lieu thereof "1971".

On page 12, lines 18 and 24, strike out "1973" each time it appears, and insert in lieu thereof "1972".

On page 13, line 17, strike out "1973" and insert in lieu thereof "1972".

Mr. AIKEN. The amendment simply would reduce the extension of the 1965 act from 4 years to 3 years. That is all it is intended to do. It changes the numeral "1973" to "1972." So that it will expire just before the next presidential election, not after.

Mr. YOUNG of North Dakota. Mr. President, will the Senator yield?

Mr. AIKEN. I yield.

Mr. YOUNG of North Dakota. Mr. President, while I would much prefer a 4-year extension, I would gladly support the 3-year extension. This is undoubtedly more than we will get the House to agree to.

I commend the Senator from Vermont for offering this amendment. He has been a leader in agriculture for longer than I can remember—long before I began my service in the Senate. He has always taken a reasonable position and attitude toward agriculture, not only in his own State but also in the entire country. I

commend him for offering the amendment.

Mr. AIKEN. Mr. President, I thank the Senator from North Dakota, with whom I have worked on the Committee on Agriculture and Forestry, along with the Senator from Louisiana, ever since we have been Members of the Senate together, and the Senator from Florida [Mr. HOLLAND], who I note is listening expectantly or avidly.

Mr. PASTORE. Attentively.

Mr. AIKEN. That is the word I was trying to find.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr AIKEN. I yield.

Mr. HOLLAND I am glad the Senator has realized that I do listen expectantly and attentively to everything he says.

If I may be allowed to say so, I was present when the question was asked by the Senator from Vermont of the Secretary of Agriculture, and I recall perfectly well that the question was one of great approval of the Extension Service and not of disapproval. I am rather shocked, as is the Senator from Vermont, that the question was turned around in the report so as to indicate his disapproval of the Extension Service, as it apparently does in the record.

The Senator from Vermont is one of the great friends of the Extension Service, and is properly recognized as such; and if he had said anything along the line that is quoted in the record, the Senator from Florida would have been shocked beyond expression and would certainly have remembered it. To the contrary, the Senator from Florida remembers that the attitude and expression and question of the Senator from Vermont was most friendly to the Extension Service.

Mr. AIKEN. Mr. President, it is very good to have a favorable witness, as the Senator from Florida has proven to be.

My purpose in asking that question of the Secretary of Agriculture was to give him an opportunity to dispute those people in and out of Government who claim that the Extension Service has had its day and ought to be reduced or abolished altogether.

I yield to the Senator from Kansas.

Mr. CARLSON. Mr. President, I appreciate very much the offering of the amendment by the distinguished Senator from Vermont, which would place a 3-year limitation on the extension of the present agricultural program.

I sincerely hope that no action will be taken in the Senate that will in any way endanger the extension of the program.

The question as to time, whether it is 4 years, 3 years, 2 years, or 1 year, no doubt will be brought up. I believe the distinguished Senator from Vermont has been very helpful in offering this 3-year amendment.

Is the amendment for future consideration or is it now the pending business?

Mr. AIKEN. The amendment has been made the pending business.

The PRESIDING OFFICER. The amendment is pending.

Mr. AIKEN. The amendment provides for a 3-year extension of the law as it relates to wheat, feed grains and other farm commodities, rather than a 4-year extension.

Mr. CARLSON. I support an extension of the program for all grains, and I shall give further consideration to the 3-year extension with the hope that nothing occurs to endanger the extension.

Mr. AIKEN. I feel, with a new administration, a new President and new Congress coming to Washington, this would be an opportunity for them to make recommendations and express their opinions, and not have the legislation locked up before they get here.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. AIKEN. I yield.

Mr. PASTORE. The Senator from Rhode Island is one of those Senators who have been listening attentatively to the Senator from Vermont. I was very much intrigued by the political slant given with respect to the 4-year term that would have brought it beyond a new President. I would like to know why the 3 years would not put us in the same position. As far as I know, and I have been reading the newspapers, every candidate for the Presidency has been talking about the farm situation. I think the new President, whether he be a Republican or a Democrat, should have the opportunity to place his position before the Congress with respect to what we are going to do about farm products, subsidies, and so forth, without being impeded or blockaded with an extension which takes the program beyond 1972.

I think the Senator's proposal of a 3-year extension would do as much harm to the new President that comes in as would be done with a 4-year extension.

I do not see why 1 year would not be all right, because it would take us to 1970. The present law takes us to December 31, 1969, and an additional year to December 31, 1970. Even then, the new President would have to wait 2 years before he could do anything about it. I am wondering if there is a good and logical reason for it; and that is what I am asking the Senator. Why is it so importat to give this matter such a broad extension of 4 more years, when the term of the President is only 4 years?

Mr. AIKEN. Does not the Senator think that HUMPHREY or MCCARTHY should have the opportunity to make their recommendations to the incoming Congress, which may or may not be of the same opinion; or that Rockefeller or Nixon may have recommendations?

Mr. PASTORE. That is correct; but the point is, as I understand the amendment, if it passes, they would have no jurisdiction until 1972.

Mr. AIKEN. If a 4-year term is approved.

Mr. PASTORE. No if a 3-year extension is approved?

Mr. AIKEN. No. It would be up for approval during the next administration.

Mr. PASTORE. No. Of course not. As I understand it, the present program, if we do nothing at all, expires December 31, 1969. That means the new President will have to wait 1 year, anyway. By making the extension 3 years, the Senator would take it 3 years beyond December 31, 1969.

I do not see how a new President will have a chance to look at this program or do anything about it. That is what disturbs me, because I think the farm problem is one of the big problems in the country today. The farmers have to be helped and the consumers considered. I do not think we should handcuff the President.

Mr. MILLER. Mr. President, will the Senator yield to me for a comment?

Mr. AIKEN. I yield to the Senator from Iowa.

Mr. MILLER. Mr. President, in response to the comments by the Senator from Rhode Island, I would like to point out that I have pending at the desk a substitute for the amendment offered by the Senator from Vermont [Mr. AIKEN] which would extend the program for 1 year. My reasons are largely those which the Senator from Rhode Island so ably stated.

This would carry the program through December 31, 1970, and it would give the new administration and Congress more than ample time to legislate if legislation were deemed prudent.

So at an appropriate time I propose to call up my substitute. I have discussed the matter with the Senator from Vermont and he knows I am planning to follow that course. I thought the Senator from Rhode Island should know I plan to take that action so he will have an opportunity to vote on that point.

Mr. AIKEN. I should oppose the amendment of the Senator from Iowa which would extend the provisions for only 1 year. At this point, I think 2 years should be the minimum, 3 years would be preferable, and 4 years would be too much.

As everyone here knows, we usually enact permanent farm legislation every year, anyway. We are always getting proposals to undo what we have done and to do something differently. I say the act of 1965 has not increased real farm income, although the result has not been wholly the fault of this legislation. However, the fact is that where farmers were getting 80 percent of parity for their crops in 1965, they are now getting only 73 percent for this year, and that includes the first 6 months of this year.

Mr. PEARSON. Mr. President, will the Senator yield for a question?

Mr. AIKEN. I yield.

Mr. PEARSON. The Senator from Rhode Island indicated that with a 3-year extension, the incoming administration or President would be—I think he used the term—"locked in." Actually, he is correct in this, is he not? Even though a new Congress could come back and amend laws, and pass new laws, if we go under this new extension for 3 years and set the pattern and give notice to the farmers and permit them to do advance planning, we are pretty well laying it down pretty certain that we are going to have a 3-year extension. Is that not the practical effect of these extensions?

Mr. AIKEN. Will the Senator repeat his question please?

Mr. PEARSON. Even though the Congress can come back with a new administration and repeal any law or put in another law, whether it be a 2-year

or a 3-year extension, it still serves notice on the farmers that they can do the planning for 2 or 3 years.

Mr. AIKEN. It would do that, and, of course, an incoming President, while he might not be able to get the legislation he recommends himself, always has the power to veto any act of Congress which would rescind legislation on the books. So there is some political involvement.

Mr. PASTORE. Mr. President, will the Senator yield on that point?

Mr. AIKEN. I yield.

Mr. PASTORE. We keep talking about the President, and that is very important. Let us talk about Congress. A 3-year extension would put it beyond the next House of Representatives. I think that is a deplorable situation. In other words, the next House of Representatives, which is comprised of the direct representatives of the people, and which comes in for a term of 2 years, would be precluded from touching this program, unless they wanted to amend it, which, of course, is more dangerous because then you throw off this assurance given farmers, and the farmers are placed in a more uncertain situation. A 3-year extension puts it beyond the reach of the next House of Representatives. I think that is going too far. We should at least use 2 years and not have any wrangle, and rather than making it 4 years, 3 years, or 1 year, let us get together on a 2-year extension, and not have too much talk about it and do it.

Mr. AIKEN. I think the Senate should agree to 3 years because we have to go to conference with the House of Representatives. Has the Senator ever been to a conference with the Agriculture Committee of the House of Representatives? If the Senator has not done so, he has missed a real experience.

Mr. PASTORE. I know of other conferences where the situation was 'the same.

Mr. AIKEN. There is no committee like the Agriculture Committee of the House to gó into conference with.

Mr. PASTORE. In the House of Representatives they have the Subcommittee on Foreign Aid Appropriations. The Senator has not heard anything yet.

Mr. AIKEN. I have nothing more to say.

Mr. PEARSON. Mr. President, will the Senator yield for an observation?

Mr. AIKEN. I yield.

Mr. PEARSON. I take note that the Senator from Iowa says he has a substitute amendment of 1 year. The amendment of the Senator from Vermont is for 3 years. I therefore think it is proper to indicate at this time that I have consulted with my senior colleague and I have an amendment for 2 years. Thus, we will get a shot at this thing all the way down the line before we get through this afternoon.

Mr. AIKEN. Let me say to the Senator from Rhode Island that authority for this program does expire on December 31, 1969, so I accept his correction. That was an inadvertence on my part.

Mr. MILLER. Mr. President, I offer my substitute amendment and ask that it be printed in the RECORD but that reading thereof be dispensed with.

The PRESIDING OFFICER. Without objection, the amendment will be printed in the RECORD, without being read.

The text of the amendment is as follows:

On page 1, line 9, delete "1973" and insert in lieu thereof "1970".

On page 4, lines 5 and 19, delete "1973" and insert in lieu thereof "1970".

On page 5, lines 7, 10, 14, and 22 delete "1973" and insert in lieu thereof "1970".

On page 6, lines 21 and 23, delete "1973" and insert in lieu thereof "1970".

On page 7, line 18, delete "1973" and insert in lieu thereof "1970".

On page 8, lines 10, 16 and 22, delete "1973" and insert in lieu thereof "1970".

On page 9, lines 2, 6, 10, and 13, delete "1973" and insert in lieu thereof "1970".

On page 10, lines 7 and 8, delete the clause "years for the 1970 through 1973 wheat crops" and insert in lieu thereof the clause "year for the 1970 crop".

On page 11, lines 5, 12, and 18, delete "1973" and insert in lieu thereof "1970".

On page 11, lines 17 and 18, delete "1972" and insert in lieu thereof "1969".

On page 12, lines 18 and 24, delete "1973" and insert in lieu thereof "1970".

On page 13, line 17, delete "1973" and insert in lieu thereof "1970".

Mr. MILLER. Mr. President, as I have stated, my amendment calls for a 1-year extension which would extend the program through December 31, 1970. I point out that even with that extension, it will fairly well inhibit the next Congress from acting. Certainly, whatever the next Congress does will not be effective until following the next Congress. My problem with the 2-year extension is that they would extend the programs through December 31, 1971, which not only would block the next Congress, as the Senator from Rhode Island has already pointed out, but would also block the following Congress for 1 year.

A 3-year extension of the program through December 31, 1972, which would be the end of the next two Congresses, and the pending 4-year proposal which is contained in the bill and which I might point out was voted out by a narrow margin, would scrap the next two Congresses and the first year of the third Congress to come.

As I detect the argument for an extension beyond December 31, 1969—which in my opinion would still be adequate—it is that the farmers need more time for planting.

It is possible that the wheat farmers do need more time for planting. Some of the equipment of farmers in other types of commodities is very expensive; but I suggest that the need for planting beyond December 31, 1970, is not present. Certainly the need for planting into 1971, 1972, and 1973 is even less pertinent.

There is another argument which has been brought to my attention, that there are some farmers who are genuinely concerned that if there is no extension whatsoever of present farm programs, there will be no follow-on farm program when the present one expires on December 31, 1969. My consistent answer to these people has been that I know of no Member of the Senate who does not support a follow-on farm program. If there are any, I have not heard from them.

In my judgment, this is scare talk which has no substance. There may be some argument about one kind of follow-on farm program, just as there are always arguments about some kind of farm program that we will legislate. That is understandable. But when we get down to the point of deciding whether it will be a follow-on farm program, tne Senate will see to it that there is one, and so will the House of Representatives.

Thus, I think that that argument does not stand up in the face of the realities of the political climate of House and Senate. There will be a follow-on farm program.

As to the kind of follow-on farm program we would have, I do not believe that we are in a position at this time to make a sound determination. We are already protected until December 31, 1969, with the 1-year extension, and that will give us another year.

Mr. President, there are all kinds of studies being made of alternative kinds of farm programs, how the present program can be improved, and whether a different farm program can be substituted for it.

Iowa State University has the best facilities to provide an objective analysis of the various farm proposals of any place in the United States. I empahsize "objective," because they have a computer program and an extensive research division which is presently engaged in reviewing, computerizing, and analyzing about 15 different types of farm programs ranging all the way from a nonvoluntary program with variations to a voluntary program with variations.

Iowa State University made a study of about 15 different farm programs 3 years ago and it was the best study I think anyone has ever seen. They are now updating that study to take into account what has actually occurred under the present farm program, laying out their assumptions and pointing out the results in terms of cost to the taxpayers, in terms of quantities of carryover stocks, and in terms of net income to the farmers.

These are all critical items in evaluating new farm programs. We are not going to have the benefit of this extensive research until near the end of this summer. I said that I feel I would be legislating in the dark unless I could wait until the results of this study were made available, and then I might agree with the results and I might not; but I would be in a far better position to evaluate the present programs and alternative types of programs than I could possibly be now.

There is no one in the Senate who wants to see net farm income improved more than the Senator from Iowa. I would guess that most of my colleagues in the Senate, even though they may not come from a rural area, even though they may have a limited number of farmers in their particular State, are well aware of the fact that the agribusiness is a giant in the United States and gets into every city and town in the United States, from New York to the smallest hamlet. Thus, even though some of my colleagues are from large metropolitan areas, they well know the im-

portance of the agribusiness industry and the value of a good net income for our farmers.

I would think they would want to have the benefit of this Iowa State University study, too, before they go legislating, certainly beyond December 31, 1970.

Accordingly, Mr. President, that is the reason for my substitute amendment, to extend the program for 1 year beyond December 31, 1969.

I repeat, in my judgment, allowing the present program to continue through December 31, 1969, would still give Congress ample time to legislate prudently and wisely early next year. With the view of reaching a compromise, my 1-year extension beyond that time has been offered. I might add further, if my reading of the other body is correct, that the House is definitely not going to go for more than a 1-year extension. If we send over to the House a program which will go beyond one year, we will run the risk that there will be no extension whatsoever.

If we use the 1-year approach, we may well avoid a conference altogether.

I think, in the interest of expediting this legislation, in the interest of a compromise, in the interest of assuring the farmers that a follow-on farm program will be prudently legislated, a 1-year extension is the method of approach we should take.

Mr. PEARSON. Mr. President, will the Senator yield?

Mr. MILLER. I yield.

Mr. PEARSON. I understood, from the very able comments and remarks of the Senator from Iowa in support of his amendement, that if this amendment providing for an extension were not adopted, there would be no farm program or follow-on program. Perhaps I misunderstood him. Actually, we would revert to the old farm act, which would require a referendum in August of 1970. Is that not correct?

Mr. MILLER. May I say to my colleague that when I was talking about assurance that the farmers will have a follow-on program, I was talking about assurance that a follow-on program will be legislated, and not a reversion to what is, one might say, a sort of last-gasp effort.

Mr. PEARSON. My point is that there is a farm program underneath this particular bill that we seek to extend here.

Mr. MILLER. The Senator is correct. I appreciate his bringing that fact out. However, that program is not very satisfactory in the minds of mot farmers I have talked with. Some agree with it, but I would say most of them do not.

Mr. PEARSON. If the Senator will yield further, I would say this program is not very satisfactory to a great many farmers I have talked with, and I am sure to those that the Senator from Iowa has talked with, also.

Mr. MILLER. The Senator is right on the target with that statement. That is why I think we can give assurance to any farmer that if he will have a 1-year extension at the most, the farmers can be assured of a better follow-on program than they have now. If we cannot legislative a follow-on program which will give the farmers a better share of the Nation's economy than they have been receiving under the present program, then there is something wrong with us. That is another reason why the farm program we now have should not be extended beyond December 31, 1969, and at most, for another year beyond that.

Mr. CARLSON. Mr. President, will the Senator yield?

Mr. MILLER. I yield.

Mr. CARLSON. Mr. President, I share the concern of other Members of the Senate with regard to the extension of the program. As we have well heard already, we have had a 4-year extension and a 3-year extension proposed. My colleague from Kansas is suggesting a 2-year extension. It was mentioned before that the House committee has reported a 1-year extension. My sincere hope is that we do not get so involved that we do not get any extension. I think it would be most tragic if we did that.

The distinguished Senator from Iowa mentioned that we might well wait on a study from Iowa University. If I remember correctly, the university has made previous studies, which I have read, in regard to the improvement of agriculture. They are good studies and worthwhile projects, but we have not always followed them in the past. I am not sure we will in the future. Therefore, we could not rely on them.

I sincerely hope, as I stated earlier, that we do not get so involved in these various dates that we do not extend this program. Therefore, I think my colleague from Kansas has made a good suggestion in proposing that it be 2 years. At the present time, I am going to support him, with the hope that we can get that, but I am certainly going to vote for some extension of this farm program before we get through.

Mr. MILLER. I appreciate the comments from my able friend from Kansas. First of all, I want to reiterate that the benefits from the Iowa University study on 15 alternative farm programs certainly would not bind any Member of the Senate, including the Senator from Iowa, to swallow them without evaluation. After evaluation, the Senator from Iowa might not agree with any of them. But I think our colleagues ought to have the benefit of that study. It is the best they will be able to get anywhere in the world. On something as deeply important as the agribusiness, it seems to me prudence would dictate that we take the benefits of such study before we go too far in the extension of a farm program, especially one under which farmers have not received anywhere near a fair share of the Nation's economy.

As far as concerns the thought of the Senator from Kansas about not getting too involved in extensions, this is another point the Senator from Iowa wishes to make: We know the House is strong on a 1-year extension. If it is, let us legislate a 1-year extension, and have done with it, instead of running the risk of having a conference squabble which may result in no bill. I think prudence dictates a 1-year extension if we really want to expedite this matter, and have a program which will give the next Congress an opportunity to study it and act on it.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. MILLER. I yield.

Mr. LAUSCHE To what year will a 1-year extension bring the operation of the act? To December 31, 1970?

Mr. MILLER. The Senator is correct.

Mr. LAUSCHE. That is, it will operate until December 31, 1969, under the present law, and a 1-year extension would bring it to December 31, 1970?

Mr. MILLER. The Senator is correct. I recognize that if a 1-year extension is adopted, the Congress coming in January next year is not going to be able to legislate a farm program which will become effective during its tenure. It will not become effective until January 1, 1971, with the second new Congress. I personally think that is unfortunate, but, at the same time, it will give some farmers the planning opportunity which they say they need, and it will give the new Congress more than ample time to legislate prudently on a follow-on program.

Mr. YOUNG of North Dakota. Mr. President, will the Senator yield?

Mr. MILLER. I yield.

Mr. YOUNG of North Dakota. Mr. President, I would be happy to go along with a 1-year extension if there were any assurance at all that we could get a better program next year; but of all the witnesses who appeared before the Committee on Agriculture and Forestry in opposition to a 4-year extension, not one of them wanted higher price supports; they wanted no price supports at all. That was the view of most of those who wanted no more than a 1-year extension.

Mr. MILLER. May I say that the Senator from North Dakota knows the Agriculture Committee far better than does the Senator from Iowa. I know the Senator from North Dakota is just as concerned about an adequate net income for farmers as any Member of the Senate possibly could be. For this he has my utmost respect. I would merely say to him that we have many witnesses come before our committee. They are entitled to come there and to be heard. Some of them can benefit the committee very much. But when we get down to deciding what we are going to do, we make up our minds, based upon our own best thinking on a program. It may agree or it may differ with some of the testimony we have received.

Whether high price supports are the key to an adequate net income for farmers is a subject that is open to considerable controversy, but I want to point out to the Senator from North Dakota that when witnesses come before our committee, every member of our committee receives the testimony politely. At the same time, when we make up our minds, we do so on the basis of our own best judgment, based very often on the excellent work of a very capable staff of the Agriculture Committee.

So I do not think we need to worry about what witnesses have been saying before our committee, though I think it is quite proper that they be there. We know we have derived considerable benefit from them. We do not agree with some witnesses. At the same time, they keep us on our toes. I do not always agree

with the Secretary of Agriculture when he testifies, but at the same time I benefit from some of his tesitmony, too. So I think the answer is that, regardless of what the witnesses have been saying before our committee, we are quite capable and ready, willing, and able to legislate on a farm program.

Mr. AIKEN. Mr. President, I ask for the yeas and nays on my amendment.

The yeas and nays were ordered.

Mr. MILLER. I ask for the yeas and nays on my substitute.

The yeas and nays were ordered.

Mr. ELLENDER. Mr. President, I regret that members of the Committee on Agriculture and Forestry are offering amendments, one to extend the present law for 1 year, and another for 3 years.

In the early part of this session, I felt that we should hold hearings early in the year in order to be able to formulate a bill for the next year, which would have been 1969. I presented my thoughts to the committee, and there was no opposition. All felt at the time that it might be best to consider extension of the farm bill next year, instead of this year.

We held the hearing to which I have alluded, and during the hearing, there was abundant testimony that we should extend the bill this year instead of next year. I received letters from all over the country, from farmers, and farm organizations, that we should take action this year instead of next year.

After we held the first hearings, which were preliminary hearings, I submitted to the committee the proposal as to whether or not we should consider the bill this year or next year. At that time all but, I think, two or three members of the committee agreed that we should attempt to extend the bill this year. Subsequently additional hearings were held.

Mr. President, I am depending on the testimony that I heard. I was there every minute of every hour that the testimony was being presented to the committee. A vast majority of the witnesses were for a permanent bill, instead of merely an extension of 4 years as incorporated in S. 3590.

I am somewhat disappointed that the members of the committee did not raise the question of the time limitations before the committee when the bill extending the act was considered, instead of raising it here on the floor. Of course, I realize they have that right, because all of them reserved their right to do what they pleased after voting out the bill. But, Mr. President, now that we have gone so far—we have held hearings and as I say, every farm organization that I know of except the Farm Bureau was for a 4-year extension or a permanent extension—it is my belief that we should have a 4-year extension, and I hope that the Senate will sustain the committee on that point. I really and truly did not expect any floor amendment on the time limit, but the matter is before us, and I hope that the substitute as well as the original amendment of the Senator from Vermont [Mr. AIKEN] will be defeated, so that we can have a 4-year extension of the present law.

Mr. BURDICK. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. BURDICK. I associate myself with the remarks of the chairman. I certainly hope the two proposed amendments will be rejected. If the farmers are to be able to do any long-term planning, a 4-year extension is the minimum.

Mr. ELLENDER. Mr. President, I do not know what will happen when we send the bill to our friends at the other end of the Capitol. They are insisting on a 1-year bill. My fear is that in order to obtain a bill, we may have to decrease the 4-year provision. I shall fight as strongly as I can to keep it at 4 years; but if we now start whittling down the length of time, seeking to make it 3 years or less, it strikes me that we will be harming our chances in conference; and personally I would rather have no bill at all than make it for 1 year.

It is my belief that if the Senate does sustain the committee on a 4-year extension, we might be able to get by the conference with a bill that will be effective. I am not telling the Senate that the House of Representatives will agree to a 4-year bill, but we would be in a better bargaining position by leaving the bill at 4 years than by making it three or making it one.

Mr. MILLER. Mr. President, I merely wish to make one point. Our able chairman has well stated the way this matter developed. He has been very fair with us. He knows that I was one of the members of a minority of the committee, of which he himself was also a member, who originally thought that it would be better to legislate on this matter next year; but, being the able chairman that he is, he went along with the will of the majority of the committee.

I wish to make this point very clear: When we talk about a follow-on program that would be an improvement over what we have now, I do not think anyone is talking about coming in here after a 1-year extension and attempting to legislate a follow-on program to start January 1, 1971, which would only last for 1 or 2 years. I think prudence indicates that a new and improved farm program ought to be legislated for 4 or 5 years.

The trouble is, we now have a program under which farmers have, in many cases, come to disaster. Parity prices are bad. Even adjusted parity, taking into account the payments farmers receive from the Federal Government, is horrible. Why compound that problem by saddling them with a program for 2 or 3 or 4 years beyond December 31, 1969? I do not think that would be fair to them.

Moreover, we are not being fair to ourselves. If the Senate is, as it is supposed to be, a great deliberative body, one would think we would want to wait until next year, evaluate all of the statistics and studies that will by then have been made available to us, including a very important one that will not come out until the end of this summer, and legislate a program under which farmers will, in fact, receive a fair share of the national net income.

I do not think we should be thinking about a 1-year or a 2-year new farm program. I think a new one ought to be for 4 or 5 years. But I think farmers will have ample opportunity to plan if they have a 1-year extension of the present program, followed by an improved program that we can legislate next year.

The PRESIDING OFFICER. Does the Senator from Wyoming seek recognition?

Mr. HANSEN. Yes.

The PRESIDING OFFICER. The Senator may proceed.

Mr. HANSEN. Mr. President, I have been very much interested in the comments that have been made today on the farm bill. I respect the good judgment and experience of the distinguished Senator from Louisiana. I simply wish to make a few observations.

First, I agree completely with the distinguished junior Senator from Iowa that with farm parity down as low as it is now, I cannot see that we are placing the farmers and ranchers of this country in too much jeopardy if we extend for a shorter period of time a program that has been such a dismal failure.

I am aware of the fact that farm parity now is about 73 percent without the extra increment that would go to it with the payment program. If we add those together, it is about 79 percent.

I am aware of the fact that about 1 out of every 4 farmers who were engaged in the business of farming or ranching in 1960 has now left the business during that period of time.

I am aware of the fact that livestock prices today are lagging far behind the corresponding increases in the costs of raising livestock.

With these facts facing us, and because we are approaching another national election, I hope that the amendment proposed by the distinguished junior Senator from Iowa prevails, because in my mind, all we are saying is that we are willing to wait to hear from the people aand the farmers and the ranchers. I doubt very much that they will approve of an extension of a law which has been so damaging to them.

I am aware that most of the farm organizations, except the Farm Bureau, have testified in support of an extension of the program. However, I remind the distinguished Members of the Senate that the Farm Bureau does speak with a great deal of authority. It is the largest single farm organization in the country, and it does speak for a lot of farmers. I think that the logic of its observations should be considered and heeded.

I will support the amendment of the distinguished Senator from Iowa, because I think the farmers and the ranchers of this country deserve to be listened to at this time, in this year of a national election and on the basis of those returns and on the basis of the kind of farm representation that will then be reflected by the membership of the Senate and of the House of Representatives, they should be given an opportunity to be heard.

Mr. AIKEN. Mr. President, will the Senator yield so that I may make a correction?

Mr. HANSEN. I yield.

Mr. AIKEN. The Farm Bureau opposed the 1-year extension.

Mr. HANSEN. Mr. President, I appreciate the correction. I thank the distinguished Senator from Vermont. I am aware of that.

I would like to associate myself with the position of the Farm Bureau. I do not think the present farm program should be extended at all. But I appreciate the arguments that have been made here and the sincere beliefs of a great many people that a little bit more time will be necessary in order to make the adjustment.

With that in mind, I support the 1-year extension.

Mr. HRUSKA. Mr. President, the farm programs being administered by the Johnson administration under the Food and Agriculture Act of 1965 are intricate and complex. They have been operated now for almost 3 years, and both good and bad features have become apparent. On balance, however, it is my considered opinion that the shortcomings outweight the advantages. This has been my opinion for some time.

I predicted in 1965 that for any prospect of improvement a different approach was required. I repeat the prognosis today. The reason is simple. The facts are evident. The administration farm programs are not working and have not worked for the past 8 years.

Under this administration the parity ratio today stands at 73. This is an alarming low compared to the average parity ratio of 84.5 during the Eisenhower administration. Even in 1934, in the midst of the Dust Bowl days, the parity ratio was two points higher at 75.

During the last decade, the number of farms fell about one and a quarter million.

During the same 10 years, 6 million men, women and children left their farm homes in rural American to depart for an uncertain future in the already overcrowded and sprawling cities.

Realized net farm income was little better in 1967 than it was in 1965. The farmers of our Nation were receiving a total realized net income in 1965 of $14.2 billion, and in 1967 were still receiving only $14.5 billion. If this is progress, during a period of skyrocketing inflation and escalating production costs, then I fear for the future of our Nation's farmer.

Farm debt in our Nation has more than doubled under Secretary of Agriculture Freeman. From 1961 to 1968, farm debt increased from $24,773 billion to $48,981 billion. This has been true in my own State of Nebraska. In Nebraska, farm debt has gone from $705 million to $1.5 billion.

Agricultural exports for the full year of 1967 were little better than for 1964. These exports were vital to our economy, but yet are stagnating under Secretary Freeman.

Mr. President, I ask unanimous consent that documentation of this sorry record be placed in the RECORD at the conclusion of my remarks.

Farm programs are too vital to our economy and to our Nation to be handled summarily. Another 4-year extension of the same programs which have failed the farmers for 8 years would just repeat the mistakes of the past, and continue to worsen the farmer's economic position.

I cannot in good conscience so neglect and further abuse the American farmer. Farming and ranching is a dominant feature of the Nebraska economic landscape, and as a Senator from Nebraska, I find it my duty to resist this attempt to impose further austerity in the midst of plenty, and stagnation in the midst of growth.

A presidential election approaches this November, in which the people of our Nation will express their voice and their will on national issues. This voice will include a firm protest of the American farmer on the decline and fall of rural America during these 8 years of Democratic administration. The Congress should not now commit the farmers or the Nation to 4 more years of the same programs without hearing that voice of the people. The Congress should now wait to consider the farm programs of the next President and to have the help of a new Secretary of Agriculture. There should be reserved for President Johnson's successor a maximum of option on this important subject.

If a short-term extension of these existing programs, however, is necessary in order to permit the legislative program of the new President to be considered and to give the farmers some leadtime to plan their 1970 crops, this Congress can certainly provide a 1-year extension I do not otppose that. In fact, I would support such a 1-year extension. It would be especially helpful in the case of wheat. A longer extension, however, will not receive my concurrence.

I ask unanimous consent that there be printed in the RECORD at this point, statistical tables bearing on some of the aspects of farms and farm populations in the United States.

There being no objection, the tables were ordered to be printed in the RECORD, as follows:

NUMBER OF FARM AND FARM POPULATION IN THE UNITED STATES

[In thousands]

Year	Number of farms	Farm population
1957	4,372	17,656
1967 [1]	[2] 3,146	11,000

[1] Preliminary.
[2] Includes Alaska and Hawaii.

SPECIFIED PRICE, INCOME, MARKETING, AND RELATED INFORMATION, ANNUALLY, 1955–67

Year	Realized gross farm income (billions)	Farm production expenses (billions)	Realized net income		Parity ratio		Consumer expenditure for food as percent of disposable income		Owners' equities in farm assets, Jan. 1 (billions)	Percent return on investment [4]	Number of milk cows [5] (thousands)	Farmers' share of consumers' food dollar (cents)
			Total (billions)	Per farm	Actual [1]	Adjusted [2]	Total	Farm value [3]				
1955	$33.1	$21.9	$11.2	$2,417	84	85	21.1	6.8	$147.[illegible]	7.6	21,068	41
1956	34.3	22.4	11.9	2,636	83	84	20.6	6.5	150.8	7.9	20,519	40
1957	34.0	23.3	10.7	2,449	82	85	20.7	6.6	158.5	6.7	19,833	40
1958	37.9	25.2	12.7	2,994	85	88	20.9	6.7	165.4	7.7	18,737	40
1959	37.5	26.1	11.4	2,773	81	82	20.3	6.2	178.8	6.3	17,909	38
1960	37.9	26.2	11.7	2,956	80	81	20.0	6.2	178.6	6.5	17,519	39
1961	39.6	27.0	12.6	3,299	79	83	19.8	6.0	177.7	7.1	17,247	38
1962	41.1	28.5	12.5	3,401	80	83	19.3	5.8	183.7	6.8	16,870	3
1963	42.1	29.6	12.5	3,497	78	81	18.9	5.6	[6] 188.9	6.6	16,279	37
1964	42.3	29.4	12.0	3,716	76	80	18.3	5.4	[6] 195.1	6.6	15,702	37
1965	44.9	30.7	14.2	4,210	77	82	18.2	5.4	[6] 201.0	7.1	14,998	39
1966 (preliminary)	49.5	33.2	16.3	5,024	80	86	18.1	5.5	[6] 214.1	7.6	14,124	40
1966 (revised)	49.7	33.3	16.4	5,049	80	86	------	------	214.3	7.7	14,093	------
1967 (preliminary)	48.9	34.4	14.5	4,573	74	79	17.7	5.1	223.8	6.5	13,534	38

[1] Index of prices received by farmers divided by parity index.
[2] Parity ratio adjusted for Government payments to farmers.
[3] Farm value of civilian expenditures for U.S. farm foods.
[4] Percent that realized net income is of proprietors' equity of farmers.
[5] Number of milk cows on farms; June of each year.
[6] Revised.

Source: Economic Research Service, USDA, Feb. 27, 1967.

Agricultural exports by calendar year 1954–67

[In billions]

Year:	
1954	$3,054
1955	3,199
1956	4,170
1957	4,506
1958	3,855
1959	3,955
1960	4,832
1961	5,024
1962	5,034
1963	5,584
1964	6,348
1965	6,229
1966	6,879
1967 [1]	6,386

[1] Preliminary.

Source: Economic Research Service, USDA, Feb. 27, 1968.

The PRESIDING OFFICER. The question is on agreeing to the Miller amendment as a substitute for the Aiken amendment. On this question the yeas and nays have been ordered and the clerk will call the roll.

The bill clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Hawaii [Mr. INOUYE], the Senator from New Jersey [Mr. WILLIAMS], the Senator from Alaska [Mr. GRUENING], and the Senator from Ohio [Mr. YOUNG] are absent on official business.

I also announce that the Senator from Alaska [Mr. BARTLETT], the Senator from Indiana [Mr. BAYH], the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Arizona [Mr. HAYDEN], the Senator from Massachusetts [Mr. KENNEDY], the Senator from Missouri [Mr. LONG], the Senator from Louisiana [Mr. LONG], the Senator from Minnesota [Mr. McCARTHY], and the Senator from Wyoming [Mr. McGEE] are necessarily absent.

I further announce that, if present and voting, the Senator from Alaska [Mr. GRUENING], the Senator from Missouri [Mr. LONG], and the Senator from Louisiana [Mr. LONG] would each vote "nay."

Mr. KUCHEL. I announce that the Senator from Utah [Mr. BENNETT], the Senator from Colorado [Mr. DOMINICK], the Senator from Michigan [Mr. GRIFFIN], the Senator from New York [Mr. JAVITS], the Senator from California [Mr. MURPHY], the Senator from Illinois [Mr. PERCY] and the Senator from Vermont [Mr. PROUTY] are necessarily absent.

The Senator from Tennessee [Mr. BAKER] is detained on official business.

If present and voting the Senator from Tennessee [Mr. BAKER], the Senator from California [Mr. MURPHY], and the Senator from Illinois [Mr. PERCY] would each vote "yea."

On this vote, the Senator from Utah [Mr. BENNETT] is paired with the Senator from New York [Mr. JAVITS]. If present and voting, the Senator from Utah would vote "yea," and the Senator from New York would "nay."

On this vote, the Senator from Colorado [Mr. DOMINICK] is paired with the Senator from Vermont [Mr. PROUTY]. If present and voting, the Senator from Colorado would vote "yea," and the Senator from Vermont would vote "nay."

The result was announced—yeas 33, nays 45, as follows:

[No. 224 Leg.]

YEAS—33

Anderson	Fannin	Morton
Boggs	Fong	Mundt
Brewster	Hansen	Pastore
Brooke	Hartke	Pell
Byrd, Va.	Hickenlooper	Ribicoff
Byrd, W. Va.	Holland	Scott
Case	Hruska	Smathers
Clark	Jordan, Idaho	Spong
Cotton	Lausche	Tower
Curtis	McIntyre	Tydings
Dirksen	Miller	Williams, Del.

NAYS—45

Aiken	Hatfield	Moss
Allott	Hill	Muskie
Bible	Hollings	Nelson
Burdick	Jackson	Pearson
Cannon	Jordan, N.C.	Proxmire
Carlson	Kuchel	Randolph
Church	Magnuson	Russell
Cooper	Mansfield	Smith
Dodd	McClellan	Sparkman
Eastland	McGovern	Stennis
Ellender	Metcalf	Symington
Ervin	Mondale	Talmadge
Gore	Monroney	Thurmond
Harris	Montoya	Yarborough
Hart	Morse	Young, N. Dak.

NOT VOTING—21

Baker	Gruening	McCarthy
Bartlett	Hayden	McGee
Bayh	Inouye	Murphy
Bennett	Javits	Percy
Dominick	Kennedy	Prouty
Fulbright	Long, Mo.	Williams, N.J.
Griffin	Long, La.	Young, Ohio

So Mr. MILLER's amendment was rejected.

Mr. PEARSON. Mr. President, I call up my amendment in the nature of a substitute for the Aiken amendment.

The PRESIDING OFFICER (Mr. HART in the chair). The amendment will be stated.

The assistant legislative clerk proceeded to read the amendment in the nature of a substitute.

Mr. PEARSON. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered; and, without objection, the amendment will be printed in the RECORD.

The amendment, in the nature of a substitute for the Aiken amendment, is as follows:

On page 1, line 9, strike out "1973" and insert in lieu thereof "1971".

On page 4, lines 5 and 19, strike out "1973" each time it appears, and insert in lieu thereof "1971".

On page 5, lines 7, 10, 14, and 22, strike out "1973" each time it appears, and insert in lieu thereof "1971".

On page 6, line 17, strike out "1974" and insert in lieu thereof "1972".

On page 6, lines 21 and 23, strike out "1973" each time it appears, and insert in lieu thereof "1971".

On page 7, line 18, strike out "1973" and insert in lieu thereof "1971".

On page 8, lines 10, 16, and 22, strike out "1973" each time it appears, and insert in lieu thereof "1971".

On page 9, lines 2, 6, 10, and 13, strike out "1973" each time it appears, and insert in lieu thereof "1971".

On page 9, line 18, strike out "five calendar years" and insert in lieu thereof "three calendar years".

On page 10, line 4, strike out "beginning".

On page 10, lines 7 and 8, strike out "years for the 1970 through 1973 wheat crops" and insert in lieu thereof "year for the 1971 wheat crop".

On page 11, lines 5, 12, and 18, strike out "1973" each time it appears, and insert in lieu thereof "1971".

On page 11, lines 17 and 18, strike out "1972" each time it appears, and insert in lieu thereof "1969".

On page 12, lines 18 and 24, strike out "1973" each time it appears, and insert in lieu thereof "1971".

On page 13, line 17, strike out "1973" and insert in lieu thereof "1971".

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. PEARSON. I yield.

UNANIMOUS-CONSENT AGREEMENT

Mr. MANSFIELD. Mr. President, I ask unanimous consent that there be a time limitation of 20 minutes on the pending amendment, the time to be equally divided between the distinguished Senator from Kansas [Mr. PEARSON] and the distinguished chairman of the committee, the Senator from Louisiana [Mr. ELLENDER].

Mr. MUNDT. Mr. President, reserving the right to object, I should like to inquire of the Senator as to the demands he has on time.

Mr. PEARSON. Mr. President, let me say to the distinguished Senator from South Dakota that I intend to take approximately 5 minutes, and I wish to yield to my distinguished senior colleague. Will 3 minutes be satisfactory to the Senator from South Dakota?

Mr. MANSFIELD. Mr. President, I change my request to a half hour on the pending amendment, 15 minutes to a side.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. PEARSON. Mr. President, the Senate has just voted on an amendment to extend the present farm program for 1 year. My amendment would extend it for 2 years rather than 4 years, as provided in the pending bill.

Mr. President, I fully agree with the need to extend the present program beyond its scheduled expiration date of December 1969. Because the program has such a major impact on individual farmer's operations, he must—for planning purposes—know what type of program will be in effect in the near future. If we allow the present program to expire with the 1969 crop, I think we would be subjecting the farmers to a type of uncertainty which simply is not justified.

This argument is offset to some extent by the fact that if we allow the 1965 act to expire we would revert to the programs in effect prior to that date. Thus the expiration of the 1965 act would not mean that we would be faced with no farm program whatsoever. However, while I detect no universal enthusiasm in the present program, I certainly detect no widespread desire to return to the program in effect prior to the 1965 act. In the case of wheat for example, reversion to the old law would require the holding of a farmer referendum by August 1970 the outcome of which would not be predictable thus adding a new element of uncertainty for the farmer.

However, Mr. President, while I fully concur with the necessity of extending the present program, I cannot accept the

argument that this must be a 4-year extension.

I would have no objection to a 4-year extension if it could be demonstrated that the present program is universally and enthusiastically supported by farmers, and if there were widespread agreement that the present program was actually accomplishing what we all desire for agriculture; namely, a stable, sound and prosperous farm economy.

But no such universal support exists among farmers; and as most of my colleagues are fully aware, the farm economy today is depressed and in trouble.

I think we desperately need a new and searching debate over the future direction of our farm policies. With a new administration coming into power next year, whether it be Republican or Democrat, we will have just such an opportunity. But if we act now to extend the present program for another 4 years this opportunity may well be lost.

If the present program is extended 4 years, the first real opportunity to write a new program may not occur until 1972, the last year of the new administration which the country will elect this fall.

Therefore, Mr. President, I propose that we extend the provisions of the Food and Agriculture Act of 1965 for 2 years. Such a 2-year extension will allow the new administration sufficient time to develop its own farm policy proposals and sufficient time for Congress to consider and debate those proposals and give certainty and planning time for our farmers.

Mr. President, I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

(At this point, Mr. HART assumed the chair.)

Mr. CARLSON. Mr. President, will the Senator yield to me for 2 minutes?

Mr. PEARSON. I yield.

Mr. CARLSON. Mr. President, I wish to associate myself with the comments made by my distinguished colleague from Kansas. I support the amendment he has offered.

We have just defeated a 1-year extension of this farm program. As I stated earlier, I am so concerned that we are getting into a situation here with these various proposals for extensions of 1 year, 2 years, 3 years, and 4 years, that we may finally wind up in the conference between the House of Representatives and the Senate in a situation where we might get no extension.

I believe with the House committee action wherein a 1-year extension has been approved they will be adamant. If the Senate agrees to a 2-year extension, and I hope it will, the conferees could go into the conference and hopefully get 2 years. That would be of great help to agriculture and give the farmers security. With the program that is in effect at the present time, we all agree changes are needed, and there would be 2 years in which to do it.

I hope the Senate gives consideration to a 2-year extension.

Mr. President, I have before me an editorial written by Clifford Hope, who is one of the greatest friends of agriculture in the United States. The editorial is entitled "Dollars and Cents Case for the Farm Program," and was published under date of April 28, 1968, in the Salina Journal. In the article, Mr. Hope stresses the need for the program, and I shall not go into detail because of the limitation of time.

Mr. President, I ask unanimous consent to have printed in the RECORD the editorial entitled "Dollars and Cents Case for the Farm Program."

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

DOLLARS AND CENTS CASE FOR THE FARM PROGRAM

(By Clifford Hope)

A recent report from the Kansas Crop and Livestock Reporting Service on Kansas farm income for 1967 is not too reassuring. It shows that total cash receipts from farming for that year were $1,711,000,000. Broken down, it shows gross realized income per farm of $18,681 and net income of $5,259. This compared with $1,758,000,000 in 1966 when the gross realized income per farm was $18,772 and the net was $6,036.

The figures for cash receipts include government payments of $212,000,000 in 1967 and $225,000,000 for 1966. Converting this into average net receipts per farm we get a figure of $2,281.00 for 1967 and $2,375.00 in 1966.

Most of these payments were made under the wheat and feed grain programs. Had they not been in effect the average net income per farm would have been $2,978.00 in 1967 and $3,661.00 in 1966.

This matter takes on an added significance when it is considered that the legislation under which practically all these payments are made will expire in 1969. From the standpoint of time alone, the extension of this legislation could go over until that year. But time is only one element in the situation. It will take a hard fight to extend the program in either 1968 or 1969. But on the basis of all known factors there is reason to believe that the chances are better in 1968 than they may be in 1969.

For one thing the Johnson administration favors the extension and has asked this Congress to pass it. But President Johnson will be heading back to the ranch on January 20, 1969. A new Congress will come into existence on January 3, 1969. At this stage not even the seventh son of a seventh son can foretell who the next President may be or the political and economic complexion of the new Congress. And no matter how favorably the new President and the new Congress may look upon agriculture, the may want to start from scratch when it comes to legislation.

The present wheat and feed grain programs originated in the Senate. The legislation had bipartisan support. Among its leading sponsors were Senators Carlson, Young and McGovern, all representing Great Plains states. Senator Carlson will not be a member of the next Senate. Both Senators Young and McGovern will be running for reelection. I hope they are reelected and they should be, but in times like these nothing is certain.

At this time many farmers and farm leaders are urging that this extension be acted upon by the present Congress. Irrespective of the considerations already mentioned it would add stability to agriculture and strengthen the national economy if this program were extended by the present Congress for at least five years from its expiration.

Mr. CARLSON. Mr. President, all I can say is that I think here is a fine solution, a good way to end a difficult problem facing agriculture in this Nation by extending the program for 2 years, in the hope that the House and the Senate can reach an agreement in conference.

Mr. PEARSON. Mr. President, I thank my distinguished senior colleague from Kansas.

Mr. MUNDT. Mr. President, will the Senator yield?

Mr. PEARSON. I yield 5 minutes to the Senator from South Dakota.

Mr. MUNDT. Mr. President, I voted to hold the extension to 1 year on the previous rollcall primarily because I consider a 4-year extension of this matter unrealistic and totally unfair to the agricultural economy. I think had I known that we have a chance for a 2-year program instead of a 4-year program I might have supported that instead of a 1-year program, although I prefer either a 1-year or 2-year extension of this program to a 4-year extension of a farm program which has been disastrously inadequate, and which has totally failed to meet the basic price problems of our farm economy.

Mr. President, I simply cannot understand the reasoning of any friend of the farmer who wants to marry this country and this Government to that kind of subparity program for agriculture for 4 more years. I shudder to think about what is going to happen to our American agriculture if it is the same for another year. But we have to act, because the program is running out. I do not want to continue it for 4 years if we have the alternative of a shorter extension and a quicker improvement of our farm programs.

We recognize that parity is at 73 percent, and it is at 73 percent under the very same program that is proposed to be extended for 4 more years—4 more years of the toboggan ride, 4 more years of slipping down the slopes of disaster, 4 more years of a program which is expensive, on the one hand, to the taxpayers, and totally inadequate and inequitable to the farmers of America on the other hand.

A 2-year extension would give a new administration and a new President, time whether he be Republican or Democrat, not only time to get developed a new program, but a mandate from the Congress and the country to do something better and not to settle for what we have.

At the end of 2 years he would have to come up with some new ideas, some new programs, and new concepts of justice for agriculture.

I reject the idea that all creative thinking and all of our collective capacity to come up with good ideas and new concepts on agricultural programs dropped dead two decades ago and that we must continue to merely renew programs which are 20 years old. They are better than nothing, but that is all one can say for them. They are totally unjust and they are totally unfair. Farmers by the hundreds of thousands are moving from the farms and ranches into the city because of the paucity of economic opportunity provided by a program which we are now asked to continue for 4 more years.

It can be argued that during 4 years we might amend it or approve it, but the lethargy of Congress is such, the busy

lives we lead are such, and the tendency to wait and see is such that in all likelihood we will continue 48 months more under a program that is failing to provide for the American farmer the opportunity he is entitled to in the economic system of whch we are all a part.

A 2-year extension would provide an imaginative time to study and prepare for something better. Two years would give a new President and a new Secretary of Agriculture an opportunity to review loopholes to find out why this system is failing. Perhaps it is mismanagement. If it is, then a new Secretary of Agriculture can correct that. I believe, in addition to bad management, our subparity farm economy results from the fact there are a lot of attendant economic circumstances not covered by this farm program. There are many new elements creeping into the situation as we go from an economy of surplus products to an economy where there is a growing demand for the products of the farm.

We should not marry ourselves for 4 more years to a program which is unlikely to change, which is unlikely to improve. If we now say by our rollcall vote that is good enough for 4 more years, we weaken our efforts to improve it. In my opinion, it is not good enough for another day, it is not good enough for another month, and it is not good enough for another year—but we must extend it to avert even worse conditions in the farming areas. However, a 2-year extension of a program which is manifestly not good enough is certainly better than a 4-year extension of such a disappointing program.

Our southern friends have to start farming the day after Christmas, and when the new Congress comes into being we have to have a program for that crop year, so we must now extend this for 1 or 2 years. But a year or two is long enough. Four years is too long to continue a program producing 73 percent of parity when we have the option of a shorter extension now before us.

I say to my colleagues, I hope they will accept the 2-year amendment of the Senator from Kansas.

Mr. PEARSON. Mr. President, how much time do I have left?

The PRESIDING OFFICER. Three minutes remain to the Senator from Kansas.

Mr. PEARSON. I reserve the remainder of my time.

Mr. ELLENDER. Mr. President, as I stated a moment ago, the Committee on Agriculture and Forestry gave considerable thought to the extension of this program and it voted for a 4-year program. I never witnessed more enthusiasm for a program than that which came from the witnesses who appeared before the committee.

Mr. President, this is a good program. It is true that it can be improved. A lot of flexibility is left to the Secretary of Agriculture. I admit that the prices of wheat may not be what they should be, but what causes this great difficulty as to wheat for this year is the fact that the Secretary of Agriculture saw fit to increase the acreage in wheat by about 30 percent, because he thought at the time he did it that there would be a world food shortage. But he was in error. Just before the Secretary of Agriculture had announced the 30-percent increase, the price on wheat certificates was $1.32, as I recall, which would give to the farmers about 82 or 83 percent parity.

Now, Mr. President, the distinguished Senator from South Dakota [Mr. MUNDT] states that the parity is low. I admit that it is low, but if we add to the parity what the farmer pays by way of Government payments, the parity is almost 80 percent.

I hope that we can improve the program further. The Committee on Agriculture and Forestry worked hard to improve it. If we had complete cooperation, we might be able to improve the program further. I have been on the committee now for almost 32 years, and all of the legislation which is now on the statute books pertaining to farming, and particularly to these programs, I have had a hand in.

Personally, I would not know how to improve this program except to provide for higher Government payments. The program has cost a little more than I anticipated, but the original purpose of the program was to rid ourselves of enormous surpluses that we then had and that has been done. There is no question that the enormous surpluses that dangled over the market for years had the effect of reducing the prices on all commodities.

As I said, this, in my opinion, is one of the best programs we have had. The Secretary of Agriculture has a lot of flexibility in the program as to its operation and administration. He can take at one time, say, 20 million acres out of corn so as to reduce production to the point that whatever is produced will meet market requirements both for domestic and export.

I am certain if it had not been for the error—I call it that—which the Secretary made when he increased the acreage in wheat by 30 percent, that we would not have the present trouble with low prices as to wheat. I do not blame my good friend from South Dakota for complaining about it.

Mr. President, I have before me the income of the farmers which preceded the passage of this act. It amounted to $13,863,000,000. The first year this program was on the statute books—for a whole year—farm income increased from $13,863,000,000 to $16,420,000,000. During the 1967 year, it was around $14.5 billion. That decrease for 1967 was partially due, as I pointed out a while ago, to the fact that the price of wheat went down because of world production which exceeded the imagination, I may say, of my good friend, Orville Freeman.

The Russians produced many more thousand tons of wheat than we anticipated and that same thing prevailed in other wheatgrowing countries. That, in my opinion, is what affected the price of wheat.

There is no doubt in my mind that Congress would review or revise the bill next year if it thought that something could be put into the bill to get a better return to the farmer. I want to say that that can be done whether we have a Democratic or a Republican administration, because I do not know of any committee on the Hill which is more bipartisan than the Committee on Agriculture and Forestry. It tries to take care of the farmers whether they are Republicans, Democrats, or what have you.

It is my sincere belief that the program should be renewed for the full 4 years, as recommended by the Committee on Agriculture and Forestry.

Mr. YOUNG of North Dakota. Mr. President, I think that my friends on this side of the aisle, as well as the other, would agree with me that this program is a great improvement over what is now on the statute books as permanent legislation.

When this program expires, we go back to the compulsory wheat certificate program with all its quotas and rigid controls. If that is what the Senate wants, then the best thing to do is not to extend the program.

In corn, we go back to the lower price supports, and we abolish the diversion payments and we abolish the production payments. Thus, in my opinion, I do not think that anyone can argue this is a better program than we would have in effect if we do not expect to extend it.

Mr. AIKEN. I want to say that I do not object to the amendment proposed by the Senator from Kansas, although I cannot vote for it.

Two years would be a very fair solution, but we should remember that we have to go to conference with the House. When anyone goes to conference with the House Agriculture Committee, he had better have some material to work with. We could wind up with a very short end of the stick.

So I am going to stick to a 3-year extension of the program in the hope that we can get at least 2 years out of it. I believe that would be about the right length of time necessary in which to formulate a good program for the future.

Mr. LAUSCHE. Mr. President, will the Senator from Louisiana yield to me?

Mr. ELLENDER. I yield.

Mr. LAUSCHE. If the program has helped the farmer, can the Senator tell me why the House feels it ought to be extended only for 1 year? Arguments have been made that the price of wheat has dropped every year; the cost to the Government has gone up; the contribution of the Government is now 25 percent of what the farmer gets. And yet the small farmer is in a worse position than he has been in the past.

My question is, If the program is good, why does the House say, "Extend it only for 1 year"?

Mr. ELLENDER. The Senator can find that out by asking the House Members. I do not know. The House of Representatives is representative more of city folks than the Senate is, in proportion, and they want cheap food. I do not, because if the farmer is not protected, what is going to happen in years to come? We have a good farm machine. We can produce all that we need and all that we can export.

The original purpose of this act was to put production in keeping with our consumption requirements and what we

can sell abroad. It is my judgment that, through proper management of this act, with the flexibility the Secretary has, we can reach that goal. But if we fail in extending this act, we are going to have to go back, as my good friend from North Dakota has said, to the control program.

It is said that under that program we had better parity prices. Why? Because the Government paid the difference. The support prices on cotton, on wheat, and on other commodities were fixed sometimes at 79 percent and sometimes at 82 percent of parity. What happened was that we sold the cotton and sold the wheat at world prices, but the taxpayers paid the difference between the support price and what we got abroad.

Under this bill and under the law, the farmers who produce wheat get full parity for what is consumed in this country; and on the rest of it they get world prices. If the two are added together, the price today is about $1.85 or so a bushel. That is the average price.

I would certainly regret ever having to go back to the former program we had, wherein we could not get the full cooperation of all producers of grain.

As I have said here on many occasions, the corngrowers benefited a good deal, but the corngrowers were never under a control program.

I am certain this law, which is a voluntary program so far as corn is concerned, as well as wheat, cannot be improved unless we want to put more money in the kitty to pay the farmer. Unless we can keep our production in keeping with our own requirements and our exports, we are going to have low farm prices. I think that with this program we will reach our goal.

Mr. PEARSON. Mr. President, I shall be very brief. I simply want to conclude by saying that I have the greatest respect for the chairman of the Committee on Agriculture and Forestry and the greatest confidence in that very committee, so much so that I think if we extend this program, not for 4 years, but for 2 years, that very committee can bring back a farm bill which will not, in the words of the distinguished chairman, be left to the judgment based on imagination of the Secretary of Agriculture.

To my very able and most respected and leading Republican expert, I would say no one resists the extension of this bill or resists the extension this year, but I think within that committee there was a great divergence of opinion as to how long the extension should be. I do not recall the vote. I think it was very close. Someone advises me it was 8-to-7.

This is a matter that ought to be seriously considered so we are not locked in and tied for 4 long years to this program.

Mr. President, how much time do I have left?

The PRESIDING OFFICER. Two minutes remain to the Senator.

Mr. PEARSON. I yield to the Senator from South Dakota.

Mr. MUNDT. I thank the Senator.

Mr. President, I shall address myself to two points made by my distinguished friend, the chairman of the Committee on Agriculture and Forestry, who is indeed a great farm leader, but who lives in an area where crop conditions are somewhat different than they are in the northern part of this country.

He says total farm income has been going up. But these are highly inflated dollars. There is no use trying to deceive ourselves, because we cannot deceive the farmer, that the dollars the farmers are getting in bigger numbers have the same purchasing power they used to have, because the purchasing power of the dollar has been going down.

There is only one fair yardstick to measure farm opportunity and that is parity. How much can the farmer buy with the bushel or the pound of his produce? He can buy 73 percent of parity. That means he is operating at a 27 percent discriminatory purchasing ratio. He is operating with that kind of drag on his income. Under the old program of the 8 Eisenhower-Nixon years, whatever else can be said about it, the farmer averaged 85 percent of parity. Today he averages 73 percent of parity. That is a 12 percent net loss to the farmer that I do not want to see us carry into the future.

As to the other argument that if we do not do this we will go back, nobody wants to go back. We want to go ahead. We want to go forward. We want to crank in some new concepts and new imagination with the advice of a new President and a new Secretary of Agriculture. If the best thing we can do is continue to handicap the agricultural sector of the United States, we will have to continue to extend this program again 2 years from now, but we have everything to gain and nothing to lose by taking a new look at it long before 4 more years have elapsed. The farmer is entitled to justice, and that is 100 percent, and not 80 percent or 73 percent. So let us not extend this same inadequate farm program for 4 more sorrowful years when to do so for 1 or 2 years by our action in this Congress protects what we have and requires Washington to try to come up with something better or sooner than 4 long years from now.

The PRESIDING OFFICER. One minute remains to the Senator from Louisiana.

Mr. ELLENDER. Mr. President, I yield back my time, unless a Senator wants to be heard.

The PRESIDING OFFICER. All time is yielded back. The question is on the amendment of the Senator from Kansas [Mr. PEARSON] as a substitute for the amendment of the Senator from Vermont [Mr. AIKEN]. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. BYRD of West Virginia. I announce that the Senator from Hawaii [Mr. INOUYE], and the Senator from Ohio [Mr. YOUNG] are absent on official business.

I also announce that the Senator from Alaska [Mr. BARTLETT], the Senator from Indiana [BAYH], the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Indiana [Mr. HARTKE], the Senator from Massachusetts [Mr. KENNEDY], the Senator from Missouri [Mr. LONG], the Senator from Louisiana [Mr. LONG], and the Senator from Minnesota [Mr. MCCARTHY] are necessarily absent.

I further announce that, if present and voting, the Senator from Missouri [Mr. LONG] and the Senator from Louisiana [Mr. LONG] would each vote "nay."

Mr. KUCHEL. I announce that the Senator from Utah [Mr. BENNETT], the Senator from Colorado [Mr. DOMINICK], the Senator from Michigan [Mr. GRIFFIN], the Senator from New York [Mr. JAVITS], the Senator from California [Mr. MURPHY], the Senator from Illinois [Mr. PERCY], and the Senator from Vermont [Mr. PROUTY] are necessarily absent.

If present and voting, the Senator from Utah [Mr. BENNETT], the Senator from New York [Mr. JAVITS], the Senator from California [Mr. MURPHY], and the Senator from Illinois [Mr. PERCY] would each vote "yea."

On this vote, the Senator from Colorado [Mr. DOMINICK] is paired with the Senator from Vermont [Mr. PROUTY]. If present and voting, the Senator from Colorado would vote "yea," and the Senator from Vermont would vote "nay."

Ths result was announced—yeas 36, nays 46, as follows:

[No. 225 Leg.]

YEAS—36

Allott	Clark	Morton
Anderson	Cotton	Mundt
Baker	Curtis	Pastore
Bible	Fannin	Pearson
Boggs	Fong	Pell
Brewster	Hansen	Ribicoff
Brooke	Hickenlooper	Scott
Byrd, Va.	Holland	Smathers
Byrd, W. Va.	Jordan, Idaho	Smith
Cannon	Lausche	Spong
Carlson	McIntyre	Tower
Case	Miller	Williams, Del.

NAYS—46

Aiken	Hollings	Muskie
Burdick	Hruska	Nelson
Church	Jackson	Proxmire
Cooper	Jordan, N.C.	Randolph
Dirksen	Kuchel	Russell
Dodd	Magnuson	Sparkman
Eastland	Mansfield	Stennis
Ellender	McClellan	Symington
Ervin	McGee	Talmadge
Gore	McGovern	Thurmond
Gruening	Metcalf	Tydings
Harris	Mondale	Williams, N.J.
Hart	Monroney	Yarborough
Hatfield	Montoya	Young, N. Dak.
Hayden	Morse	
Hill	Moss	

NOT VOTING—17

Bartlett	Hartke	McCarthy
Bayh	Inouye	Murphy
Bennett	Javits	Percy
Dominick	Kennedy	Prouty
Fulbright	Long, Mo.	Young, Ohio
Griffin	Long, La.	

So Mr. PEARSON's amendment was rejected.

Several Senators addressed the Chair.

The PRESIDING OFFICER. The Senator from Vermont is recognized.

Mr. AIKEN. Mr. President, before we vote on my amendment which would provide for a 3-year extension of the program, I would like to say I have made the amendment provide for 3 years, not that I object to a 2-year program, but I think it would be much better to make it a 3-year extension in the Senate because the House certainly will not go

beyond a 1-year extension, and they will vote for 1 year very reluctantly. Then the question could be resolved in conference.

It appears to me that a 4-year extension would be carrying it too far into the next election. That is why I think 3 years would be the best extension of time we could approve.

Mr. President, I am ready for a vote.

Mr. ELLENDER. Mr. President, I hope the Senate maintains the committee action.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Vermont. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. BAKER (after having voted in the negative). On this vote I have a pair with the junior Senator from Colorado [Mr. DOMINICK]. If he were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." I withdraw my vote.

The rollcall was concluded.

Mr. BYRD of West Virginia. I announce that the Senator from Idaho [Mr. CHURCH], the Senator from Hawaii [Mr. INOUYE], and the Senator from Ohio [Mr. YOUNG] are absent on official business.

I also announce that the Senator from Alaska [Mr. BARTLETT], the Senator from Indiana [Mr. BAYH], the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Indiana [Mr. HARTKE], the Senator from Massachusetts [Mr. KENNEDY], the Senator from Missouri [Mr. LONG], the Senator from Louisiana [Mr. LONG], and the Senator from Minnesota [Mr. McCARTHY] are necessarily absent.

I further announce that, if present and voting, the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Missouri [Mr. LONG], and the Senator from Louisiana [Mr. LONG] would each vote "nay."

Mr. KUCHEL. I announce that the Senator from Utah [Mr. BENNETT], the Senator from Colorado [Mr. DOMINICK], the Senator from Michigan [Mr. GRIFFIN], the Senator from New York [Mr. JAVITS], the Senator from California [Mr. MURPHY], the Senator from Illinois [Mr. PERCY], and the Senator from Vermont [Mr. PROUTY], are necessarily absent.

If present and voting, the Senator from Utah [Mr. BENNETT], the Senator from New York [Mr. JAVITS], the Senator from California [Mr. MURPHY], the Senator from Illinois [Mr. PERCY], and the Senator from Vermont [Mr. PROUTY] would each vote "yea."

The pair of the Senator from Colorado [Mr. DOMINICK] has been previously announced.

The result was announced—yeas 40, nays 40, as follows:

[No. 226 Leg.]

YEAS—40

Aiken	Carlson	Hansen
Allott	Case	Hickenlooper
Anderson	Clark	Holland
Boggs	Cooper	Jordan, Idaho
Brewster	Cotton	Kuchel
Brooke	Curtis	Lausche
Byrd, Va.	Dodd	Mansfield
Byrd, W. Va.	Fannin	McIntyre
Cannon	Fong	Morton
Mundt	Ribicoff	Tower
Muskie	Scott	Williams, Del.
Pastore	Smathers	Young, N. Dak.
Pearson	Smith	
Pell	Spong	

NAYS—40

Bible	Hruska	Nelson
Burdick	Jackson	Proxmire
Dirksen	Jordan, N.C.	Randolph
Eastland	Magnuson	Russell
Ellender	McClellan	Sparkman
Ervin	McGee	Stennis
Gore	McGovern	Symington
Gruening	Metcalf	Talmadge
Harris	Miller	Thurmond
Hart	Mondale	Tydings
Hatfield	Monroney	Williams, N.J.
Hayden	Montoya	Yarborough
Hill	Morse	
Hollings	Moss	

PRESENT AND GIVING A LIVE PAIR, AS PREVIOUSLY RECORDED—1

Baker, against.

NOT VOTING—18

Bartlett	Griffin	Long, La.
Bayh	Hartke	McCarthy
Bennett	Inouye	Murphy
Church	Javits	Percy
Dominick	Kennedy	Prouty
Fulbright	Long, Mo.	Young, Ohio

So Mr. AIKEN's amendment was rejected.

Mr. WILLIAMS of Delaware. Mr. President, on behalf of the Senator from Maryland [Mr. BREWSTER] and myself, I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The bill clerk read the amendment, as follows:

On page 14, between lines 12 and 13, insert the following:

"SEC. 806. Notwithstanding any other provision of law, after January 1, 1969, the total amount of payments which may be made to any single recipient for any one year as (1) incentive payments, (2) diversion payments, (3) price-support payments, (4) wheat marketing certificate payments, (5) cotton equalization payments, and (6) cropland adjustment payments, shall not exceed $25,000."

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that after the distinguished Senator from Delaware yields to the distinguished Senator from Kentucky such time as the latter desires, there be a 30-minute limitation on the amendment, the time to be equally divided, 15 minutes to the Senator from Delaware and 15 minute to the Senator from Louisiana.

Mr. STENNIS. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order.

Mr. MANSFIELD. Mr. President, I change my request to a time limitation of 1 hour, 30 minutes to each side.

Mr. FONG. Mr. President, reserving the right to object, I would like to have 12 minutes on this side.

The PRESIDING OFFICER. The request is that the time be limited to 1 hour, 30 minutes to each side.

Mr. FONG. May I have 12 minutes of the 30?

Mr. ELLENDER. Yes.

Mr. BREWSTER. Mr President, reserving the right to object—and I do not propose to object—I would like to have 15 minutes in support of my amendment

Mr. WILLIAMS of Delaware. That is correct.

Mr. STENNIS. Mr. President, reserving the right to object, I did not hear all of the unanimous-consent request.

Mr. MANSFIELD. The request is for 30 minutes to each side on this amendment.

The PRESIDING OFFICER. Is there objection to the unanimous-consent request?

Mr. HOLLAND. Mr. President, what is the request?

The PRESIDING OFFICER. The request is that on this amendment the time be limited to 1 hour, 30 minutes to each side. Is there objection?

Mr. FANNIN. Mr. President, reserving the right to object, I would like to have 10 minutes in opposition to the amendment.

Mr. ELLENDER. Yes.

Mr. FANNIN. I have no objection.

Mr. RUSSELL. Mr President, I object.

The PRESIDING OFFICER. Objection is heard.

Mr. WILLIAMS of Delaware. Mr. President, I ask unanimous consent that I may yield to the Senator from Kentucky, who I understand wishes to offer an amendment he has worked out with the chairman, without losing my right to the floor.

Mr. PASTORE. Mr. President, we cannot hear.

The PRESIDING OFFICER. The Senate will be in order.

Mr. WILLIAMS of Delaware. Mr. President, I understand that the Senator from Kentucky has an amendment which he has discussed with the chairman of the committee. The Senator from Kentucky believes he can work it out in a few minutes, and I ask unanimous consent that I may yield to him, without losing my right to the floor. I also ask unanimous consent that my amendment be temporarily laid aside so that the amendment of the Senator from Kentucky may be considered.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Delaware? The Chair hears none, and it is so ordered.

Mr. RUSSELL. Mr. President, I regret I did not hear what was being said.

The PRESIDING OFFICER. The unanimous-consent request was made by the Senator from Delaware that he yield to the Senator from Kentucky, who has an amendment to offer, which it is anticipated will be agreed to, without the Senator from Delaware losing his right to the floor.

Mr. RUSSELL. There is no limitation on debate?

Mr. WILLIAMS of Delaware. No.

Mr. RUSSELL. I have no objection.

Mr. MORTON. Mr. President, I send an amendment to the desk and ask that it be read.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read the amendment, as follows:

On page 10, strike out lines 2 through 14, and substitute the following:

"SEC. 404. Section 379e of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out '1969' and substituting '1973'."

Mr. MORTON. Mr. President, section 404 deals with what is known as wheat certificates. All that I seek to do by this amendment is to continue the present law as it is. The complicated formula in section 404 has to do with a change in parity, a change in the loan rate, and other factors. What I am trying to do is to let the present law stay as it is for 4 years regardless of whether we continue the bill for 1, 2, 3, or 4 years. It would not upset it.

For once the wheatgrowers of this country, the wheat processors of this country, and the bakers of this country are in agreement, and when we get those three groups in agreement, we should accede to their wishes.

Mr. YOUNG of North Dakota. Mr. President, will the Senator yield?

Mr. MORTON. I yield.

Mr. YOUNG of North Dakota. Mr. President, ordinarily I would be on the other side of the Senator from Kentucky with respect to this amendment, but the provision in the bill which the Senator seeks to strike is highly controversial. To keep it in the bill is not important to agriculture, and would involve only a small amount of money. I believe we would have a better chance with the House if we did not keep this controversial provision in the bill, which the Senator from Kentucky seeks to strike.

I hope the chairman of the committee, the Senator from Louisiana, will agree to the amendment proposed by the Senator from Kentucky.

Mr. MORTON. I might say to my friend from North Dakota that I appreciate his remarks. The Secretary himself said that this would not mean an extra penny to any wheat farmer and it only complicates the matter.

Mr. ELLENDER. Mr. President, I am in agreement with what the Senator from Kentucky has said.

The only thing that happened here is that the price of certificates to millers would be increased, which would affect the price of a loaf of bread. The amendment would correct this and is concurred in by the distinguished Senator from North Dakota, and inasmuch as he agrees, I have no objection.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. PASTORE. Did I understand the Senator to say that this would have increased the price of bread?

Mr. ELLENDER. No. I said, if it stays in the bill.

Mr. MORTON. I am trying to keep that from happening.

Mr. PASTORE. We have bread eaters in my State.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Kentucky [Mr. MORTON]. [Putting the question.]

The amendment was agreed to.

Mr. LAUSCHE. Mr. President, will the Senator yield to me briefly?

Mr. WILLIAMS of Delaware. Mr. President, I yield to the Senator from Ohio on the same basis that I yielded to the Senator from Kentucky.

The PRESIDING OFFICER. The Senator from Ohio is recognized.

Mr. LAUSCHE. Mr. President, I send to the desk an amendment on behalf of the Senator from Illinois [Mr. DIRKSEN] and myself.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

On page 14, line 2, strike out "and New Mexico".", and insert in lieu thereof "New Mexico, Illinois, and Ohio"."

Mr. LAUSCHE. Mr. President, under the law, market agreements between producers and processors on apples cannot be made unless the States are particularly identified in the law.

At present, the States of Washington, Oregon, Idaho, New York, Michigan, Maryland, New Jersey, Indiana, California, Maine, Vermont, New Hampshire, Rhode Island, Massachusetts, and Connecticut have been given permission to allow their producers and processors of apples to come under the marketing law.

My amendment requests that the States of Illinois and Ohio, and New Mexico, which is also in the bill, be permitted to develop marketing procedures.

Mr. ELLENDER. Mr. President, the committee amended the present bill only as to New Mexico, Utah, and Colorado. This amendment would merely add two more States. I have no objection to the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Ohio (putting the question).

The amendment was agreed to.

The PRESIDING OFFICER. The Senator from Delaware is recognized.

Mr. WILLIAMS of Delaware. Mr. President, the pending amendment is offered by the Senator from Maryland [Mr. BREWSTER] and myself. The purpose of the amendment is to place a $25,000 limitation on the total amount of all payments combined which can be made to any one individual or any one farming operation that is covered under the pending bill.

Mr. President, this proposal would not affect the price support loans, but it would affect all payments in cash or kind made to these individuals on all agriculture commodities under this bill.

The Senator from Maryland and I have offered this amendment previously on the basis of a $10,000 limitation. An argument could be made for limiting the payments to $10,000, but realizing that we do not have the votes for $10,000 we have agreed that we are going to try to prevail on this amendment for $25,000.

Mr. President, surely this is the very least the Congress should do, and the estimate we have is that by enacting the amendment we would save between $200 and $225 million a year in payments. At a time when we are establishing priorities I think this is the minimum step Congress can take.

I yield to the Senator from Maryland who wishes to make a statement in support of the amendment. Following that, unless the chairman wishes to accept the amendment, I will ask for the yeas and nays.

Mr. President, I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. HOLLAND. Mr. President, will the Senator yield for a question?

Mr. WILLIAMS of Delaware. I yield.

Mr. HOLLAND. Mr. President, I note there are two different amendments by the Senator from Delaware printed on this subject matter. Which amendment is the Senator offering at this time?

Mr. WILLIAMS of Delaware. This is the amendment which would restrict the provision to those agricultural commodities which are covered under this bill, and it would not extend it over to the Sugar Act, which is not covered in the bill.

Mr. HOLLAND. Am I correct that this does not apply to incentive payments which go to the two deficit crops of sugar and wool?

Mr. WILLIAMS of Delaware. That is the intention. It would apply only to those commodities which are in the bill, and particularly it would not apply to sugar.

Mr. HOLLAND. How about incentive payments on sugar?

Mr. ELLENDER. The amendment provides that it would cover incentive payments and it would be my judgment that it would cover sugar crops and wool production.

I wonder what the Senator meant by the word "incentive."

Mr. WILLIAMS of Delaware. This amendment was drafted by legislative counsel, and it is not intended to cover payments under the Sugar Act. We are limiting it intentionally at this time to cover those commodities under the bill. This is the so-called Findley amendment that was introduced in the House of Representatives.

Mr. HOLLAND. Mr. President, there are two amendments, and since the Senator has changed slightly the wording I wonder if the Senator would yield to me so that I might suggest a short quorum so that we can get together to determine exactly what it is that he proposes.

Mr. WILLIAMS of Delaware. We could do that or, inasmuch as the Senator from Maryland is going to make an address, we could do it while he is speaking.

COMMITTEE MEETINGS DURING SENATE SESSION TOMORROW

Mr. MANSFIELD. Mr. President, I ask unanimous consent that all committees of the Senate be permitted to meet tomorrow.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER FOR ADJOURNMENT TO 10 A.M. TOMORROW

Mr. MANSFIELD. Mr. President, I ask unanimous consent that when the Senate completes its business tonight, which I imagine will be around 7 o'clock or so, it

stand in adjournment until 10 a.m. tomorrow.

The PRESIDING OFFICER. Without objection, it is so ordered.

MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Bartlett, one of its reading clerks, announced that the House insisted upon its amendment to the bill (S. 3710) authorizing the construction, repair, and preservation of certain public works on rivers and harbors for navigation, flood control, and for other purposes, disagreed to by the Senate; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. BLATNIK, Mr. JONES of Alabama, Mr. WRIGHT, Mr. EDMONDSON, Mr. JOHNSON of California, Mr. CRAMER, Mr. HARSHA, and Mr. DON CLAUSEN were appointed managers on the part of the House at the conference.

AMENDMENT NO. 883 TO S. 3590, TO BRING FARM EMPLOYERS AND EMPLOYEES UNDER THE NATIONAL LABOR RELATIONS ACT—JURISDICTIONAL STANDARD (NLRB NONRETAIL STANDARD OF $50,000) WOULD COVER 3.5 PERCENT OF ALL FARMS IN NATION—THIS 3.5 PERCENT OF ALL AMERICAN FARMS EMPLOY A MILLION AND A HALF FARMWORKERS, OR 45 PERCENT OF THE TOTAL FARM WORK FORCE

Mr. WILLIAMS of New Jersey. Mr. President, amendment 883 to S. 3590, the Agricultural Act of 1968, would bring farm employers and employees under the National Labor Relations Act.

Since its passage over 30 years ago, the National Labor Relations Act has expressly excluded agricultural employees. Amendment No. 883 simply corrects this inequity by eliminating this discriminatory exclusion from the act.

Unlike the farm measure, S. 3590, which requires several billion in taxpayers' revenue, amendment No. 883 imposes no additional burden on the American taxpayer.

Mr. President, in our rich and abundant society we can no longer delay removing this legislative discrimination against farmworkers. The farmworker who seeks protection in his struggle for recognition and collective bargaining is not in the mainstream of American life. Instead, the farmworkers are on the bottom rung of our economic ladder, the poorest people in America, specifically excluded from every major social and economic program, and disenfranchised because of their nomadic travels to keep body and soul together by working to harvest our food and fiber.

We must not delay any longer. These are not people making a moderate living that want to better their conditions; there are human beings making below poverty level wages, living in the worst of conditions that need help to be able to eat to allay their hunger.

And while these people are living a life of hunger, we are today acting to extend the farm subsidy programs—which for many years has made extremely generous cash payments to farm owners throughout the Nation. Looking at the 1967 payments—just on those farms receiving $10,000 or more in ASCS payments, we find that over $1 million was paid to each of five farms; between $500,000 and $1 million to each of 15 farms; between $100,000 and $500,000 to each of 388 farms; between $50,000 and $100,000 to each of 1,290 farms; between $25,000 and $50,000 to each of 4,881 farms; and between $10,000 and $25,000 to each of 6,579 farms.

Let the record show that I am not attacking the need for the Agricultural Act of 1968. The merits and demerits of that act are being adequately discussed by my colleagues. But I do think it highly important to remind ourselves of the inequities and economic flaws in our current farm policies, which has historically favored the farm owner exclusively and has given little or no concern to the farm employees.

In 1967, ASCS payments totaled $3.4 billion. This is higher than the $2.8 billion total farm labor wage bill for the same year. While I realize that ASCS's payment is not a direct wage subsidy, it is an unwise policy, indeed, to expend such huge sums of taxpayers revenue to benefit only the farm owner segment of the industry without providing assurance that some part of this large public subsidy benefit the workers also.

Some of the greatest citizens of our Nation—Government officials, church groups of many denominations, labor leaders and others—have expressed their strong support for collective bargaining for farmworkers.

The First Lady of the land for more than a decade, Mrs. Eleanor Roosevelt appeared at our Senate legislative hearings in 1959. In highlighting the pernicious contrasts between the generous Federal policy toward farmowners, on the one hand, and the Federal denial of equality of opportunity and justice toward the farmworkers on the other, Mrs. Roosevelt said:

> Government agricultural policies appear to favor the large growers at the expense of the small family farmer and the farmworker. In 1954, about 12 percent of all farm operators controlled more than 40 percent of all farmlands, grossed almost 60 percent of all farm product sales, and accounted for more than 70 percent of all expenditures for farm labor. The current wheat price support program costs the taxpayers $1,500,000 a day. This would seem to be an example of lopsided aid. Certainly, a small proportion of large growers are receiving protection denied millions of workers. (This is from the New York Herald Tribune of November 11, 1959.)

Mrs. Roosevelt's statement of almost a decade ago has just recently been updated and reaffirmed by the President's National Advisory Commission on Rural Poverty. One of its findings is that:

> Our current farm policies tend to focus strictly upon the economic well-being of commercial farm operators and landowners, to the exclusion of the interests of farm laborers, tenants, rural communities, and society at large.

The President's Advisory Commission also formally recommended extension of the National Labor Relations Act to the agricultural industry.

Vice President HUMPHREY, in a recent letter to the editor of the New York Times, put himself clearly and unequivocally behind the need for action now. The Vice President said and I quote him:

> It is now time—indeed, it is long overdue—for farm workers to have full rights of organization and collective bargaining guaranteed under the National Labor Relations Act. As I have stated in the past—and I reaffirm now—Congress should act this year to provide this protection.

The President's Commission on Food and Fiber has called for the enactment of collective bargaining rights for farmworkers. This high level Presidential Commission evaluated "the national interest, the welfare of rural Americans, the well-being of farmers, the needs of our workers and the interests of our consumers." Issued in 1968, their report states that:

> There seems to be no justification for treating farm labor differently than other workers in the labor force. Therefore, the Commission recommends that farm workers should not, by Federal or State exemptions, be denied the benefits of policies and standards that are deemed to be in the interest of other wage earners.
>
> Rural workers must also have the same rights to bargain collectively for wages as urban workers. The Commission recommends that farm workers be included under the provisions of the National Labor Relations Act, to the extent feasible and wherever necessary to achieve equivalence of personal and social protection for the rural work force.

In Senate hearings during this Congress, Secretary of Labor Willard Wirtz put the case this way:

> S. 8 simply gives farm workers—on large farms—the protection of collective bargaining which other workers have. . . .
>
> I do not . . . believe there is a person in the country who could look in a mirror, look himself in his own eye, and argue against these bills. It is just that right, and I think the arguments against them are all reducible in the end to this absurdity; that in this industry as in no other, whatever costs there are, whatever perils of unusual operation—the fact that weather may be a factor or, the fact that they need workers part time—ought not to be borne by the workers who cannot pay these costs instead of being passed on to the employers who can pay them.
>
> . . . It is clear that the one point of largest significance before you is reflected in S. 8. It is perfectly clear that nothing else will really cover this situation until this group of people have the equality of representation which is so important. I think there are two basic equalities. One, in educational opportunity and the other in the opportunity to be represented. This group does not have it. The purpose of S. 8 is to give it to them and it is just that simple.

The American labor movement has voiced its strong support for farmworkers collective bargaining rights. Mr. George Meany, president of the AFL–CIO has declared and I quote him:

> We in the AFL–CIO believe that the only effective farm worker union will be one built by the farm workers themselves. . . .
>
> We recognize that the struggle to organize farm workers is just beginning. We are determined not to permit these workers to be starved into submission by their powerful and giant employers. . . .

Even as the battle in the field continues, the AFL–CIO is pledged to eliminate exploitation of the farm workers at the legislative level. . . .

Agricultural workers must have the right to organize and to bargain collectively. There is no logical reason for their continued exclusion from the protection of the National Labor Relations Act.

Mr. Walter Reuther, president of the United Automobile Workers International Union, in his statement before the subcommittee on this legislation, noted that the 1967 violent farm labor strife in Texas is but a prophecy of things to come. President Reuther said:

What has happened in southern Texas is but a whiff of the social explosion which is sweeping American agriculture. On one side are agricultural giants grown rich on government cash subsidies and government irrigation water. On the other side are farm workers—thousands of them living on the thin edge of human existence. . . .

All of us as consumers of food have a moral responsibility to correct this human injustice. . . .

No one thing Congress or anybody else does can overnight transform the bleak lives of America's farm workers, but it is my conviction that farm worker unions will hasten the day when farm workers can toil with a greater semblance of human dignity and America's marvel of abundant agriculture will not be based on the misery of a few.

One of the most eloquent, penetrating statements in support of collective bargaining rights for farmworkers was delivered in our California hearings on March 16, 1966, by Bishop Donohoe, Northern Diocese, St. Mary's Assumption, Stockton, Calif. The statement had the approval of all Catholic bishops in the State of California.

In his hearing statement Bishop Donohoe took the position, and I quote:

When disputes cannot be settled in the private sector, it is the proper responsibility of government to protect the rights of the disputants and the public by judgment and, in some matters by law .

The following points, then, seem clear to us:

(a) Any group in society has the right to form an association to foster its own well-being. It is understood that this association acts within law and therefore is concerned with the general welfare as well as with its own.

(b) Applied to farmers, this principle justifies their membership in any legitimate organization of their own choosing. Those who seek to promote the organization of farmers are not to be looked upon as outside agitators.

(c) Applied to farm laborers, this principle justifies their membership in any legitimate organization of their own choosing. Those who seek to organize farm laborers are not to be looked upon as outside agitators.

(d) Such organizations must be protected by law, and where necessary, criteria and procedures established to determine the legitimacy of particular efforts to organize such associations.

. . . it is not sufficient to recognize the right to organize in theory only. In order that this right be recognized in fact it is of crucial importance for the various governments to legislate criteria and techniques for determining the legitimacy of a particular effort to organize workers and to protect these workers from reprisals for joining in these organizing efforts.

This is of particular relevance to farm labor organizing. Without these criteria farmers have no reasonable way of knowing who legitimately represents their workers, and the workers themselves may have doubts about the legitimacy of a particular organizing effort.

. . . We look to the day when farmer and farm worker, united by honorable contracts binding agricultural employer associations and farm labor unions, will work together with common purpose to win from the whole economy their proper recompense for their most essential contribution to our well-being.

Strong support for farmworkers' basic rights has been expressed by the Central Conference of American Rabbis and the Union of American Hebrew Congregations. Rabbi Richard G. Hirsch, speaking for these groups in public hearings, made this statement:

Jewish tradition has always stressed the imperative of economic justice for the laborer . . . We believe that men are servants of God and not of other men . . . The employee is, above all else, a human being and as such is entitled to associate with others, if he so desires, to achieve encouragement, assistance, and strength in the pursuit of the means to sustain and enable human life.

. . . There is no issue I can think of that is more of a moral issue than this one which we are discussing, because the great tragedy of America has been that the least protection has been given to those who need it the most.

The spokesman for the National Council of Churches, Mr. Kenneth G. Neigh, made this statement in our hearing record:

It has . . . long been a matter of serious concern of the National Council of Churches and many of its constituent denominational bodies that agricultural workers have been seriously limited in the exercise of the right to organize under law . . . We hold that such restriction infringes upon the general right of association which should include the right to organize into labor unions and bargain collectively and responsibly with employers under the provisions of the NLRA . . . On December 3, 1966, the General Board of the National Council of Churches stated: 'Several aspects of the seasonal farm labor problem require legislative action . . .' The first listed is as follows: 'Inclusion of farm workers under the provisions of the National Labor Relations Act . . .' Add to these similar and perhaps even stronger statements by six of the major Protestant denominations quite apart from the National Council position. They have been issued by the American Baptist Convention, The United Presbyterian Church, USA, United Lutheran Church, United Christian Missionary Society of the Disciples of Christ, The United Church of Christ.

It is entirely appropriate that collective bargaining rights for farmworkers be considered during deliberations on S. 3590 for this farm bill has as one of its purposes "to assure adequate supplies of agricultural commodities." In this legislative context it would be wise indeed to remind ourselves that today's agricultural scene is becoming increasingly characterized by strikes, violence, boycotts, and other disruptive conditions. In short, conditions are developing that have the certain potential for directly and materially affecting food production, farm profits, workers' earnings as will as the general flow of farm produce to the consumer.

Application of the collective bargaining laws to farm employers and employees would provide an orderly process for resolving these problems. The first and most important step would be to provide a legal basis for the conduct of elections by the National Labor Relations Board to permit employees freely and democratically to choose whether they wish to be represented by a union or not. Should a majority wish union representation, the employer and the majority representative are thereafter both obligated to bargain collectively and discuss grievances. By coverage under the act, protection of the rights of employees to join, or not to join, a labor organization is guaranteed, and the NLRB investigates and decides cases involving unfair labor practices of unions and employer on charges presented by workers, unions or employers.

As I have indicated farm employees and employers have been excluded from the National Labor Relations Act since the original enactment of the Wagner Act in 1935. Farm employers throughout the Nation, as a result, have enjoyed almost total power of decision over wages and working conditions of farmworkers. Consequently, the farmworker has become the lowest paid worker in America's work force and, hence, his dependents and children the most deprived in regard to housing, education, health and other basic human needs. The average wage in 1967 climbed to $1.33 hourly, while all other manufacturing production workers average over twice as much: $2.83. Construction workers averaged $4.09. Four States paid their farmworkers an average wage below the $1 minimum wage for farmworkers—in one State, workers averaged 89 cents in the fields. In 10 States the average was below $1.10. The average year's wage for farm employment, including only those who worked over 25 days in agriculture, was under $1,200 in 1966.

The National Labor Relations Board's nonretail standard of $50,000 will be the minimum coverage under the amendment and, therefore, the collective bargaining provision would apply to a maximum of only 3.5 percent of all the farms in the Nation; however, since these 3.5 percent of all farms employ 45 percent of all farm employees, substantial coverage of the farm work force would be achieved. In short, the workers on large corporate farms would finally have the right to freely and democratically vote on whether they wish to join or not to join a union.

The small family farm will not be covered by this amendment. Over half the farms in the Nation use no hired labor at all, and, therefore, would not be affected by the amendment. Moreover, at least two employees are necessary under existing law to constitute a bargaining unit. Additionally, the existing law expressly excludes from the bargaining unit immediately relatives of an employer, managers, and supervisors.

The amendment also makes applicable to the agricultural industry certain of the seasonality provisions—in section 8(f) of the NLRA—now applicable to the construction industry. For example, the amendment permits, but does not require, employers in the agricultural industry to enter into an agreement with a union—commonly referred to as a prehire agreement—before employees are

actually hired and before a majority status of a union is actually determined. This presents a maximum opportunity to the grower or farmer—presently available only in the construction industry—to stabilize his labor situation and reliably estimate his labor cost in advance of planting and harvesting. This purely voluntary prehire procedure is particularly valuable to all parties in a seasonal industry, and, even if a contract is made, an election proceeding may always be held after all employees are hired.

Other provisions of section 8(f) permit arrangements for a union hiring hall, and union security agreements providing union membership 7 days after employment. The 7-day provision modifies the law under NLRA, that is, it allows a shorter grace period of 7 days as opposed to 30 days authorized generally under NLRA, primarily because of the seasonal nature of and short duration of employment. In a right-to-work jurisdiction, 19 States, the parties would be prohibited from entering into a union security agreement. Indeed, NLRA—section 705 (b), Public Law 86-257—expressly provides:

> Nothing contained in the amendment made by subsection (a) shall be construed as authorizing the execution or application of an agreement requiring membership in a labor organization as a condition of employment in any State or Territory in which such execution or application is prohibited by State or Territorial law.

This proposed amendment offers no subsidy to farmworkers. It carries no appropriation. It is not special legislation; on the contrary, it does away with special legislation. It offers the one simple proposition that the agricultural industry, which is affected by the Agricultural Act of 1968, ought to have the same responsibilities and protections for labor-management relations as all other industries have. It does not guarantee any success in organizing unions. It merely affords agricultural workers on the large farms the opportunity to help themselves within the framework of our Federal labor laws.

Surely, there can be no need to argue in July 1968 about whether any American worker deserves the right to bargain collectively. The principle has long been established. It guarantees the very right of contract, providing to the worker that "equality of bargaining position in which freedom of contract begins" referred to by Justice Holmes.

A fundamental function of the Government is to protect the weak from the strong. But the fact is that nowhere in our society is the disparity of power so immense as between the big business farms that are coming to dominate our agriculture and the powerless, anonymous, generally poorly educated men and women who work for them. We do not need to look at statistics, although there are plenty of them, to know that this worker is hopelessly out-bargained by his employer. He lives in the worst houses in America. His children go to the worst schools, when they go to school at all. All of the services that most Americans take for granted are inferior in the remote and disjointed communities inhabited by these workers and their families.

There is another aspect of the problem, and it concerns the nature of this large, corporate farm that holds its workers in economic bondage. This is the new economic force that is moving into rural America, causing alarm among many of our farm and small town leaders. Part of the leverage it uses to compete against family farmers is its power to dominate workers. This power should be matched at least by the legal right of these workers to bargain collectively.

I would hasten to point out that we are not talking only about bargaining for wages and working conditions, we are talking about bargaining for decency itself.

On June 9, 1968, a major feature story appeared in the Denver Post citing the absurd contention of some large farmers that migrant workers did not need field privies because they would not use them. They argued this in the face of the expert testimony by sociologists that the migrant workers as a group were not less modest than most middle-class Americans, but more so. However, officials observed that serious problems of health were occurring because of lack of privies and field privies could be built for only $2, $3, or $4, the story said.

It is one of the sad facts that we have learned in American life that we must protect the weak from the strong. Collective bargaining is one way to do it.

But more importantly, adding collective bargaining for farmworkers to this bill will serve also to equalize, in part, the benefits of the farm program itself, and should make it more acceptable to large numbers of our citizens who are concerned about big benefits that accrue to large farm operators.

It is singularly fitting that we consider the rights of farmworkers to have a union, if they wish, in the same context of this generous Federal policy which, I am sure, will authorize another multibillion-dollar subsidy to the farmowners.

The crucial issue here today is simply this: Shall Congress continue its magnificent largess for the big farm of America without providing anything for the most deprived worker in our economy; or shall Congress balance the scales of justice by providing a small measure of help through collective bargaining rights to the poorest workers in America?

AGRICULTURAL ACT OF 1968

The Senate resumed the consideration of the bill (S. 3590) to extend and improve legislation for maintaining farm income, stabilizing prices and assuring adequate supplies of agricultural commodities.

Mr. HOLLAND. Mr. President, pursuant to the consent given by the Senator from Delaware, I would suggest the absence of a quorum and I assure the Senate I am only thinking of a short quorum so we can get together.

Mr. FONG. Mr. President, before the Senator makes his request, will the Senator from Delaware yield to me so I may ask a question?

Mr. WILLIAMS of Delaware. I yield.

Mr. FONG. Mr. President, as I understand the amendment, it would not supply the $25,000 limitation to compliance payments for sugar.

Mr. WILLIAMS of Delaware. The original amendment which I submitted to the Committee on Agriculture and Forestry would include all payments. In an effort to make progress in this direction, this amendment is confined to products other than sugar.

Mr. FONG. So that sugar would be excluded.

Mr. WILLIAMS of Delaware. That will be dealt with in a separate amendment.

Mr. FONG. I thank the Senator.

Mr. WILLIAMS of Delaware. I yield to the Senator from Maryland.

Mr. BREWSTER. Mr. President, I support the amendment offered by the Senator from Delaware and myself. I just cannot understand why the taxpayers of this country should give any one farmer more than $25,000 per year.

It is with much dismay that I find we are considering a renewal of our outdated agriculture policy when the 1965 Agricultural Act has another year to run. Earlier this year, the Congress approved a $6 billion cut in Government spending in an effort to economize. Yet, now we are asked to approve the extension of a program costing over $3 billion annually in spite of the fact that there is no particularly pressing need for an extension at this time, and without sufficient time to consider the alternatives. This seems highly inappropriate to me.

I have voiced my opposition to our agriculture policy on many occasions. It is a policy which was created in the 1930's as an emergency maesure to help the small farmer. Year by year the evidence mounts that the effects of this outdated policy are exactly the opposite. It is a policy which mainly benefits the large, well-to-do farmer. It is a policy which is causing the small family farmer to flee to our already overcrowded urban centers. It is a policy which is a heavy burden to the taxpayer. It is a policy which should be relegated to history.

Most farm programs benefit the larger, more prosperous farmers and farm corporations. Less than 2 percent of the farmers in America gross more than $100,000 a year, yet they take home 20 percent of the farm subsidy program. A report by the President's National Advisory Commission on Rural Poverty points out:

> Currently the Federal Government spends more than a billion dollars a year to keep land out of production. This expenditure enables farmers to hold out of production about 40 million acres by programs of cropland diversion, conservation reserve, and cropland adjustment. The rural poor get very little direct benefit from these expenditures because they own such a small proportion of the farmland. For example, farms under 140 acres in size received only about one-fourth of the agricultural conservation program payments in 1964. Yet, farms under 140 acres in size comprise more than half the total number of farms.

Our agricultural program does more than merely profit the large farmers. It actually encourages their growth. Mr.

John Fischer in Harpers magazine pointed out:

> When you offer a bribe for every acre taken out of cultivation, the men with the most acres naturally get the most money—in many cases hundreds of thousands of dollars every year. Typically they have used their loot in two ways: (1) To buy more land from their smaller neighbors; and (2) to invest in tractors, cotton-pickers, fertilizer, weed-killer, six-row cultivators, and all the other devices of modern technology.

With a bigger farm, and more equipment, he can take even more acres out of production, and thus get even a larger payoff. This senseless spiral continues at the expense of the small farmer this program was once supposed to be helping.

Inevitably, the small farmer gets squeezed out. Without Government subsidies sufficient to modernize his farm, he simply cannot compete. Between 1965 and 1966, over 750,000 farmers were forced off the land and headed for the city to seek employment.

In addition to its failure to achieve its goal, the cost of this ludicrous program is enormous. The taxpayer pays once to bribe the farmer not to farm as much. He pays a second time in higher food prices. He pays still a third time for the cost of storing or giving away the surplus crop. Even the dairy, the beef, and the chicken farmer pays because of higher feed prices. It makes no sense for the taxpayers to give five producers over $1 million apiece annually, and 11 producers over $500,000 apiece, when the average farmer gets only $831 a year. It makes no sense for the taxpayers to pay hundreds of millions of dollars to "support" wealthy farmers who are receiving over $25,000 a year in payments.

At this point, Mr. President, I would like to place in the RECORD a table extracted from the hearings on the Agricultural Appropriations Act for fiscal year 1969, which lists by State the number of all payments in excess of $5,000.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

PAYMENTS BY SIZE GROUP, ASCS AND GREAT PLAINS

1967 FARMERS' PAYMENTS BY SIZE GROUP, $5,000 AND OVER

State name and code	$5,000 to $7,499	$7,500 to $9,999	$10,000 to $14,999	$15,000 to $24,999	$25,000 to $49,999	$50,000 to $99,999	$100,000 to $499,999	$500,000 to $999,999	$1,000,000 and over
Alabama (64):									
Total (dollars)	6,124,324	4,006,286	5,404,605	6,253,030	5,054,655	1,938,996	268,873		
Number of payments	1,004	464	446	329	154	30	2		
Alaska (50):									
Total (dollars)									
Number of payments									
Arizona (86):									
Total (dollars)	1,185,812	1,236,056	2,430,586	4,475,884	9,796,150	10,487,421	11,794,213	554,817	
Number of payments	191	143	196	232	277	155	62	1	
Arkansas (71):									
Total (dollars)	8,498,676	6,877,640	9,884,150	12,767,481	15,213,551	8,809,959	3,627,129	619,489	
Number of payments	1,400	798	808	669	456	136	24	1	
California (93):									
Total (dollars)	6,065,869	5,372,726	8,534,005	12,326,094	16,574,425	14,178,357	18,746,262	3,552,019	8,259,579
Number of payments	991	618	702	630	484	207	111	5	3
Colorado (84):									
Total (dollars)	7,897,367	4,714,228	5,338,057	4,198,346	2,039,501	615,635	280,429		
Number of payments	1,305	550	443	225	64	10	1		
Connecticut (16):									
Total (dollars)	18,969	8,662							
Number of payments	3	1							
Delaware (52):									
Total (dollars)	82,436	26,945		19,959					
Number of payments	14	3		1					
Florida (59):									
Total (dollars)	669,730	513,670	603,770	718,380	1,047,334	739,263	1,269,826	610,923	1,275,687
Number of payments	112	59	50	36	29	11	7	1	1
Georgia (57):									
Total (dollars)	6,072,886	4,248,031	5,674,574	5,863,090	3,697,007	1,100,670			
Number of payments	998	490	465	314	113	17			
Hawaii (60):									
Total (dollars)	158,755	100,634	21,795	30,951	71,294	54,795	5,316,017	3,012,514	1,353,77[illegible]
Number of payments	26	12	2	2	2	1	17	5	1
Idaho (82):									
Total (dollars)	4,938,531	2,968,673	3,100,186	2,042,004	1,395,099	371,106			
Number of payments	813	348	256	111	43	6			
Illinois (33):									
Total (dollars)	5,178,036	2,199,661	1,393,387	850,963	384,676	79,153			
Number of payments	871	256	118	47	12	1			
Indiana (32):									
Total (dollars)	3,159,026	1,423,664	1,034,759	700,792	264,511	114,932			
Number of payments	532	166	86	36	7	2			
Iowa (42):									
Total (dollars)	4,982,634	1,773,284	1,239,436	346,321	264,010	88,499	107,136		
Number of payments	839	208	105	18	7	1	1		
Kansas (49):									
Total (dollars)	27,144,739	13,359,820	12,039,993	7,221,459	3,270,376	534,598			
Number of payments	4,520	1,562	1,013	394	100	9			
Kentucky (61):									
Total (dollars)	808,808	295,750	285,832	186,449	84,644				
Number of payments	135	34	24	10	3				
Louisiana (72):									
Total (dollars)	3,910,558	3,092,455	5,254,164	6,780,899	7,042,148	2,683,671	1,540,673		
Number of payments	641	358	429	356	211	42	10		
Maine (11):									
Total (dollars)	21,801			38,835					
Number of payments	4			2					
Maryland (51):									
Total (dollars)	102,140	91,865	59,831	16,543					
Number of payments	17	11	5	1					
Massachusetts (14):									
Total (dollars)	12,534								
Number of payments	2								
Michigan (35):									
Total (dollars)	1,784,385	673,842	404,446	233,308	67,863				
Number of payments	300	79	34	13	2				
Minnesota (41):									
Total (dollars)	4,094,426	1,898,869	1,621,470	625,880	150,891				
Number of payments	687	223	136	36	5				
Mississippi (65):									
Total (dollars)	6,643,039	5,642,766	9,212,577	15,218,200	25,499,838	18,868,337	10,869,403	653,252	
Number of payments	1,086	655	753	781	742	286	83	1	
Missouri (44):									
Total (dollars)	8,027,294	4,476,656	4,994,327	3,572,324	2,295,406	896,483	103,271		
Number of payments	1,333	521	416	191	70	14	1		
Montana (81):									
Total (dollars)	12,430,928	7,702,245	6,589,221	3,929,802	1,266,896	115,141	166,336	553,358	
Number of payments	2,048	896	551	217	41	2	1	1	
Nebraska (48):									
Total (dollars)	11,966,409	4,682,724	3,262,707	1,817,613	739,913				
Number of payments	2,008	551	275	97	23				

PAYMENTS BY SIZE GROUP, ASCS AND GREAT PLAINS—Continued

1967 FARMERS' PAYMENTS BY SIZE GROUP, $5,000 AND OVER—Continued

State name and code	$5,000 to $7,499	$7,500 to $9,999	$10,000 to $14,999	$15,000 to $24,999	$25,000 to $49,999	$50,000 to $99,999	$100,000 to $499,999	$500,000 to $999,999	$1,000,000 and over
Nevada (88):									
Total (dollars)	152,086	92,905	171,364	91,364	186,177		105,271		
Number of payments	26	11	13	5	5		1		
New Hampshire (12):									
Total (dollars)									
Number of payments									
New Jersey (22):									
Total (dollars)	138,063	50,126	53,511						
Number of payments	23	6	4						
New Mexico (85):									
Total (dollars)	4,268,207	3,357,201	4,522,480	4,226,870	2,936,499	683,185	237,593		
Number of payments	701	391	375	227	89	10	2		
New York (21):									
Total (dollars)	348,366	162,508	76,042	53,543					
Number of payments	57	19	7	3					
North Carolina (55):									
Total (dollars)	2,536,153	1,575,519	2,025,318	1,609,908	1,288,982	368,879	445,913		
Number of payments	418	181	168	86	40	6	2		
North Dakota (46):									
Total (dollars)	16,313,100	6,363,762	4,542,805	1,712,639	605,070	121,737			
Number of payments	2,731	746	384	94	19	2			
Ohio (31):									
Total (dollars)	2,204,005	782,328	490,226	377,195	66,355	65,710			
Number of payments	372	91	40	21	2	1			
Oklahoma (73):									
Total (dollars)	15,095,671	7,667,762	6,686,572	3,557,676	1,655,517	332,321			
Number of payments	2,513	894	564	197	53	5			
Oregon (92):									
Total (dollars)	2,668,433	2,193,405	2,375,351	1,934,747	1,300,127	186,154			
Number of payments	442	253	198	102	41	3			
Pennsylvania (23):									
Total (dollars)	222,075	134,184	166,668	76,806	28,710				
Number of payments	38	16	14	4	1				
Puerto Rico (70):									
Total (dollars)	663,066	637,648	758,787	1,715,156	1,329,479	710,900	1,512,841		
Number of payments	109	73	61	89	40	10	5		
Rhode Island (15):									
Total (dollars)									
Number of payments									
South Carolina (56):									
Total (dollars)	4,377,396	3,168,004	4,591,511	4,957,228	4,196,464	1,624,733	296,327		
Number of payments	723	367	379	263	129	26	2		
South Dakota (47):									
Total (dollars)	5,861,725	2,562,054	2,064,335	861,296	352,007	54,432			
Number of payments	986	301	175	46	11	1			
Tennessee (63):									
Total (dollars)	4,675,223	3,044,954	3,448,331	3,203,187	2,147,453	568,721	105,309		
Number of payments	773	353	285	174	63	9	1		
Texas (74):									
Total (dollars)	51,954 255	41,984,504	59,164,777	67,084,729	46,845,437	17,968,450	7,832,314		
Number of payments	8,492	4,844	4,861	3,546	1,431	278	53		
Utah (87):									
Total (dollars)	972,523	464,342	379,404	418,227	207,679				
Number of payments	162	5		2	6				
Vermont (13):									
Total (dollars)	6,027								
Number of payments	1								
Virgin Islands (80):									
Total (dollars)									
Number of payments									
Virginia (53):									
Total (dollars)	320,522	170,510	96,068	71,330	62,486				
Number of payments	54	20	8	4	2				
Washington (91):									
Total (dollars)	7,949,452	5,845,797	7,667,848	5,977,142	3,016,512	660,831	289,126		
Number of payments	1,302	676	639	323	94	10	2		
West Virginia (54):									
Total (dollars)	12,750								
Number of payments	2								
Wisconsin (36):									
Total (dollars)	692,707	373,856	274,503	128,272	66,176				
Number of payments	117	44	24	7	2				
Wyoming (83):									
Total (dollars)	1,352,012	688,892	483,452	395,239	233,626				
Number of payments	224	80	41	22	7				
United States:									
Total (dollars)	254,763,929	158,707,413	188,423,272	188,687,210	162,744,944	85,023,069	64,914,262	9,556,372	10,889,036
Number of payments	42,146	18,426	15,585	9,984	4,880	1,291	388	15	5

Mr. BREWSTER. Mr. President, I can only conclude from the visible results that our agricultural subsidy program is a failure. Commenting upon our agriculture program, the citizens board of inquiry into hunger and malnutrition stated just this spring:

These controls and price support programs have not even attained their stated goals. Prices have not changed significantly so that the small farmer could secure an adequate income. Surpluses have not vanished, smaller acreage has only invited attempts at increased yield through technological advances—available only to those farmers with greater capital resources.

This is indeed a sad indictment of the 1965 Agriculture Act, the very same program we are now being asked to extend. Not even the farmers themselves favor this extension. A recent Farm Journal poll shows that 63 percent of the farmers favor an end to the costly and obsolete farm program. The Maryland Farm Bureau has recently written me stating:

Instead of continuing down the dead-end road of Government supply-management—with acreage limitations, stockpiles to depress market prices, price-fixing, and subsidies—farmers need a broad-based program to expand markets, increase prices, cut costs, and thus provide the basis for increased net farm income.

There is reason to believe that we have reached a point in time when our present farm policy can appropriately be reconsidered. This point was forcefully brought home by Harold B. Meyers in Fortune magazine. In part he said:

With the huge grain surpluses gone, now, if ever, is the time for a fresh look at U.S. agricultural policy. For many years the besetting problem of policy has been to deal with price-depressing overproduction, or the threat of it. Now at last a long-awaited opportunity is at hand—the opportunity to alter or abandon Government programs that have imposed complex restrictions on farmers and heavy costs on taxpayers.

Instead of extending our present program, we should dismantle many of our present programs with deliberate speed, ending government imposed restraints on production and eliminating the income-supplement payments that induced the farmers to accept the restraints. Farmers would then be free to make their own decisions regarding what and how much to grow. They would dispose of their output in the market place, and get their just reward for it. American consumers would have ample supplies of food, and the prospects for easing world hunger would be greatly improved. Abundance, in short, need no longer be considered a burden. Surely world food demands are large enough that all farmers, large and small, would find a market for their crops, if we had sensible governmental management and programs.

At the very least, we should avoid hasty action on the proposal before us this afternoon. If ever the circumstances were favorable to changing our farm program, it is now. The present act has a year to run. Our surpluses are down. We should take advantage of this golden opportunity to save and change. During the coming months, we should carefully study the situation and develop a totally new approach aimed at effectively insuring the farmer his fair share of our abundance. Next year, we could adequately consider all proposals with sufficient time available to do a thorough job. But, Mr. President, if we must extend this program, let us at least place one all too small limitation upon it. Why, then, I ask, should the taxpayers give a man more than $25,000 a year? This is not helping the small family farmer. This unduly and unjustly further enriches the already rich. This Congress has already raised taxes. This Congress has already cut some vital and needed programs. This Congress should effect this one very small economy and saving.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. BREWSTER. I am happy to yield.

Mr. LAUSCHE. I want to commend the Senator from Maryland for a very effective and constructive presentation of a problem confronting the people of the United States that ought to be solved. I wish to ask a question or two of the Senator.

Did I understand the Senator to say that when this support program was established, the purpose was to help the small farmer of the United States, primarily?

Mr. BREWSTER. The Senator is entirely correct. We began our present farm program in the 1930's to protect the small family farmer who was being driven from his land by the depression. We wanted to help him. In the 1930's this program, at far, far less cost than we now have, did protect the small family farmer. Today, in my judgment, it is having a contrary effect. The small family farmer does not really benefit from subsidy payments. Rather than that, the small farmer, in ever-increasing numbers, is being driven from the land to the big cities, which are already overcrowded, and the big and rich get bigger and richer, and they are the ones who truly benefit the most from this program.

Mr. LAUSCHE. In other words, the very opposite from what was intended when the program was adopted has been achieved? It was intended to help the poor farmer. It now helps principally the rich.

Will the Senator inform us how many supposed farmers are receiving more than $1 million under this program? I understood the Senator to say there are 10 or 11 receiving subsidies of more than $1 million a year.

Mr. WILLIAMS of Delaware. Mr. President, if the Senator will yield, I will inform him that there are five.

Mr. LAUSCHE. Five. How many are receiving more than $500,000?

Mr. BREWSTER. I believe there are 11 receiving over half a million dollars a year.

Mr. LAUSCHE. Now my question is, What is the urgency of helping those people by subsidies to be given from money of the taxpayers, in gifts of $1 million a year to five recipients and $500,000 a year to 11 recipients? Why? Whom does it serve? What good is there in that?

Mr. BREWSTER. There is absolutely no urgency. When the present program still has a full year to run, and if it does not accomplish what it originally set out to do, it seems to me that the proper thing at this time, when we do not have massive surpluses, when we need food, is to completely reevaluate and reassess the entire participation by the Federal Government in our farm economy. There is no urgency now. In fact, if there ever was a time to take another look, we have reached that point.

Mr. LAUSCHE. The Senator stated that the viciousness of what is happening is that with the huge bounties that some are receiving, the ability of the small farmer to survive grows weaker. I think the Senator pointed out that the man who gets $1 million buys bigger tractors and more efficient machinery and more fertilizer to produce more crops per acre, enabling him to take more acres out of production and still produce the same quantity or more of the products than he had in the past.

Mr. BREWSTER. The Senator is entirely correct. The fact of the matter is that the number of farms in America decreases every year. The number of farmers in America decreases every year. The size of individual farms grows every year. The result is that the people are being forced off the farm. The little, the poor, the needy leave the farms, and go to the cities. What would be best for America would be to reverse the trend and take the poor and the needy out of the cities and put them back on the land.

Mr. LAUSCHE. I concur completely in what the Senator from Maryland has said. I want to repeat my gratitude for his very excellent presentation of a cause that the taxpayers and the people of the United States ought to be made conscious of. They ought to come to the capital in numbers greater than the poor to stop this waste of the taxpayers' money.

Mr. BREWSTER. I thank the Senator.

Mr. WILLIAMS of Delaware. Mr. President, I concur completely in what the Senator from Ohio has said. Something must be done to restrict these subsidy payment to the corporate-type farmer or absentee farmers. Many of these farms are corporate-type operations, as the Senator has said. I do not see how we can possibly justify a continuation of this program under which we pay some operations over $1 million not to cultivate the land.

I call attention to the fact that the Arkansas State Penitentiary received $177,700 last year under this program. The Louisiana State Penitentiary was paid $89,697 not to cultivate its farm. The State of Montana as a State received $553,388 not to cultivate its farmland.

Similar payments were made to other large corporate operations. One payment of over half a million dollars was made last year to a farm operation owned entirely by British interests. Why should we pay a British-owned corporation over half a million dollars a year not to cultivate a farm in the United States of America? It does not make sense.

The small farmer cannot afford to participate in this program to the same advantage. He has an investment in a tractor, combine, planters, plows, and so forth. If he puts a portion of his land in the soil bank he loses his efficiency; he cannot operate efficiently. It is only the large, corporate type of farm or one that is owned by absentee ownership that can do so. They are the largest beneficiaries under this program.

Mr. President, I offered this amendment along with the Senator from Maryland to provide a limitation of payments for any commodity under this bill. It did not cover sugar payments. I agreed that that limitation on those payments could more appropriately be offered to the Sugar Act.

The Senator from Florida asked whether the language was clear enough. I consulted with legislative counsel. They thought it was clear; however, if there is any question about it I think adding the language, "The foregoing shall not apply to payments under the Sugar Act of 1948 or any other law," would clear up any misunderstanding. If it is acceptable to modify the language to make the intention clear I ask unanimous consent that I may so modify my amendment.

The PRESIDING OFFICER. Is there objection?

Mr. STENNIS. Mr. President, will the Senator yield for a question?

Mr. WILLIAMS of Delaware. I yield.

Mr. STENNIS. This is general legislation.

Mr. WILLIAMS of Delaware. That is right.

Mr. STENNIS. The Senator's amendment is a general amendment.

Mr. WILLIAMS of Delaware. Yes.

Mr. STENNIS. Why not apply it to sugar?

Mr. WILLIAMS of Delaware. I see no objection to it. That amendment could come later as an amendment to the Sugar Act. Frankly, I thought we would have more support than if it were offered to this bill.

Mr. STENNIS. That is a frank answer. Is the Senator going to offer it?

Mr. WILLIAMS of Delaware. The first amendment that was proposed by the

Senator from Maryland and myself did cover all payments, including sugar. But frankly, the point was raised that if we limited it to only those commodities covered by this pending bill we might pick up more support for its enactment.

I agree completely with the Senator from Mississippi that it should be equally applicable across the board, and if we can take this step the next amendment offered would be to cover the Sugar Act.

Mr. STENNIS. Will the Senator yield further?

Mr. WILLIAMS of Delaware. I yield.

Mr. STENNIS. The Senator has been so frank about it. I ask him, what about leaving out cotton? He would leave out sugar. Why not leave out cotton as well?

Mr. WILLIAMS of Delaware. Mr. President, I will accept the proposal of the Senator from Mississippi if he will leave cotton out of the pending bill.

Mr. STENNIS. That, of course, is the basic question we are arguing about.

Mr. WILLIAMS of Delaware. The point is that cotton is under this bill, and therefore cotton payments are covered. I agree with the Senator from Mississippi that there should be equal treatment on all of them, but since we are dealing with these basic commodities specifically I agreed that it might be well to confine the amendment to just those commodities dealt with in the bill.

Mr. ALLOTT. Mr. President (Mr. SPONG in the chair), will the Senator yield?

Mr. WILLIAMS of Delaware. I yield to the Senator from Colorado.

Mr. ALLOTT. I ask the distinguished Senator from Delaware whether his amendment would also cover wool incentive payments.

Mr. WILLIAMS of Delaware. It would.

Mr. ALLOTT. May I inquire of the distinguished Senator, in view of the fact that the wool industry in the United States is probably in the worst condition it has ever been, and is beset by competition from artificial fibers and by competition from cheap production abroad, where wages are extremely low in comparison with ours, why he would take this step to try to force out of competition and out of economic existence a man who produces wool, and whose particular operation happens to bring him an incentive payment of more than $25,000?

In my own State, the situation which I have mentioned exists. Competition from artificial fibers and from foreign wool, has brought our entire wool industry to the lowest ebb in its history. In fact, it well may be almost beyond the point of recovery.

I ask the Senator why, under those circumstances, he includes wool.

Mr. WILLIAMS of Delaware. I think the Senator from Colorado has answered his own question. This wool program has been in effect for many years, and the Senator just admitted, and he is correct, that the wool producers are in worse shape today than they were before the program started. It has not worked.

I recall several years ago when the question arose in connection with the extension of the 90-percent support prices on cotton and wool and the level to which those commodities should be supported. One of the manufacturers of these so-called synthetic fabrics asked me, "What chance do you think you have got of limiting these payments on wool and cotton?"

I asked him, "Why are you interested?"

He said, "If the Government is going to hold the price supports at those high levels we can afford to build an extra plant or two and still sell cheaply enough to take over further the markets for cotton and wool."

Synthetic fibers have largely taken over the markets. I do not think we will, in the long run, help the producers by holding these prices at an artificially high level and by continuing to subsidize and support a high-cost producer, whether the product be wheat, corn, cotton, or whatever.

Mr. ALLOTT. The Senator may subscribe to the theory that we should let low wages in foreign countries decimate our own industries.

Mr. WILLIAMS of Delaware. Not at all.

Mr. ALLOTT. I do not subscribe to that, if I may say so. I do not think the wool industry would be in even as good a situation as it is today if it had not been for the incentive payments.

Does the Senator from Delaware have any figures on how many people in the wool industry are paid more than $25,000?

Mr. WILLIAMS of Delaware. No; I do not have such a breakdown. But I wish to say to the Senator from Colorado that I am not suggesting we turn the American farmer or wool producer loose without a program. We do have other methods under our law where we can take care of the difference in the cost, taking into consideration the high domestic labor costs.

This amendment does not affect the support price on any of these commodities.

Mr. ALLOTT. Let me say this to the Senator, on that point: The wool people, the lamb people, and the sheep people have been up the hill and down again 50 times with the tariff people, and have not received any protection or any help. This is one way I think we can help them.

I understand the Senator's motives. I do not think he is just trying to build up the synthetic fiber industry of his own State. I am sure he would not do such a thing. But I am also from a State which has been one of the great livestock producers of this country. I frankly do not know, and I checked with the staff a few moments ago and they have no figures on the amounts over $25,000 that have been paid to wool producers. Without that information available, I simply could not support the Senator's proposal.

Mr. WILLIAMS of Delaware. Perhaps the Senator misunderstood what I said about the producers of synthetic fibers. The producers of synthetic fibers in this country would be far better off if my pending amendment were rejected, because to the extent that we have these high supports for producers of natural fibers we are, in effect, holding an umbrella not only over the producers of cotton and wool but over the producers of synthetic fibers as well.

I do not suggest we turn the American farmer loose. I am not suggesting that. But I raise the question, Can we afford continuously to make these large payments to these larger operations?

We have a Small Business Administration designed to provide incentives for the small manufacturer but we have no such incentive for the small farmer. Quite the contrary, the farm program as set up today is of greater financial benefit to the large producer, as I think the Senator from Colorado will agree, because the small producer, who is operating a one-man farm, must fully utilize his tractors, combines, pickers, et cetera. It costs a minimum of $35,000 or $40,000 for a farmer to get started in a one-man operation. If he lets one-fourth of his land lie idle he is not using that equipment efficiently, and his cost of production rises.

The fellow with several thousand acres can drop a part of his acres out of production, put a tractor in the barn, lay off a couple of employees, and it is pretty well all profit to him; or, if he is an absentee owner he can put all his land in the soil bank.

Those are the type operations, the corporation and the absentee ownership, which I think we have got to stop subsidizing in this country if we are to do anything to protect the individual operator and the small farmer.

Mr. ALLOTT. Mr. President, I may say to the Senator before he gets too far on the subject, that I cannot agree with his analysis of the economics of the situation. Without these particular incentive payments with respect to wool the industry would probably have been forced to its knees. We would then be in the unfortunate position of depending entirely on the foreign countries. These people have been almost forced out of business even with the assistance they have received.

Last spring, I believe, the Senator had considerable figures on the incentive payments on wheat. I am not unsympathetic, frankly, with the ultimate purpose the Senator has in mind. To the extent that these incentive payments have helped to finance and make extremely profitable the huge corporations, I am sympathetic with the Senator.

In my area of the country, however—and this is true with respect perhaps to California and, to some extent, it is true with respect to Iowa, Kansas, Texas, Oklahoma, New Mexico, Arizona, Montana, North Dakota, South Dakota, and Wyoming—very large amounts of land have to be farmed in order to make farming a feasible operation.

The Senator said a moment ago that it costs $35,000 to $40,000—and he is putting the figure low—for a man to go into a single-family farming operation.

The truth of the matter is that what has killed off our small family farmers as much as anything is the constant policy of inflation that our country has pursued in the last few years.

One used to be able to pay $1,500 to $1,700 for a tractor. However, one can go and look at a tractor comparable in size and weight—and of course they are much improved 10 years later—and find that he now has to pay $7,000 or $7,500

for the same tractor. It is not hard to figure what has happened to our farmer.

In our country, we have to farm very large acreages in order to make it an economical farming operation in the production of wheat even for a single family unit.

In this case, frankly I do not think that $25,000 is an unusual or an excessive amount. As I recall the figures of last spring, we have several farm groups, not over perhaps half a dozen or a dozen, in Colorado that draw well in excess of $100,000. What would the Senator think about changing his figure to $50,000?

Mr. WILLIAMS of Delaware. I think the $25,000 figure is reasonable. Of course, a $50,000 limitation would be better than nothing at all.

I would like to say to the Senator from Colorado that his State had one operation that was drawing $280,429 based on the report last year.

There are several smaller ones. I do not have the figures for the ones between $50,000 and $100,000, but there would be more of them. Nevertheless, I think the $25,000 figure as a limit is reasonable.

I point out to the Senator from Colorado that he had 10 farmers in his State that were drawing between $50,000 and $100,000.

Mr. ALLOTT. That is about the area of my recollection from the figures which were presented earlier this spring.

Mr. WILLIAMS of Delaware. That is correct. The Senator mentioned the fact that he has not experienced a sympathetic consideration for the wool growers from the Tariff Commission. I appreciate and understand the problem.

Members of the Tariff Commission argue before our committee that when they consider the need for relief for these commodities they take into consideration the incentive payments that the Senator is speaking about, the incentive payments which the farmers are receiving.

They then proceed on the premise that our farmers do not need the relief because they are getting the subsidy payments.

If the amendment is agreed to, perhaps we need an examination of the tariffs and other areas. However, I feel that at some point, somewhere we have to stop these large payments.

I shall be very frank. The pending amendment would give a definite cash advantage to these smaller producers in that they would be subsidized to a larger extent than would the large operations. When one speaks of the large operations, as the size increases the amount of the subsidy becomes proportionately smaller, because the $25,000 would be more of a reduction for the operator who is now getting $250,000 than it would be for the man who was only getting only $30,000.

A decided advantage is being placed with the smaller farming operation, and that is the basis of the farm program, that we help the bona fide farmer.

To be frank, I question the wisdom of these payments to the absentee owner. Why should we subsidize absentee ownership by a man living in the city? There is nothing wrong with anyone owning a farm. However, why should we subsidize the doctor, lawyer, or any other type of professional man who is in competition with the bona fide farmer who is trying to produce crops and support his family and send his children to college?

I think such a man needs an advantage and should have all of that advantage if we are going to have a program subsidized by the taxpayers.

Mr. ALLOTT. If the Senator would leave out wool and raise the amount to $50,000, I would be ready to support him. I cannot agree with his analysis of the economics of the wool situation. So, there is no particular point in hashing that all over again.

I think that even in a family sized operation, as it is in my area of the country—including all of the Great Plains area in the West and the Mountain States, including the State of the distinguished majority leader—that the $25,000 would not cover what I would consider to be reasonable and proper for a family sized farm.

Mr. WILLIAMS of Delaware. I appreciate and understand the position of the Senator. If this amendment is rejected we could consider the other suggestion.

Mr. COOPER. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. COOPER. Mr. President, having served on the Committee on Agriculture and Forestry for several years, and having heard this problem discussed again and again, and having also voted on the matter every year because of the amendments of the distinguished Senator from Delaware, I would like to discuss for a few minutes the rationale of the program.

I know that a vote against this type of amendment is not a very popular position, because it might be said that one is voting to make these larger sums available to individuals.

I think the Senator will agree that the purpose of these farm programs is to assure controlled production.

Mr. WILLIAMS of Delaware. That is the purpose, but it has not achieved that objective. I think the Senator from Kentucky will admit that with all of the, not millions, but billion of dollars that we paid out last year under the farm program, we are confronted with a staggering surplus as a result of the carryover of the various basic commodities this year. At the same time, the price of many of these commodities—corn, feedgrains, and wheat—are at a 20- to 25-year low because the farm program has not worked.

Mr. COOPER. Of course it has not worked perfectly. Yet, we have to think of the alternatives.

The Senator will recognize and remember that over a period of 10 or 15 years, control program after control program has been tried—under the administration of President Eisenhower, with Mr. Benson, and now the latest program, which was inaugurated by Secretary Freeman in the Kennedy administration.

The old programs called for acreage allotments with support prices, and then if the product did not bring the support price, the Government would purchase the product and store the surplus accumulated; storage costs were large and there were often heavy losses in disposing of the surplus stocks. More recently, the Government would pay the producer the difference between the support price and the market price, and the cost would come out of the operations of the Commodity Credit Corporation.

Mr. WILLIAMS of Delaware. The Senator is correct.

Mr. COOPER. So each year there were losses to the Government of a billion or a billion and a half dollars. The farmer, though, would get up to the support price, a percentage of so-called parity.

This program, however, is a combination of support prices and payments to withdraw land from production. To attempt to make it work, it was thought that all producers would have to be brought into it—large and small—or else there was no possibility of it working. That meant the large producers had to come in as well as the small producers.

The Senator said the program did not help the small farmer. If it helps prices, it helps the small farmer, just as it helps the large farmer.

Mr. WILLIAMS of Delaware. To the extent there is a support price in agriculture, it helps the small farmer just as much as the large farmer. But to the extent we are dealing with these subsidy payments, they do not help the small farmer as much as they do the large farmer, because the small farmer, who has a one-family operation and $40,000 or $50,000 of equipment—and that is a low estimate—cannot afford to idle one-fourth of his acreage. If he does he loses his efficiency in operating his equipment. But a man who has three times that acreage and perhaps two or three times as much equipment can discharge his labor, put his oldest equipment in the barn, and to that extent the payments for diversion represent a larger percentage of profit. Those are the facts of life.

By the same token, a man who owns 1,000 or 2,000 acres of farmland and wants to retire can sell his equipment, put it all under the soil bank, and to that extent it represents a still larger percentage of profit. We cannot get away from those economics.

Mr. COOPER. The Senator from Delaware does not address himself to the real problem. That is the problem of whether you have control, and an attempt to limit production and thereby assure a reasonably fair price, or whether you turn production loose. If you turn it all loose, without any controls, we could find ourselves in the same shape we found ourselves after World War I, when the prices were driven down so disastrously low. Many people believe that led to the depression.

The Senator cannot argue that with some of the farmers left out of the control provisions and some left in, that there would still be an effective control system. I must say that the Senator is really arguing against the farm production control program. That is the part of the farm program which makes the price support workable.

Here is what I believe should be done. I wonder if the Senator has ever suggested this; I must say that I have not. I wonder if it has been considered in the Committee on Agriculture and Forestry.

Suppose the Department of Agriculture should make a study, take every payment from $75,000 up and determine how many acres had been taken out of production by reason of those payments. It could do the same for payments of $50,000 and up, and payments of $25,000 and up. Having done that, it could be determined what percentage of production had been taken out for cotton, for corn, for wheat, for rice, for any basic commodity. Then I believe a reasonable determination could be made as to whether payments could be cut off at, say, $75,000, $50,000, or $25,000, without destroying the production control program.

Would the Senator agree that there is some sense to that proposal?

Mr. WILLIAMS of Delaware. I was a member of the Committee on Agriculture and Forestry several years ago, and I tried to get the committee to consider this matter then.

Mr. COOPER. Before we get away from this point, does the Senator agree that that would be a rational way to find out the effect of placing such limitations upon the production control and price support program?

Mr. WILLIAMS of Delaware. I have been debating this point for 15 years, and I am surprised that nobody in the department has studied it. They should have.

Mr. COOPER. We in the Congress have not, either.

Mr. WILLIAMS of Delaware. Perhaps the Senator has not, but it has been before the Senate every year.

Mr. COOPER. The Senator from Delaware offers it every year.

Mr. WILLIAMS of Delaware. That is correct.

Mr. COOPER. Has the Senator been able to determine—I have not asked, and I do not know whether the committee has—what effect the limitation of $75,000 or $50,000, or $25,000 would have upon production, percentagewise?

Mr. WILLIAMS of Delaware. I offered this amendment earlier this year as a rider on an appropriation bill. The suggestion was then made, very properly, by the chairman of the committee that this was something that should be studied by the committee. I did submit the amendment to the committee, and the committee considered it. I regret that they rejected it.

I emphasize that this does not stop the price support for the large farmer. This does not deal with the price support loans at all. It does enter into the incentive payments and the production payments, and I believe we should control them.

The Senator from Kentucky said this is an argument between controls or no controls on agriculture. To some extent that is true. But so long as you have a support price on any commodity in America—I do not care whether it is agriculture or some manufactured product—so long as you have a support price that is guaranteed by the Government, where that support price represents a profit, there is only one way to control it, and that is with mandatory production controls. And I do not mean voluntary controls. I do not want the mandatory controls, but the only way to make any program work with a support price above the cost of production, human nature being what it is, is to control that production. And I repeat, I do not want mandatory production controls.

The Senator said that we cannot afford to cut loose all supports. I agree with him. I was asked the question some time ago, "If you had a chance to vote to repeal the support program and abolish the Commodity Credit Corporation today, would you do it?" The answer was, "No."

This program could not be abolished overnight. Several billion dollars of commodities are on hand, and abolishing the program overnight and dumping the commodities on the market would have a demoralizing effect on the markets both at home and abroad.

I believe we can work our way out. I said that I do not believe the American farmer can be cut loose without any program. Agriculture is an operation that is different from manufacturing, and some type of support is needed.

Likewise, I point out that farming is not the only aspect of our economy that is being subsidized. With respect to any subsidy that is paid to any industry, before you go in to get that subsidy from the Government I believe you should have lost a little of your own money.

Mr. McGEE. Mr. President, title 5 of the bill we are considering extends the National Wool Act through 1973. In the 14 years that this wool program has been in operation, it has proven to be a sound program. Furthermore, it has worked better than previous wool programs; for example, the purchase program that was in effect in the early 1940's and through which the government acquired a stockpile of wool which in turn became a depressant when free market operations were resumed after World War II.

Under the National Wool Act, wool moves freely into the open market, selling at the best price obtainable. An incentive payment is made to growers when the market price falls below an incentive level which is regulated by a parity index formula reflecting costs of production, wages, interest, and taxes paid.

After an investigation completed in 1954, the Tariff Commission recommended to the President that the tariff duty on imported raw wool be increased to protect the price support program then in effect on our raw wool. The President felt it would be unwise to raise the tariff due to our close ties with wool-producing countries, such as Australia, that ship wool to the United States. In lieu of a tariff increase, the National Wool Act was evolved. The incentive payments made under the Wool Act cannot exceed 70 percent of the tariff duties collected on wool and wool manufacturers so that payments under the act are related to tariff duties collected.

Furthermore, under the National Wool Act, growers have instituted a self-help program to advertise and promote their products, lamb and wool. They are currently contributing 1½ cents per pound of wool sold to finance this worthwhile promotion program.

Last, but certainly not least, the National Wool Act is operated in such a manner that it provides an incentive to growers to improve the quality of their wool and thereby receive the best price possible in the open market.

Wyoming is the second largest wool-producing State of the Nation. However, all 50 States have wool production. The National Wool Act has worked well for our wool producers and I highly recommend that it be extended.

Mr. MANSFIELD. Mr. President, our colleague, Senator FULBRIGHT, is in Arkansas and cannot be here for the debate upon this important legislation. He has asked me to offer a statement in opposition to limitations upon payments to farmers as authorized in the farm bill. I ask unanimous consent that Senator FULBRIGHT's statement and an accompanying letter be printed at this point in the RECORD.

There being no objection, the statement and letter were ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR FULBRIGHT OPPOSING LIMITATIONS ON PAYMENTS TO INDIVIDUAL FARMERS UNDER THE VARIOUS FARM PROGRAMS

Mr. President, for several years attempts have been made to impose limitations upon payments to which farmers are entitled under our various national programs to develop orderly markets in agricultural commodities. I have consistently opposed such efforts. Of the many statements which have been made on this issue, none has been more clear than a letter which I have received from the Secretary of Agriculture. I ask unanimous consent that there be printed at this point in the RECORD the letter dated July 17, 1968, addressed to me by Secretary Freeman.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, July 17, 1968.

Hon. J. W. FULBRIGHT,
U.S. Senate,
Washington, D.C.

DEAR BILL: As the vote nears on the farm program, I want to make it clear that my opinion on the limitation of payments hasn't changed—I'm against it because I believe it is against the national interest.

In agriculture as in manufacturing the Nation has the capacity to produce about 12 percent more than markets will take without price-smashing effects.

Manufacturers readily regulate production to prevent price disasters. Farmers historically have not been able to do this without a farm program. Our farm commodity programs today—and they are voluntary programs—permit them to do this. They work because farmers cooperate in diverting acreages from surplus crop production into soil-conserving uses. Many do this at a financial sacrifice because they know balanced supplies are in the interests of all.

All who cooperate earn, and are entitled to, reasonable compensation for this acreage diversion. Nowhere have I heard of a limitation on payments when a city takes real estate for urban renewal, or when a state takes land for a highway.

The farmer who is asked to divert 100 acres from surplus production expects to be paid about twice as much as what his next

door neighbor, with comparable land, earns for 50 acres of diversion. And why not? His investment is twice as great, his taxes are twice as great, and his risk is twice as great.

Commodity programs are not welfare grants. To be effective in balancing production they must fit into the free-enterprise concept that a man is rewarded in terms of the value of his contributions. Program payments reimburse farmers for income they forego and expenses they incur when they divert land from crop production to carry out farm policy.

And to those who assume that money will be saved by limiting payments, I say that this is simply not true if the same result of supply management is to be achieved. If one large farmer who has been foregoing production on 1,000 acres doesn't cooperate in these programs, that means 100 small farmers will have to forego production on 10 more acres each to maintain supply and demand stability—and I believe that this would cost more, not only in federal funds, but in further curtailment of opportunity for smaller farmers.

The present farm programs have accomplished what would have been considered a miracle a few years ago. By encouraging the participation of producers, large and small, we have used these programs to work Commodity Credit Corporation inventories from their peak of $6.148 billion in October 1960 down to $896 million as of last May 31.

I would remind you that Agricultural production potential today is greater than it was in the days when those surpluses were piling up. It seems to me there are three alternatives: new and greater surplus inventories with higher federal costs; a glutted market with an economic impact far wider than farmers; or commodity programs with ample production at reasonable cost to the consumer and with reasonable returns to the farmer.

Sincerely yours,

ORVILLE L. FREEMAN.

Mr. RIBICOFF. Mr. President, I shall vote against this bill.

The proposed legislation would extend for another 4 years a program which has failed both the farmer and the Nation as a whole.

At a time when Americans are digging deep into their pocketbooks to pay the extra 10-percent surtax, I cannot vote for a program of such expense and inefficiency. Wheat and feed grain programs alone are costing the taxpayer close to $2 billion a year.

At a time when we must reorder our policies to meet new priorities, I cannot vote for programs of the past.

This is no time to tie the farmer and the consumer into a program which has amply demonstrated its failures in the past 3 years. This is no time to blandly perpetuate our past errors.

This legislation would extend, without major change, the subsidiy and price support programs begun under the Food and Agriculture Act of 1965. But the 1965 act has reaped a grim harvest. Last year farm income fell $2 billion. Farmers and their families have been driven off their land and forced to migrate to our already overcrowded cities where they are ill-equipped to find jobs. The small farmer has been boxed in by a program which caters only to his large corporate neighbor. Parity for all farmers has dropped to its lowest point since 1933.

This record alone is hardly a recommendation for extending our present policies, and when coupled with the astronomic cost of our farm programs, it becomes a clarion call for agricultural reform.

Mr. President, the Food and Agriculture Act of 1965 is authorized to extend through the 1969 crop year. There is no need to authorize further programs at this time.

In 1969, a new administration will begin its work—an administration which will undoubtedly have a farm program of its own. This program along with other proposals should be reviewed and tested at length in both Houses of Congress. To act now would be to make a hasty and ill-advised end run around the next administration and the next Congress.

We have spent $12 billion in the last 5 years underwriting this expensive subsidy and support program. No one has gained from these policies except the handful of rich farmers who receive the lion's share of Government payments. It is time to reexamine our efforts and redirect our policies.

Mr. YARBOROUGH. There is much at stake in the question of renewal of the Food and Agriculture Act of 1965. Quite simply, what is at stake is the future of rural America.

So, in effect we chart today a course of action whose effect will be felt both far and wide. Will the future continue bright and vibrant? Will we continue to enjoy a full—yet even—flow of the world's best food from our more than 3 million commercial farms to the marketplace and on to the consumer? Or will we return to the agriculture of surplus piled high on the land—the agriculture of low profit and high despair?

A decade ago the tide of despair ran strong in agriculture. We have stemmed that tide. Look at what has happened: Per farm income—55 percent higher than at the beginning of the decade—exports, up 51 percent since 1960 to $6.8 billion—price-depressing surpluses virtually eliminated with CCC inventories down from $4.5 billion in 1960 to less than $1 billion today—and that is the lowest since 1953.

I say, let us continue with proven methods. A wise cook often experiments with a favorite recipe. But she never confuses salt with sugar, or substitutes one for the other.

Some needed refinements have been added in the case of this legislation. But basically, it is the same proven plan for building and maintaining a healthy agriculture industry throughout this land of ours—that we put into effect in 1965.

Let me share with my colleagues an example of what these programs mean in my own State.

Last year we were hit with abnormally bad growing conditions in Texas. Hurricane Beulah devastated 24 counties in the southern part of the State, severely damaging the citrus crop, and cotton and vegetable crops in that area.

Yet despite this adversity we actually had a small gain in income from cotton, a major crop. In 1966 the value of cotton production in Texas was $361 million. In 1967, despite the fact that the crop had been wiped out in a considerable area, we made a slight gain to $364 million. The reason is simple. We had an effective cotton program in operation and our Texas cotton farmers were taking advantage of it. Just over 100,000 farms participated in the cotton program last year. This involved 6.2 million acres of cotton, and program payments of $297 million—up from $242 million in 1966.

We had about 83,000 farms signed up last year for the feed grain program. These producers earned $61 million in 1967 and will earn about $118 million this year. More than 40,000 farms were signed up for the wheat program. Payments here totaled about $46 million and will be just about the same this year.

These are just a few examples of what the farm commodity programs mean to farmers in my home State. There are many others. And the examples are by no means confined to Texas; I look in any State where these basic commodities are grown and you will find farmers who are joining in a partnership with their Government that is sealed in plain commonsense—the commonsense of balanced production for a fair shared return. The farm program is working. It is a success.

I recommend that the Senate extend the legislation under which the program is operating. Let us extend it for 4 years as the bill provides. Let us do it now.

UNANIMOUS-CONSENT AGREEMENT

Mr. MANSFIELD. Mr. President, I ask unanimous consent that there be a 2-hour limitation on the pending Williams of Delaware amendment, the time to be equally divided between the Senator from Delaware and the Senator from Louisiana; that there be a limitation of 1 hour on all other amendments, and a limitation of 1 hour on the bill.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. HOLLAND. Does the Senator mean 1 hour on each of the other amendments?

Mr. MANSFIELD. Yes.

Mr. HICKENLOOPER. Mr. President, reserving the right to object, does the Senator contemplate that the Senate will not vote tonight, but that the Senate will vote in the morning?

Mr. MANSFIELD. That is the way it is beginning to look to me, although I would like to get some of these matters out of the way tonight.

Mr. WILLIAMS of Delaware. Mr. President, I agree to the unanimous-consent request. However, having utilized as much time as we have on our side, the other side has not had a chance to present its position, and to the extent we could accommodate them, I am willing to.

Mr. MANSFIELD. We have provided for 2 hours on the pending amendment, to be equally divided.

Mr. HICKENLOOPER. Mr. President, I do not object but for personal reasons I wondered about voting first thing in the morning.

Mr. MANSFIELD. I understand the Senator's personal reasons. There will be further discussion on the proposals and I would like to get it out of the way.

However, I want the membership to be sure of a vote on this matter tomorrow.

Mr. PASTORE. What is wrong with giving a 2-hour period tonight with the idea that we will have a vote at 10:15 tomorrow? The matter could be debated for 2 hours tonight.

Mr. MANSFIELD. I would like to see as much of the debate had tonight as possible.

Mr. PASTORE. All of it tonight.

Mr. MANSFIELD. In that case, it is the intention not to adjourn but to recess tonight and to immediately go into a time limitation at 10 o'clock tomorrow.

Mr. PASTORE. And vote tomorrow.

Mr. WILLIAMS of Delaware. Tomorrow we could have 10 minutes or 5 minutes remaining on each side.

Mr. PASTORE. And vote at 10:10 a.m.

Mr. MILLER. Or 10:30.

Mr. WILLIAMS of Delaware. We would continue the debate tonight.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that, coming it at 10 a.m. tomorrow, the time be equally divided, 15 minutes to a side between the Senator from Delaware [Mr. WILLIAMS] and the Senator from Louisiana [Mr. ELLENDER], and that the vote on the pending amendment take place at 10:30 tomorrow; but, at the same time, I would like to have a 2-hour limitation for tonight also.

The PRESIDING OFFICER. Does the Senator from Montana wish to have the request in the usual form?

Mr. MANSFIELD. Yes; under rule XII.

Mr. MILLER. Mr. President, does the Senator add to that request the 1-hour time limitation on further amendments?

Mr. MANSFIELD. Yes, and 1 hour on the bill.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Montana? The Chair hears none, and it is so ordered.

The unanimous-consent agreement, subsequently reduced to writing, is as follows:

Ordered, That during the further consideration of the bill (S. 3590) to extend and improve legislation for maintaining farm income, stabilizing prices, and assuring adequate supplies of agricultural commodities, debate on any amendment (except the pending amendment by Senators WILLIAMS of Delaware and BREWSTER of Maryland, on which there shall be 2 hours of debate to be equally divided and controlled by the mover of the amendment and Senator ELLENDER: *Provided,* That the time between 10 and 10:30 a.m., Saturday, July 20, 1968 be equally divided and controlled by the same Senators and that the vote on the said amendment come at 10:30 a.m. that day), motion, or appeal, except a motion to lay on the table, shall be limited to 1 hour, to be equally divided and controlled by the mover of any such amendment or motion and the Senator from Louisiana [Mr. ELLENDER]: *Provided,* That, in the event the Senator from Louisiana is in favor of any such amendment or motion, the time in opposition thereto shall be controlled by the minority leader or some Senator designated by him.

Ordered further, That, on the question of the final passage of the said bill, debate shall be limited to 1 hour, to be equally divided and controlled, respectively, by the majority and minority leaders: *Provided,* That the said leaders, or either of them, may, from the time under their control on the passage of the said bill, allot additional time to any Senator during the consideration of any amendment, motion, or appeal.

ORDER FOR RECESS UNTIL 10 A.M. TOMORROW

Mr. MANSFIELD. Mr. President, I ask unanimous consent that when the Senate completes its business tonight, it stand in recess until 10 a.m. tomorrow. There will be no morning hour tomorrow and we will go immediately into the time limitation, and vote at 10:30 a.m.

The PRESIDING OFFICER. Without objection, it is so ordered.

AGRICULTURAL ACT OF 1968

The Senate resumed the consideration of the bill (S. 3590) to extend and improve legislation for maintaining farm income, stabilizing prices and assuring adequate supplies of agricultural commodities.

Mr. STENNIS. Mr. President, may we have order so we can hear the debate?

The PRESIDING OFFICER. The Senate will be in order. Attachés will retire to the rear of the Chamber. The Senator from Delaware has the floor.

Who yields time?

Mr. WILLIAMS of Delaware. Mr. President, I yield myself 5 minutes and then I yield to the Senator from Iowa.

The PRESIDING OFFICER. The Senator from Iowa is recognized.

Mr. MILLER. Mr. President, I would like to add a few comments to what the Senator from Delaware has said in response to the question raised by the Senator from Kentucky. The Senator from Kentucky has asked a question which has troubled me, and that question is whether or not there has been any research made to analyze the impact of some of these larger payments on the grain control program.

I wish I could say we have a tabulation from the Department of Agriculture showing the number of large farmers who are not in the program. My information is that there are a large number of large farmers not in the programs who do not receive payments.

Whether or not the Williams limitation would affect the total amount of grain produced, is something that nobody seems to be able to answer.

Mr. President, with a view of determining something along this line, in a recent committee meeting I persuaded the chairman of the committee, the distinguished Senator from Louisiana [Mr. ELLENDER] to see what the Department could come up with in connection with the Williams approach, possibly scaling the size of acreage so that a very large producer might be satisfied with a smaller payment than a smaller acreage farmer, and be satisfied enough to go into the program to help achieve the objective of the program.

As a result there was a letter sent by the Secretary to the chairman of the committee dated July 18, 1968. I wish to read from the letter received from the Secretary of Agriculture. I might say, Mr. President, that I have the permission of the chairman to do this:

With the basic fact that voluntary programs must obtain participation from large farms as well as small farms, it would be extremely difficult to find a formula or devise a program which would hold participation in the voluntary commodity program while at the same time limiting the returns to those farmers.

Mr. President, I would like to point out this paragraph especially to the Senator from Kentucky:

Due to previous requests, and also because of the harmful propaganda based on big payments, I have considered program modifications which limit payments. I have not yet been able to come forth with a satisfactory solution. In view of your committee's request, we will review and intensify our efforts in this direction.

That indicates this is an extremely difficult problem and that the Department does not have an answer to the Senator's question. If it did I think it would have gone into the matter long before now, but we have the assurance that the Department is trying to proceed in this direction.

Mr. COOPER. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. COOPER. Mr. President, I am very much interested in the Senator's comments. They have been helpful. They are also rather complementary to the position the Senator from Delaware has taken. However, it seems to me that in considering this amendment today these facts should be ascertained. For example, the Department of Agriculture knows the name of every individual that is receiving payments over $75,000. The Department would know the acreage that had been taken out of production through that payment of $75,000. Is that correct?

Mr. MILLER. Mr. President, as I said earlier, I do not believe they have the information regarding the number of these large farmers not in the program, but they should have the information the Senator from Kentucky has mentioned.

Mr. WILLIAMS of Delaware. They do have the information because they make the payments and they tabulate them and report to Congress. Under date of May 23 of this year, as appears in the RECORD of that date, I had printed a list of all those farmers receiving over $50,000, which information was furnished by the Department of Agriculture. There is a list of those receiving over $25,000, but I did not have that printed because it is so long. They have the names of all those persons receiving the payment.

Mr. MILLER. The gap is that they do not have the names and acreage of those not receiving payments and not in the program; and how much difference it would make to have these others who have not gone into the program is something that has not yet been worked out.

Mr. COOPER. They have the names of all those people and they know the number of acres taken from production on those farms. They know the total number of acres taken from production of wheat or cotton, for example. From that total acreage reduction they could determine what percentage of the control program is represented by the reductions on the large farms; is that not correct? That would give them some idea of what the effect on the control program would be if, say, it was limited to the payments under $75,000. At least, we could begin to look at this proposal on the basis of some reason, rather than just guessing.

Mr. MILLER. I think I understand what the Senator is getting at, but it is a little more precise than he has put it. What he is getting at is this: Suppose we draw the line at $75,000, with no payments over that, but here is a farmer with $100,000 and he will be told that he will get no more than $75,000 and he has got to be in the program to get the $75,000. Is he going to come in, anyhow, or is he not going to do so? If he does not, we know how much potential production he has from not diverting acreage and the Senator from Kentucky would want that computed.

Mr. FANNIN. May I interject here to say that if he comes in at all, he comes in at 100 percent. That is one of the great problems. So if he had 100 acres he does not divert and another farm has 50 acres he does not divert, the one that had diverted the 50 acres under the formula, supposedly, could get the same amount of money as the one who diverted the 100 acres.

Mr. MILLER. We do not know whether the farmers cut off in the payments will say, "Well, the payments are still enough of an incentive for me to stay in." The man who gets the $100,000, who now would only get the $75,000 would say, "I would like to get the extra $25,000 but it is still a good deal for me to get the $75,000." That is the psychology of it, but I do not believe that they have been sampled out adequately. I do not believe that we have had enough statistics on it. That is why the chairman wrote to the Secretary to try to get a study going on it.

Mr. COOPER. Mr. President, no one knows. My idea is this: Assume 1,000 farmers in the United States get $75,000 or more. It may be more than that, I do not know. Perhaps there are 5,000. If we knew the acreage that had been taken out of production by those 5,000 farmers entering into the program and then, by ascertaining what percentage of the total reduction that amounted to, it would be my assumption that compared to the hundreds of thousands of small farmers who might have taken out 10, 50, 100, or 200 acres, the amount of production taken out by those 5,000 farmers would be relatively small. If that proved to be true, the Secretary of Agriculture, or the Congress, could then make a rational judgment. We could then say "it is not worthwhile. We do not have to go over $50,000, because we knew the amount of production taken out by that payment is small compared to the total reduction."

We might remove those payments, and that would remove a good deal of the criticism made of the program.

Mr. MILLER. The Senator's suggestion on that point is, indeed, one approach. There is an approach which the Senator from Delaware is using on an assumption basis, that if we take his amendment, then it is not going unduly to aggrevate the surplus situation. But no one knows the answer to that.

There is another approach, let me say to my good friend from Kentucky, and that is to scale down the payments as the acreage gets larger. That is an approach that we asked the Secretary to look at, and the best he was able to come up with was that he has not been able to come up with a determination. He will intensify his study on it. I think that has a possibility, too. Of course, the higher we get on the cutoff the less we will aggravate the surplus condition because there will be less farmers who will not participate, and the fewer farmers who do not, the less the impact on the surplus condition. Where the cutoff should be, whether $75,000 or $50,000, no one knows. The Senator from Delaware is making an effort to try to avoid this bad publicity which has taken place over the large payments. The answer to that, of course, is that we want to have them participate and have big farmers as well as little farmers participate because if they do not, we will have a surplus again. Then the refinement is, maybe if we take out just a few of the big farmers, we will not have the surplus.

Where we draw the line, I say to my good friend from Kentucky, I do not think anyone knows. The Senator from Delaware is trying the $75,000 line. If we use the $75,000, we would not have very much of an aggravation of surpluses.

Mr. ELLENDER. Mr. President, I yield 5 minutes to the Senator from Arizona.

The PRESIDING OFFICER. The Senator from Arizona is recognized for 5 minutes.

Mr. FANNIN. Mr. President, I oppose the limitation of payments because I believe it is against the national interest.

As long as the Federal Government controls the farmers activities in the operation and welfare of their business it is only fair and equitable that the Federal Government reimburse the farmers for the crops they are precluded from growing.

This Nation has the capacity to produce agricultural products far in excess of the market but if this is done many farm production areas will suffer drastically from their inability to compete. Price smashing repercussions would accrue if subsidies are suddenly dropped or lowered unrealistically without several years of planning and programing. Personally, I hope a complete removal of controls and subsidies will come about in the not too distant future. Research and proper programing, I believe, will bring this goal to a reality if a sincere effort is fervently carried forward. It may take several years to completely accomplish Government reimburse the farmer for this objective.

Farmers cannot adjust to sudden changes in demand of their products as can be done in manufacturing. Rains, hail storms, heat, and cold all enter into a farmers fortune in crop yields. He cannot overnight or during a growing season considerably change the amount of yield except to not harvest a crop or to only partially harvest.

We must consider this legislation from the standpoint of the farmer with just consideration of the consumer, all the people of America. Food and fiber production in the United States must be maintained for the general welfare of the people as well as for the security of this Nation in times of emergency.

In considering costs of production to the ultimate consumer it is necessary to realize in the production of many crops the economic size of the farm unit is very important. The more successful or larger farmer should not be penalized because of size alone.

Certainly I wish we could give special opportunities to the small farmer but not at the expense of the large farmer and the consumer.

As far as this Senator is concerned if we can be fair to the consumer and not increase commodity prices I hope we can eventually work ourselves out of controls and subsidies completely.

Now specifically to the cotton program:

Two of the overriding considerations are first, limitations would create a more costly problem than the amount of savings a limitation would net; and, second, limitations would cause severe hardships not only in cotton and other agricultural commodities directly involved but also for the textile industry, in many allied industries, and actually throughout our economy, ultimately adversely affecting every consumer in this country.

What many do not understand is that the present cotton program is not a voluntary program. To receive the benefits of price supports, mandatory and voluntary diversion payments, cotton producers must participate by including all of their production in the program.

The unique hardship of a payment limitation and the mandatory features of the cotton program is that producers would be required to participate 100 percent but not allowed to benefit 100 percent if they are above some arbitrarily set size. The unfairness of preventing large producers from fully benefiting from the program is emphasized by the fact that the program benefits—price supports, mandatory and voluntary diversion payments—represents a significant part of the porducer's cost of production. These are costs a producer has to incur, regardless of size, for seed, fertilizer, equipment, chemicals, and labor.

The fact that the Food and Agriculture Act of 1965 reduced the loan rate for cotton from about 30 cents per pound to about 20 cents per pound has kept cotton competitive in price and contributed materially in reducing the surplus. However, with USDA figures indicating that cost of production is about 26 to 28 cents per pound, it is obvious that some interim income-maintaining device is necessary. That device was worked out in the present legislation in the form of price support, mandatory and voluntary diversion payments. These direct payments are viewed by the cotton industry as temporary, income-maintaining supports to last only until the cost of production can be reduced by research. To limit these payments now, before the ultimate in cost reduction has been achieved, would work a double hardship on the producers involved.

First, producers would not be paid what amounts to an integral part of their cost of production, and many would face dire financial hardships. Second, producers would not have the alternative of receiving the benefits of the program up to the limit of their payment, and planting the rest of their acreage outside the pro-

gram. The program is all or nothing. As long as cotton farmers do not have the option of participating to a limited degree in the program, it is unfair to say their benefits of the program must be limited. It is basically unfair to say to a producer, "It is mandatory that you participate 100 percent in the cotton program, but because you happen to be larger than some arbitrary size, you cannot benefit 100 percent from your participation."

With payments limited, with the loan rate reduced significantly below the cost of production, and with producers depending on the payments for a major part of their actual cost of production, economic chaos will result for the cotton industry if a payment limitation is imposed.

The probable result of a payment limitation is that many producers will not continue their present production levels of cotton. The consequences of drastic reductions in cotton acreage are important for all our economy.

With fewer acres devoted to cotton, the already acute supply situation will be worsened. The ultimate result will be that the spinning mills will be forced to substitute synthetic fibers for cotton. Market losses for cotton will be heavy. These lost markets may never be recovered. The probable situation is that with a weakened cotton industry, spinning mills would be dependent on a few large synthetic fiber producers for their raw materials. The consuming public would be faced ultimately with a smaller selection of cotton goods in the marketplace, and consumers probably would be paying more for their textiles.

With prices rising, demand will slacken, and the textile centers and industries allied to agriculture and textiles, will feel the economic pinch.

With cotton producers no longer able to produce cotton at a profit because of the payment limitation, millions of acres of some of the most fertile and productive land in the United States will be diverted to the production of other commodities. Feed grains, wheat, soybeans, fruits, vegetables, poultry, and livestock markets could be wrecked within a year's time because of the repercussions from transferring excellent cotton lands into alternative crops.

The sponsors of the payment limitation are using the argument of "economy" as one of their main justifications for a payments limitation, but it will be far from an economy move. There will be no savings under a payment limitation when amounts are totaled representing the extra cost to the Government for purchasing and storing the surplus commodities, the cost of the economic losses to areas and industries dependent on a stable agricultural economy, the cost of higher consumer prices, and the cost of gold losses resulting from greater imports and fewer exports because of the market disruptions.

While the cost of the present cotton program is admittedly high, the costly payment features are viewed as an interim feature, lasting only until the cost of production can be reduced. On the other hand, when amounts are calculated for the total cost of a program under a system of payment limitations, the actual—not the out of treasury expenditures—will be greater than the present program, and they will be permanent costs—such as the loss of markets—rather than temporary costs.

In return for the payments, producers are doing things which are desirable and which are sound management practices. For example, under the present cotton program, a costly government surplus has been sold. Rather than continuing expenditures for purchase and storage of the surplus, the government has received an income from the sale of its stocks. Now that these stocks are eliminated, production is going directly to consumption, not to government storage. True, some payments have been large, but in return for these payments, the government and all its taxpayers have received benefits, and with the surplus now eliminated, diversion costs can be at the minimum in the future.

No one favors economy in government more than I do. But when we consider all the costs of a payment limitation, it is a cost far greater than the amount a payment limitation would save—a cost far greater than we can afford. Mr. President, I urge that the payment limitation amendment be defeated.

Mr. ELLENDER. Mr. President, I yield 10 minutes to the Senator from Mississippi.

Mr. STENNIS. Mr. President, this amendment raises a basic, fundamental question with reference to the entire price-support program, and it is an intriguing and fascinating principle of the entire price-support system. I think these payments could be better described as being, not payments to the individual, not payments to a corporation, if it happens to be a corporation; these payments are payments for the system. The subsidy payments are paid for the system.

What is this system? The farm program has been worked out over a period of 30-odd years, and has been, by experiment, both from the farmer's standpoint and from the taxpayer's standpoint, improved and enlarged into a workable system that always provides us with needed food and fiber.

To my mind, I could not give a better illustration than an experience I had some 10 years ago. I spent 18 days in Eastern Europe and in Russia. I saw teeming millions of people in Russia working hard and industriously, producing the very best they could, but their stores were scanty, their goods were scarce. With all respect to those people and their nation, I saw them standing in line. It is true that they are improving their economy, but at that time they were standing in line two blocks or more long in Moscow, trying to buy ordinary pieces of cotton goods in the stores. I saw them standing in line in other places, waiting for other goods or products.

The reason for it was that the supplies had run out. The people who had not gotten to the counters were unable to get the goods.

When I returned to this country, I went purposely to a large grocery store in the city. It was bursting to the seams with a great variety of fresh vegetables and fresh fruits and all kinds of canned goods. Every conceivable kind of food in the world was there—baby food, infant food, invalid food, everything. There were 120 different kinds of cheese, for instance. That was one item I counted. People were buying right and left. The rush hour was on.

Mr. President, I have never been prouder to be an American than the time when I saw that striking contrast. I have never been prouder to think of the way we have worked out an economy that supplies continuously, every day of the year, all over the Nation, this unlimited supply of the finest kind of food products. That experience could be reproduced again and again in stores where they sell finished products of fibers and goods.

So we are paying subsidies, and some of them are very large, but that is the price we have to pay for the system.

If we move in and strike down one of the arches upon which this system stands, that is the beginning of the wrecking of this program. I speak from personal knowledge, not from participation in these programs, but from personal knowledge of the way the system works.

So we have not only this needed food and fiber, but we have this balanced production, year in and year out, an assured production first, and then a balanced production later, which gives us this even, smooth, balanced economy.

Certainly it costs money, but if it were not for the program that gives us this assurance, we would be out of certain kinds of food needed by children and others, and we would have an oversupply of other foods, the prices for which would be ruinous to the producer.

So the cost is worth something to every person in America, but it is of particular value to the consumer to have within his reach, within his block, almost, throughout this great land, this unlimited supply of food at relatively low prices. I say that with emphasis, although the price is going up somewhat, and going up too fast for me. At the same time, the food is there, and it is within the reaching distance of the great mass of the people.

So anyone who feels he must vote for the consumer can cast, in my opinion, a sound, honest vote for the consumer by voting to maintain this whole system. If we buy a part of it, we have to buy all of it. If we affect a feature of it, it will affect the payments and make the system unbalanced in time, as certain as night follows day.

I have seen something else happen, too. I know what it is to have labor operate the farm and what it is to have that labor leave. I know what it is to see too many of them converge on the towns and cities. I do not know that half so well as do the people who are living in cities, and we have seen that situation right here in this city.

I cannot think of anything that is better insurance for the American people against some of the frightful things that we can foresee in the future, and that we feel will happen, than to keep this thing spread out as much as we can

all over the Nation, and have a balanced, regular, consistent, uniform farm program. Otherwise, even more people will congregate in the cities, where there is not enough to do, and right there is where the breeding ground starts for troubles of the most serious kind.

So as far as I am concerned, I am willing to rest the case with the statement I made at the opening of my remarks, that it is the system and not the individual to which we are making these payments, and that is necessary to have an across-the-board application in order to have a system that will work.

I yield back such time as I may have remaining.

The PRESIDING OFFICER. Who yields time?

Mr. ELLENDER. Mr. President, I yield 5 minutes to the Senator from Florida.

Mr. HOLLAND. I thank the Senator from Louisiana.

Mr. President, I am grateful to the Senator from Delaware for having specifically excluded the sugar program from the scope of his amendment. That is only fair, because in that deficit program, the effort is to continue to supply about 60 percent of our domestic sugar needs, so that if our offshore supplies are cut off, we would still be able to live.

Mr. President, that program is proving successful. It is making sugar available at a reasonable and a relatively stable price. It has not cost our Government anything, because out of the processing tax, large sums are turned into the general revenue each year and, as a matter of fact, the program is so designed that it gives much greater support to the small than it does to the large producer.

In order that this fact may be clearly shown, I ask unanimous consent to have printed in the RECORD section 304 of the Sugar Act, subsections (a), (b), and (c).

There being no objection, the section of the statute requested was ordered to be printed in the RECORD, as follows:

COMPUTATION OF PAYMENTS AND PERSONS ELIGIBLE FOR PAYMENTS

SEC. 304. (a) The amount of the base rate of payment shall be 80 cents per hundred pounds of sugar or liquid sugar, raw value. (7 U.S.C. 1134(a).)

(b) All payments shall be calculated with respect to a farm which, for the purposes of this Act, shall be a farming unit as determined in accordance with regulations issued by the Secretary, and in making such determinations, the Secretary shall take into consideration the use of common work stock, equipment, labor, management, and other pertinent factors. (7 U.S.C. 1134(b).)

(c) The total payment with respect to a farm shall be the product of the base rate specified in subsection (a) of this section multiplied by the amount of sugar and liquid sugar, raw value, with respect to which payment is to be made, except that reduction shall be made from such total payment in accordance with the following scale of reductions:

That portion of the quantity of sugar and liquid sugar which is included within the following intervals of short tons, raw value:

That portion ... short tons, raw value	*Reduction in the basic rate of payment per hundredweight of such portion*
350 to 700	$0.05
700 to 1,000	.10
1,000 to 1,500	.20
1,500 to 3,000	.25
3,000 to 6,000	.275
6,000 to 12,000	.30
12,000 to 30,000	.325
More than 30,000	.50

Mr. HOLLAND. Mr. President, I think the distinguished Senator from Delaware should also have excluded wool. I know if his proposal is enacted the wool-producing industry will be badly hurt. That is the only other deficit crop of which we are trying to encourage production.

I ask unanimous consent to have printed in the RECORD at this point what has been furnished to me today by the Department of Agriculture in response to a hurried call as a list of the six largest wool producers, and the amount of the payment made to each, in the States of Utah, Colorado, California, Wyoming, and Texas.

There being no objection, the list was ordered to be printed in the RECORD, as follows:

Desert Livestock Co., Salt Lake City Utah	$95,285
Echeverria, Don, Boulder City, Colo	93,986
Bidart Bros., Bakersfield, Calif	87,728
Rochelle Livestock Co., Rawlins, Wyo.	82,474
Morton's Inc., Bayles, Wyo	80,227
Silver Lake Ranches, Del Rio, Tex.	110,369

Mr. HOLLAND. Mr. President, with reference to the program now before us, as everyone knows, there are many details of the price support system which I do not agree, but I have tried always to help keep it a reasonable system, an effective system, and a fair system. The pending amendment strikes at the fairness and the effectiveness of the whole structure.

EFFECTS OF FARM PROGRAM PAYMENT LIMITATIONS

The damage to practically all of American agriculture from this proposed limitation on farm program payments would be far broader and deeper than appears on the surface. The three largest commodities—wheat, feed grains, and cotton—would be most immediately and directly affected, but the injury would spread quickly to other segments of agriculture, including particularly livestock.

The basic purpose of our farm programs is to assure adequate, but not excessive, supplies of agricultural products at prices fair to both producers and consumers.

The wheat and feed grain programs are both voluntary. Farmers are free to participate or not to participate in them. If a farmer does participate he takes out of production that part of his allotted acreage of the crop in question which is necessary to meet the national production goals for wheat or a particular feed grain crop and receives a rental payment for the land he idles. Also he is assured of a price support on the crop he does produce on his reduced acreage. If a farmer elects not to participate in the program, he, of course, receives no payment or price support, but is free to plant not only all of his alloted acreage of the crop but any additional acreage as well, and great amounts of acreage are coming out of the conservation reserve program at the end of this year.

If limitations should be applied, many of those farmers who are denied payments under the program by the limitation, would be forced to withdraw from the program and plan all acreage possible in order to make up their loss of payments through increased production.

The cotton program is not voluntary, but mandatory. If limitations are imposed, affected cotton farmers cannot withdraw from the program and plant cotton in excess of their allotted acreage without paying a penalty approximately equal to the price support for cotton. Neither can they survive financially under the cotton program if they are denied its benefits. Their only alternative would be to plant cotton only on those acres not penalized by the limitation and convert all of their additional cotton acreage to other crops.

And what would these "other" crops be that would be produced on the acreage, driven out of the wheat, feed grains, and cotton programs by payment limitations?

Most farmers forced out of the wheat or feed grains programs would probably plant all of their cropland acreage to wheat or to feed grains. Cotton farmers similarly affected would also turn to wheat and feed grains—including soybeans—in most areas. In the most highly productive cotton sections of the irrigated west and the delta areas, however, much of the converted cotton acreage would go into fruit and vegetable production.

In summary, the net effect of limitations would be about as follows:

First. Wheat production would be increased substantially, thereby defeating one of the main purposes of the Government's wheat program of balancing wheat supplies with demand.

Second. Feed grain production would be increased greatly. In my opinion this would be the most serious consequence of limitations. The program to stabilize feed grain prices and supplies would be largely destroyed. Excessive supplies and low prices of feed grains would result in overfeeding in the livestock industry, with serious damage to that industry's programs which are just beginning to be effective in stabilizing production and prices.

Third. The whole raw cotton industry would be hit the most direct and disastrous blow of any major segment of agriculture. A $25,000 limitation would force out of production overnight a substantial portion of the normal cotton crop. This would seriously injure and in many cases bankrupt our largest and most efficient cotton producers. The handlers and processors serving the cotton industry in the areas principally affected would suffer the same fate. The towns in these areas, and their total business, would be terribly harmed. The whole future of cotton—which depends completely upon reducing the cost of producing cotton so that Government subsidies can be gradually reduced and eliminated—would be shattered.

Fourth. Fruit and vegetable markets would suffer additional disruption, as the production of the acres idled by limitations created new competitive difficulties.

Therefore, Mr. President, I say that this amendment would make the whole program impractical, unfair, and ineffective, and I urge that it be rejected.

The PRESIDING OFFICER. Who yields time?

Mr. ELLENDER. Mr. President, I yield 12 minutes to the Senator from Hawaii.

Mr. FONG. Mr. President, although the senior Senator from Delaware and the senior Senator from Maryland have modified their amendment so as to exclude from the $25,000 limitation the compliance payments to sugar producers, I still strongly oppose their amendment.

To propose such a limit—particularly without providing any substitute program for the protection of America's farm industry—would seriously disrupt America's basic farm programs, which have served our people very well.

I know—and my colleagues in the Senate know—that should the Williams-Brewster amendment be adopted, a limitation on sugar compliance payments would surely follow, as night follows day.

In fact, the distinguished Senator from Delaware has just said, with very much candor, that his next amendment, if the present amendment carries, would be to limit the payments on sugar.

The Senator is exempting sugar at this time. He has frankly told us that it is because he expects to garner a few more votes for the pending amendment by exempting sugar from the amendment.

Because of what has been said by the distinguished senior Senator from Delaware about his next amendment to curtail sugar compliance payments, I shall discuss at this time what the impact of such a limitation would be on the sugar industry in my native State of Hawaii.

I can state the consequences very simply: Such an amendment applied to sugar would destroy the sugar industry in Hawaii, and sugar is our leading farm crop. It would destroy the jobs of 12,000 workers in Hawaii. This in turn would deal a staggering blow to Hawaii's economy, which is based heavily on the sugar industry. Sugar yields more than $190 million a year in income to the economy of our islands.

It provides full-time jobs for some 12,000 workers and pays them over $69 million in wages. Hawaii's sugarworkers are the highest paid agricultural workers in the world. They average, with fringe benefits, $26 a day. That is, a laborer working on sugar plantations averages, with fringe benefits, $26 a day.

Hawaii's sugar producers comply with all the requirements of the Sugar Act in order to qualify for compliance payments. In other words, Hawaii's sugar producers comply with production restrictions, pay "fair" wages to workers, do not employ child labor, and if they are processors too, they pay "fair" prices for sugarcane. In so doing, Hawaii's sugar producers earn entitlement to payments out of a fund consisting of Federal excise taxes collected by the Treasury on all sugar, foreign and domestic, processed in the United States.

The purpose of the sugar excise tax is to provide funds to pay U.S. sugar producers or processors for maintaining good working conditions, promoting orderly development of the sugar industry, and stabilizing the price of sugar for our domestic consumers. Compliance payments, therefore, are not a subsidy.

However, compliance payments are an integral part of the U.S. sugar program designed to assure American consumers ample supplies of this essential staple at modest prices. If an amendment is approved to limit compliance payments to $25,000, the sugar industry in Hawaii could not survive. Hawaii would suffer tremendous disruption of her economy and of her economic growth.

Loss of Hawaii's sugar industry would not only inflict great damage on my State, but it would also have very adverse consequences on the entire domestic production of sugar. For Hawaii produces about one-sixth of all U.S. sugar production. That includes beet and cane sugar. Compliance payments are, therefore, not only crucial to Hawaii, but also vital to the stability of the U.S. domestic sugar industry.

It should be remembered that these payments are made on a sliding scale; the lower the production, the higher the compliance payment per ton of sugar. In this way, small producers receive more per ton in compliance payments than large producers.

Only those growers who produce 350 tons of sugar or less are entitled to the maximum authorized compliance payment of $16 a ton—or 80 cents per hundredweight. Large growers receive less per ton, with the largest paid $7 a ton.

The largest payment made to Hawaii's sugar producers in 1965 was $8.83 per ton, whereas compliance payments to producers in other domestic areas went as high as the maximum of $16 a ton.

Total compliance payments to Hawaiian companies ranged from a low of $54,600 to a high of $1,177,000, with the majority of companies receiving over $200,000. These large payments are necessitated by the special nature of sugar cane production. Unlike many other agricultural commodities, sugar cane needs vast acreages in order to attain high efficiency. Hawaii sugar producers must plant enormous acreage before they can produce a high output of cane and achieve the efficiency of labor that will make Hawaii's sugar competitive in the marketplace.

There are about 237,000 acres devoted to cane, and at least one-half of this acreage must be irrigated. Because of Hawaii's mountainous terrain, expansion of acreage is limited and costly. Sugar producers have spent large sums of their own money—none Federal—to develop and operate wells, reservoirs, ditches, and tunnels of the elaborate irrigation systems now in use. Hawaii's sugar industry also spends more than $2½ million annually on sugar research—an activity financed by the producers since 1895. We have had a sugar research program for more than 70 years. As a result of the Hawaii sugar industry's own efforts, Hawaii has one of the highest sugar yields per acre of any area of the world.

Efficiency per acre is a "must" for Hawaii's sugar producers, considering the cost of modern equipment, the cost of its skilled labor, and the great distance of Hawaii from mainland markets. Hawaii's closest market for sugar is San Francisco, some 2,400 miles away. Most of the Hawaiian sugar is refined at Crockett, near San Francisco, and is marketed in 26 Western and Midwestern States, including Alaska.

These are some of the compelling reasons for development and operation of large farming units in Hawaii. There are 25 large sugar plantations which produce some 93 percent of Hawaii's sugar. The other 7 percent is produced by 750 small independent growers. The small producers receive higher compliance payments per ton than the large producers. That is, $60 per ton as compared to $8.83 for the large producers. Since compliance payments are based on total farm production and most Hawaiian sugar is produced on the large plantation company farms, many of the total payments are necessarily large.

I would like to point out, however, that in every year since the inception of the Sugar Act, the excise tax paid on sugar produced in Hawaii has substantially exceeded the compliance payments to our sugar companies. In 1965, the latest year for which I have figures available, the U.S. Treasury collected $11,607,060 in taxes on Hawaiian sugar, and paid back a total of $10,760,112 in compliance payments to Hawaiian sugar companies. Thus, in 1965 as in past years, Hawaii paid more in taxes than it received in compliance payments. Clearly, there is no net drain on the U.S. Treasury.

In fact, sugar is the only commodity that is completely self-financing through the imposition of a tax that more than covers the cost of agricultural payments to producers. During the life of the Sugar Act, the Treasury has collected over $500 million—more than one-half a billion dollars—more in sugar excise taxes than it paid out in compliance payments to U.S. sugar producers. This program has operated at a profit to the U.S. Treasury.

Over the period of the last 10 years, a majority of the sugar producers in Hawaii would have operated at a net loss if there were no compliance payments. In fact, many of our companies were in the red even with these payments. No industry can survive if it is consistently in the red. Any lowering of the ceiling on compliance payments would sound the death knell for Hawaii's sugar industry. It would be an economic disaster for my State, which is the largest sugar producing State. There are no important alternative agricultural uses for the land now used for sugar cane.

Hawaii's sugar industry faces large new costs over the next few years as it cooperates in the nationwide drive against water pollution. It has agreed to prevent dumping of bagasse into streams and ocean, a process that will require substantial expenditures. The sugar industry also faces unknown, but undoubtedly large, expenditures in complying with Hawaii's water quality standards on turbidity and thermal pollution. Such added costs will put an extra financial drain on Hawaii's sugar producers.

To summarize, the sugar industry in Hawaii provides year-round employment for some 12,000 people. It pays over $69,000,000 in wages. Sugar workers in Hawaii are the highest paid agricultural workers in the world—over $26 per day. Sugar represents a private investment of $200,000,000, with 12,500 individual stockholders, of whom more than two-thirds live in Hawaii.

The Williams-Brewster amendment, if extended to sugar, would destroy these jobs and this investment. It would deal a death blow to our sugar industry and plunge the economy of Hawaii into a tailspin from which it would be very difficult to recover.

Hawaii's sugar industry has been a world leader in sugar technology and mechanization. It has served our Nation well in war and in peace, providing sugar so basic to human needs.

I have emphasized the adverse effect of a $25,000 limitation on the sugar industry in my State, but the limitation would also place the sugar industry in other domestic areas in serious jeopardy.

I remind my colleagues that the sugar program has been in effect for more than 30 years. Congress has reexamined and extended the basic legislation some 12 times over this 30-year period. Yet the program has remained substantially unchanged. This is proof of how well it has worked.

From the standpoint of the American consumer, the sugar program has certainly worked well. American consumers today pay less for their sugar than consumers in practically all of the developed nations of the world and less than is paid in some of the undeveloped countries of Africa and Asia. The retail price of sugar has gone up less in recent years in this country than the price of most other staples on the grocery shelf. And, remember, the sugar program is self-financing, even returning a "profit," so to speak, of over $500 million so far to the U.S. Treasury.

Mr. President, I have discussed only the sugar program because sugar is the only commodity in Hawaii that could be affected by a limitation such as is proposed in the pending Williams-Brewster amendment for other farm crops. I am equally opposed to the application of this limitation to any of the other farm commodities.

To propose such a limit—particularly without providing any substitute program—would seriously disrupt America's basic farm commodity programs, which have served our people so well.

I understand a $10,000 limitation was offered in the Senate Agriculture Committee during the committee's consideration of the pending farm bill. I also understand the amendment was rejected by the committee.

I am totally opposed to this amendment, which establishes a $25,000 limitation. I urge my colleagues to join me in voting against the Williams-Brewster amendment.

The PRESIDNNG OFFICER. Who yields time?

Mr. ELLENDER. I yield 15 minutes to the distinguished Senator from Texas.

Mr. YARBOROUGH. Mr. President, I desire, first, to thank the distinguished senior Senator from Louisiana for the great study he has given this act, for the more than 30 years of study he has given to agricultural acts considered by the Senate.

While my State is not the largest State in gross annual agricultural income, it is the largest State in the number of farm families who earn their living from the soil. We have more than 300,000 family farm operations in Texas—more than any other State.

I believe that one item worthy of note as we begin this discussion is that of the 3 million farm operations in America, over 2 million have no hired hands. Over 2 million do this work themselves, with their families. They are family farmers in the truest sense, in that no one works on the farm except that family.

As we speak of the size of this operation, we know that the minimum wage bill applicable to farm laborers applies to 1.6 percent of the farms in the United States. It applies to a farm that has as many as 7 hired hands on it for one quarter of the year. What we are talking about is not the mere 1.6 percent of farms covered under the minimum wage law, but all the farmers since labor costs affect the price of farm products. Likewise without stable prices, the 2 million who live on the farms without enough money to hire one farmhand would be forced off the land.

Periodically, the opponents of our national farm policy raise a furor with proposals to limit the amount which the Government may pay a producer of agricultural commodities.

The hue and cry generally comes from two quarters. One regards any agricultural payments as little better than dole and would like to see them stopped completely. The other regards itself as the friend of the small farmer, and believes that a limit on payments will benefit the small family farm. The second group fails to realize that the small farmer is particularly vulnerable to the fluctuations of the agricultural market, from which the present program protects him.

Now the cry is also coming from a third sector. Spokesmen of the poor people attack the farm program as though it were the object that is responsible for the injustices, both real and imaginary, dealt to the poor.

Likewise, the latter group fail to realize the many benefits which accrue to the poor as a direct result of our sound farm program—that is, adequate food supply, at more reasonable prices, and jobs for farmworkers.

Some of its critics would like to abolish the present price-support program. Limitation of payments would be a singular success for those who desire to abolish this program, because it would mean the end of the voluntary system of farm production control. The commodity payments program is designed to balance the amount which our agriculture industry can produce against the amount which the country can use for domestic consumption and export. Almost alone in the world, our resources and technology together aer expanding our ability to produce agricultural commodities far in excess of our capacity to consume them. Let me repeat, Mr. President: Almost alone in this world are we in that favorable position.

The agricultural program attempts, with remarkable success, to correlate production and consumption in order to provide a pelntiful supply of food, while protecting us from a glut of produce.

The commodity payments system is integral and indispensible to the farm program. Without the payments, agricultural programs would undoubtedly cost more, since we would have to deal with the market after it had been bloated by overproduction. Commodity payments, by contrast, prevent this type of disruption from even developing. I believe, Mr. President, that this situation is a tribute to the work not only of the Department of Agriculture but also of the Senate Committee on Agriculture and Forestry, with its long continued attention to this problem, and led by the distinguished senior Senator from Louisiana.

In this bill we have wrapped up the accumulated experience of decades of hard work. Who in this body works harder and longer hours in a hearing than the senior Senator from Louisiana? Who stays and listens to every witness more patiently? I say no one, with all due respect to my colleagues in any committee on which I serve. So we have here the benefit of decades of experience with this problem.

These payments are not welfare; they are far from being something for nothing. All payments are in direct proportion to the farmer's contribution, and represent a compensation to him for giving up the income which he could have earned by putting his land into production. The urban dweller gets the benefit of low, stable food prices, and all farmers, large and small, are able to plan from year to year with some degree of assurance about the market.

To limit the commodity payments by applying a ceiling, and thereby making it impossible to compensate large farmers for taking land out of production, would essentially void the entire agricultural program. The Congress must realize that a very large proportion of the agricultural productive capacity of this country is concentrated in relatively large farms, and any program which ignores them will be unable substantially to affect the production of agricultural commodities.

Moreover, this is hardly a haphazard program. Payments are specifically tailored to each commodity situation, and they represent a partial compensation for a production adjustment in the national interest. There are, in fact, two distinct kinds of payments, one directed primarily at the diversion of cropland; the other focussed on soil and water conservation. Diversion payments are designed to meet the main problem of balancing the production and use of commodities. Through the acreage diversion program and the cropland adjustment program, payments are made to divert acreage from wheat, cotton, and feed grains, in order to keep the market for these commodities steady and reasonably predictable. These support payments are in no sense gifts. They offset expected returns which the farmer has given up in the national interest.

Other commodity payments are adjusted according to the market situation of the particular commodity produced. Payments to wool and mohair producers, for example, are given as incentives to increased production. In the case of sugar, the amount paid to producers to regulate production is more than re-

trieved from Federal taxes on sugar and related products.

The conservation payments program is designed to deal with future rather than with present production. Certain step to conserve soil and water can only be taken by the individual farmer, but the effects of his actions, in preventing soil erosion, for instance, can be of benefit to the entire community.

Mr. President, I do not speak only of the State where the water falls and the soil erodes; but of the entire course taken by the flow of water all the way to the sea.

Payments are accordingly made to farmers as a way of sharing the cost of needed conservation practices. As such, they represent a benefit derived by the total economy from conservation. By providing incentives and compensations to the individual farmer for going out of his way in the cause of conserving our vital resources, the payments serve as a stabilizing mechanism in the national interest. It would be both fatuous and petulent to refuse to help stop soil erosion, merely because it threatened a large farmer rather than a small one.

Mr. President, I remember the dust bowls of the 1930's when the dust out of my State and the Midwest came all the way to the eastern seaboard and even settled on ships far out at sea. This soil conservation program, developed under the leadership of the Senator from Louisiana prevented that from happening again. No longer do those dust storms blow to the eastern seaboard and out into the Atlantic Ocean.

Opponents of agricultural payments also tend to forget that their limitation would undoubtedly affect many more poor men than rich men. Two years ago, as chairman of the Senate Labor Subcommittee, I led a successful fight on the floor of the Senate to extend, for the first time, minimum wage coverage to agricultural workers. We were only able to secure coverage for workers on farms which employ seven or more workers in a quarter, however, which means that only workers on fairly large farms are covered.

For the first time in history, beginning in February of last year, there was a minimum wage of $1 an hour to farmworkers, the first of February of this year it went to $1.15 for an hour, and the first of next year it will be $1.30 an hour. Franklin D. Roosevelt worked for that. I fought for that. Finally it came and we were able to secure coverage for workers on farms which employ seven or more workers in a quarter. This means that only workers on fairly large farms are covered. We owe it to these large farmers not to wreck them now that we have told them to pay higher wages.

It would be precisely these large farms which would be affeced by a limitation on commodity payments. Thus, a measure which is intended to help small farmers would not only hurt them by destroying the stability of agricultural markets, but would make it difficult for large farmers to be able to meet the salaries of those most underpaid of all our citizens, the hired farmworkers.

This farm program benefits those to whom we were able to extend the minimum wage law for the first time 2 years ago. If we exclude the large farmers, we would exclude the ones who are hiring the farmworkers. They employ 40 to 50 percent of all farm laborers in America. Mr. President, I became aware of this fact due to my service on the Committee on Labor and Public Welfare. Likewise I learned that the benefits of the farm program inure to the hired person as well as the benefits to the entire agricultural economy.

American agriculture is easily the most successful on earth. The contrast to the Soviet Union is inevitable, and clearly demonstrates the superior productivity, given nearly equal resources, of our approach to farming. Our agricultural produce represents our single biggest class of exports, and is one of our greatest resources in the struggle to achieve a favorable balance of payments. This system ought not to be upset lightly by a misguided attempt to right an illusory wrong.

Mr. President, I wish to point out that from the time of the first English settlers in the home State of the distinguished Presiding Officer [Mr. SPONG] until around 1810, the great export from America was tobacco. America lived on that export. With the invention of the cotton gin, cotton replaced tobacco as America's great export product. Agriculture products continue to be our chief export; and in fact is a very large item in our favorable balance of trade.

It is a fact which the Senate must face that the policy of the United States in the realm of agriculture is to adjust production and supply so that they balance demand and consumption. This policy can be implemented either by compulsion or by persuasion. The present law, to our credit, tries to persuade the farmer to fall in with national policy, and has been extremely successful, principally because of its use of commodity payments. To place a ceiling on those payments, and thus to exclude most of the acreage of large farmers, would entirely deprive the agricultural program of any control of commodity production, and thus of commodity prices. Short of replacing this system by a compulsory one, a step which I would certainly oppose, a limitation on commodity payments would produce fantastic chaos in our agricultural markets. The large farmer, with his ability to increase his production, could weather the storm, but it would mean havoc for the small farmer, who would be left without protection from the vagaries of the fluctuating commodity markets.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. ELLENDER. I yield 5 minutes to the Senator from Texas.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. YARBOROUGH. Mr. President, under date of July 17, 1968, the Honorable Orville Freeman, Secretary of Agriculture, wrote me a most compelling statement which shows how illusory and unrealistic a limitation-of-payments law would be.

Quoting from Secretary Freeman's letter:

As the vote nears on the farm program, I want to make it clear that my opinion on the limitation of payments hasn't changed—I'm against it because I believe it is against the national interest.

In agriculture as in manufacturing the Nation has the capacity to produce about 12 percent more than markets will take without price-smashing effects.

Manufacturers readily regulate production to prevent price disasters. Farmers historically have not been able to do this without a farm program. Our farm commodity programs today—and they are voluntary programs—permit them to do this. They work because farmers cooperate in diverting acreages from surplus crop production into soil-conserving uses. Many do this at a financial sacrifice because they know balanced supplies are in the interests of all.

Mr. President, digressing from this letter for a moment all that we have heard from those in favor of the limitation is that the farmer is getting something extra. Secretary Freeman, who knows this subject as well as anyone else in the country—with his great staff—points out that many farmers enter the program at a financial sacrifice because they want to make the program work.

Continuing reading:

All who cooperate earn, and are entitled to, reasonable compensation for this acreage diversion. Nowhere have I heard of a limitation on payments when a city takes real estate for urban renewal, or when a state takes land for a highway.

Does anyone have an amendment which will limit payments when a city takes real estate for urban renewal or for a highway, or for model cities? No, the only limitation is placed upon the farmer who plans to take out his land for conservation to keep the uplands from washing away.

Continuing reading:

The farmer who is asked to divert 100 acres from surplus production expects to be paid about twice as much as what his next door neighbor, with comparable land, earns for 50 acres of diversion. And why not? His investment is twice as great, his taxes are twice as great, and his risk is twice as great.

Commodity programs are not welfare grants. To be effective in balancing production they must fit into the free-enterprise concept that a man is rewarded in terms of the value of his contributions. Program payments reimburse farmers for income they forego and expenses they incur when they divert land from crop production to carry out farm policy.

Mr. President, this letter is so compelling, and since my time is about up, I ask unanimous consent to have it printed in full in the RECORD, and I hope that before the vote comes tomorrow every Senator in this body will read Secretary Freeman's letter. It is an unanswerable document as to why these limitations should not be voted.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY,
Washington, D.C., July 17, 1968.

Hon. RALPH W. YARBOROUGH,
U.S. Senate, Washington, D.C.

DEAR RALPH: As the vote nears on the farm program, I want to make it clear that my opinion on the limitation of payments hasn't changed—I'm against it because I believe it is against the national interest.

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All who cooperate earn, and are entitled to, reasonable compensation for this acreage diversion. Nowhere have I heard of a limitation on payments when a city takes real estate for urban renewal, or when a state takes land for a highway.

The farmer who is asked to divert 100 acres from surplus production expects to be paid about twice as much as what his next door neighbor, with comparable land, earns for 50 acres of diversion. And why not? His investment is twice as great, his taxes are twice as great, and his risk is twice as great.

Commodity programs are not welfare grants. To be effective in balancing production they must fit into the free-enterprise concept that a man is rewarded in terms of the value of his contributions. Program payments reimburse farmers for income they forego and expenses they incur when they divert land from crop production to carry out farm policy.

And to those who assume that money will be saved by limiting payments, I say that this is simply not true if the same result of supply management is to be achieved. If one large farmer who has been foregoing production on 1,000 acres doesn't cooperate in these programs, that means 100 small farmers will have to forego production on 10 more acres each to maintain supply and demand stability—and I believe that this would cost more, not only in federal funds, but in further curtailment of opportunity for smaller farmers.

The present farm programs have accomplished what would have been considered a miracle a few years ago. By encouraging the participation of producers, large and small, we have used these programs to work Commodity Credit Corporation inventories from their peak of $6.148 billion in October 1960 down to $896 million as of last May 31.

I would remind you that Agricultural production potential today is greater than it was in the days when those surpluses were piling up. It seems to me there are three alternatives: new and greater surplus inventories with higher federal costs; a glutted market with an economic impact far wider than farmers; or commodity programs with ample production at reasonable cost to the consumer and with reasonable returns to the farmer.

Sincerely yours,

ORVILLE L. FREEMAN.

Mr. YARBOROUGH. Mr. President, I urge the Senate to reject any misguided attempts, however sincere and dedicated, to impose a payment limitation on our agricultural programs.

Mr. President (Mr. BYRD of West Virginia in the chair), let me say in closing that I have studied the list of names of the farmers printed in the RECORD on May 23 by the distinguished Senator from Delaware. There are not any farms in my State in the million-dollar class. There are none in my State in the next group of $500,000 payments, and there are $500,000 payments being made to farmers in seven States of this Union. There are no farms that large in my State which appear on the list.

Mr. President, I do not own any farmland. Therefore, I have no farmland in production under the program. No member of my family has any farmland, and I come from a very large family of eight living brothers and sisters with many nieces and nephews. Not a single one owns any farmland under the program although my family has farmed for over 300 years. With the coming of mechanization, it got too complicated for us, and we left the land.

I see the 300 names of Texans on the list placed in the record by my colleague from Delaware who draw large payments. I think I have known or met no more than 13 out of that 300. These are well-to-do farmers who do not come to my rallies. They vote in the party of the distinguished Senator who offers this amendment.

Adoption of the pending amendment would absolutely devastate the economy of a great many people in my State. Also, adoption of the pending amendment would affect those States that produce tractors and farm machinery. They will have a depression if we severely limit the payments, because the large farmers will not be able to buy farm implements made in the manufacturing States. The farms of this country have become so mechanized that the manufacturers of farm equipment will feel the pinch just as much as the farmer.

Thus, I point out the economic folly of destroying the agricultural structure of the great productive power of this country. If the Russians or the Chinese had this production, we would be in 10 times more trouble around the world.

I thank the distinguished Senator for yielding to me and, Mr. President, I yield the floor.

Mr. WILLIAMS of Delaware. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER (Mr. MONTOYA in the chair.) 46 minutes remain to the Senator from Delaware.

Mr. WILLIAMS of Delaware. Mr. President, I yield myself 5 minutes, then I will yield to the Senator from Rhode Island such time as he may desire for the remainder of my time.

The PRESIDING OFFICER. The Senator from Delaware is recognized for 5 minutes.

Mr. WILLIAMS of Delaware. Mr. President, I invite attention to the fact that there is nothing revolutionary in the proposal made here today. We are not out to destroy the farm program. The Senator from Texas has just placed in the RECORD a letter from the Secretary of Agriculture wherein he strongly opposed any controls or limitations on the payments.

However, I invite attention to the fact that the President of the United States, the man who is now in the White House, in his message to Congress in 1965 recommended such a limitation on these payments and said that he was going to send a message to Congress embracing an agricultural program which would be designed to help the small farmer and which would stop these large payments from being made to the large type of farm operations.

Tomorrow, I shall place excerpts from his message in the RECORD. It is an excellent statement. I only regret that the President has not carried it out and backed it up with a legislative proposal. As he pointed out, the program as it was operated then and as it is operated now, is, to a large extent, benefiting the large corporation type of operation.

The suggestion has been made today that perhaps some of the sponsors of the pending amendment do not understand the agricultural problem because we come from more highly populated sections of the East.

I proudly invite attention to the fact that the county where I live was the fifth county east of the Rocky Mountain States in agricultural production up until about 10 years ago. It is in the upper 10 now. Delaware is a very small State in the Union; but let me say to the Senator who represents next to the largest State in the Union that we outrank any county in his State in agricultural production. So I think I can speak with some knowledge of agriculture.

The boast is made as to how much the Government makes as a result of the sugar program. First, I point out that this amendment would not affect the sugar payments, so that argument would not be valid on this particular amendment.

However, if it were, I should like to comment briefly and point out that the Government does not make money on the incentive payments on sugar. There is a tax levied against all sugar that is bought by the consumers—the housewives of America—and that tax is diverted into a special fund. Out of that fund are made the incentive payments. But to say that the Government makes money on it is not so. It does cost the housewives—through taxes—every time they buy a pound of sugar. On that basis, income tax payments collected from farmers could be placed into a separate fund and used to make these payments to the farmers. Some would be left over, and therefore we claim we are making money on the agriculture program; but that argument is not valid.

We could continue that line of reasoning, using the same argument on subsidies to the shipping industry or to any other industry. So, as long as these payments are being paid from receipts collected in the form of taxes they represent a cost to the American taxpayers.

One of the arguments made is that this amendment would destroy the entire program. Let me cite a case where this can be abused. Congress passed a special Disaster Act 3 years ago. There had been a disaster in a certain area at that time, but instead of dealing with that disaster Congress passed a 5-year Disaster Act on the premise that the disaster would be continued every year for 5 years. Under this law if a man produces 100 acres of cotton in a certain area, for example, and it is too wet at the time for planting he can go to his local committeeman

requesting certification that it is too wet to plant. He can then collect his full payment of approximately $100 per acre on the acreage he is not planting in cotton because of the wet conditions.

Then after collecting his payments for the cotton he could not plant, under this same disaster program he is allowed to plant his acreage in soybeans or feed grains and get a Government support on that commodity.

This has developed into a racket in certain areas.

Under this loophole he can collect twice from the Government for the same acreage in the same year. Then suppose he has another 1,000 acres on another side of the farm; he can collect payments for leaving that out of production.

Mr. President, I yield myself 2 additional minutes.

There has been so much duplication in this program that Congress has no control over these payments to some of these corporate operations.

To show that this restriction of payments is not a revolutionary idea I point out that the Agriculture Act we are dealing with today provides for a $2,500 limitation on certain payments for soil improvement. That limitation was approved on the conservation program several years ago after continual insistence on the part of some of us that large payments were not benefiting the small farmers. So there is a precedent. A complete record of these payments was placed in the CONGRESSIONAL RECORD on May 23, 1968, pages S6178 to S6187. This list included the names and addresses of all payments in excess of $50,000 that were made in the past calendar year.

Mr. President, I now yield such time as he may need to the Senator from Rhode Island [Mr. PELL].

Mr. PELL. Mr. President, when I was the owner of a small farm in Minnesota, the firm which managed it used to receive money for crops which I had no intention of planting. After some years of doing that, it bothered me, and it was one reason why I sold that farm. So I sympathize with the discussion of the Senator from Delaware.

Now I want to speak generally about the bill.

The legislation being discussed today involves many complex problems over which Members of this Chamber have agonized for several decades.

Though I have been here less than 8 years, I have been faced several times in that relatively short period with the same imponderables having to do with the agriculture of the United States.

To use the word "agriculture" implies a rather narrow connotation. Perhaps all of us, rather, should adjust our minds to the very real fact that if legislation concerns agriculture it of necessity also concerns the most important commodities in the life of all of our people—food and fiber.

There are times, I think, when many of us dismiss agriculture legislation as "just another farm bill." Some of us appear to vote on farm bills in very much that spirit. I do not exclude myself from the comment.

As we face a vote on this bill, I must look squarely at my own record in this particular matter of farm legislation.

I was among the majority that voted for this legislation in 1965. I did so because it seemed to me, upon reflection, that the architects of the legislation had made a good case for their point of view and that they should be given an opportunity to pursue a line of reasoning which they felt would work to help solve the farm dilemma so long with us.

I was told then that the legislation—this was during the 1965 session—would accomplish three objectives: First, reduce Government costs for farm programs; second, help farmers; and, third, help hold down food costs.

Even then, that appeared to me to be a very formidable set of objectives. Indeed, some of the opponents of the legislation told me at the time, I well remember, that this was "an all things for all men" bill, and that it could not possibly achieve the results its sponsors were seeking.

As we consider this bill now, I must consider the claims made back in 1965, and the record established by the legislation since it went into effect in 1966.

As we all know, this bill concerns three major crop areas—wheat, feed grains—largely corn—and cotton. The central idea of the legislation was that it would institute payments to farmers directly from the Federal Treasury. These often are called compensatory payments for the reason that the design of the payment from the Federal Treasury is to somehow make up the difference between the market price and an arbitrary price someone feels should be the real price.

Right here, I am puzzled by the concept. I find it increasingly difficult to understand how a Government official can determine real price.

In any event, I am compelled now to consider the claims made for this legislation.

First. This legislation has not lowered Government costs for farm programs. As a matter of fact, it has increased money spent for agriculture programs at a time when all of us in the Congress are being forced to scratch every nook and cranny, seeking funds for worthy programs like those which must be instituted in the very critical urban areas of our Nation. This legislation is costing the taxpayers annually between $3 and $3.5 billion—I repeat, annually.

Second. This legislation has not helped farmers as much as I would have hoped. I find that wheat—one of the crops covered in this program—is at its lowest price in 26 years. I find, too, that when we discussed this bill we are talking only about a very few crops, and that just about two-thirds of agriculture is not covered at all by Government programs.

Third. Food costs for consumers have not been held down. Let us look at what has happened to bread prices—since wheat is bread. According to the Bureau of Labor Statistics, in the last 4 years the national average price of a 1-pound loaf of white bread has gone up one-half cent—from 20 to 20.5 cents. In most large cities, increases have been considerably greater. But, and here is the crux of the argument, the farm price of a bushel of wheat since 1964 has dropped from about $1.40 a bushel to $1.25 bushel. I was told only today that farmers in nearby Virginia are selling wheat for $1.05 a bushel.

Surely, we must add to the cost of bread—since almost everyone eats wheat products—the cost of these vast payments made to wheat farmers—$525 million in 1965, $680 million in 1966, and $730 million in 1967—and still rising.

The facts and the figures, as I see them, make it impossible for me to support a 4-year extension of the legislation for which I voted in 1965.

It is most basic to me that, in any event, the legislation voted in 1965 does not expire until the end of December 1969.

What we are really voting on here today is legislation to extend that 1965 act through 1970, and on.

I cannot accept the argument that the administration which comes into office in 1969 cannot be trusted to work out a new program. Continuation of a bad program surely will not help set the stage for any logical solutions in the future.

In addition, I have faith in the next administration, and I feel somewhat sorry that some of us feel the next administration will not be able to come to grips with situations which develop during the next term. Are we to reason likewise about all matters which are likely to need consideration by the next administration?

I have the added feeling that the consumers of this Nation are being short changed by the kind of legislation now before us.

The legislation includes, among other things, a continuation and extension of the bread tax. This bread tax requires that the miller of wheat pay the Government a certificate tax of 75 cents for each bushel of wheat he mills for domestic consumption—bread, rolls, cake, biscuits, cookies, and so forth. Of course, this 75-cent charge is passed on directly to the baker, and then to the consumer.

Presently, the bread tax is held to 75 cents by law. Under the wording of the extension, the bread tax could be lifted to a higher figure by order of the Secretary of Agriculture.

I know it follows that the poorer people of our country eat more wheat products—bread and such—than those more fortunate. Every time we raise the price of bread, we make it that much harder for the poor family to buy food it desperately needs.

I believe, too, that in making huge payments to farmers we serve to hamper the efficiency of farmers by making them comfortable, even lazy, in their production efforts.

Why produce better wheat, why produce more and better wheat in greater amounts to the acre—and thus lower costs—if the Government all along is providing a cushion for the wheat-grower?

In fact, the wheatgrowers of this Nation indicated in a referendum in 1963 that they do not want Government sup-

port prices at the expense of loss of ability to run their own operations.

I believe that anytime food is produced less efficiently than it can be, the price of food to consumers will be more than it has to be. We have tried the impossible—now let us not vote to extend for 4 years the impossible.

UNDERSTANDING DE GAULLE

Mr. PELL. Mr. President, on my way to Czechoslovakia a little while ago, I stopped in Paris and observed the second round of the French parliamentary elections which gave President de Gaulle's party the largest parliamentary majority any party has ever had in modern French history.

Because of his sometimes harsh words for our country, we often forget how much President de Gaulle has done for France. He was the symbol of free France at the time of her abject defeat and brutal occupation. He provided the leadership for his country's revival after the war and saved her from a Communist takeover. Since 1958, he has provided France with a stable government, has steered his country through the hazardous shoals of decolonization, has brought trust and friendship to France's relations with Germany, her enemy of 500 years, and has restored France's pride.

When it came to the greatest international crisis our country has weathered in the last decade, the Cuban missile crisis, it was President de Gaulle who unqualifiedly stood with us.

It has been difficult for many Americans to understand President de Gaulle. I recently came across a brief article that I found most helpful in this respect. It was written by the distinguished author and critics, Prof. Henri Peyre, and was entitled "Understanding De Gaulle." I ask unanimous consent that the article, published in the Yale Alumni magazine of June 1968, be printed in the RECORD at this point.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

A YALE BOOKSHELF—TOPIC: UNDERSTANDING DE GAULLE

(NOTE.—A bookshelf for the general reader prepared each month by specialists among the Yale faculty and alumni.)

(By Henri Peyre)

Americans do not like to hate; lately many people have been distressed by their feeling that they should perhaps hate the president of the country traditionally called their oldest ally.

De Gaulle has indeed seemed to be sniping at every move that the United States makes, to be obstructing every American initiative in international finance and world politics. The oracular and inspired manner in which De Gaulle utters his statements, always deliberate even when they seem to be sparked by the enthusiasm of the crowds acclaiming him, is profoundly alien to the American or British sensibilities. His impeccable logic (for once it should not be termed Cartesian, for he has always praised Bergson rather than Descartes) appears to Anglo-Saxons, as he calls them, more akin to madness.

Yet, with remarkable fairness, many Americans respect him, envy France for having such a leader at her head, and make every effort to try and understand him. He has been called a narrow-minded nationalist, a man haunted by the past, a vengeful character unable to forget or to forgive the scornful treatment which was dealt him by President Roosevelt. Nevertheless, he towers above all other statesmen today as the only one marked with greatness. He is a visionary, but even more a realist whose visions have more than once been fulfilled. Much as we hate to concede that he is close to infallibility, we must own that he has seldom been wrong in his prophecies. If he looks backward and, as it has been said of him, if he loves the Frenchmen of today less than he loves their history, he also deserves to rank among those great men who all, according to G. K. Chesterton, had their eyes fixed upon the past and climbed to greatness thereby.

He has written profusely, and his books, especially the third volume of his *Memoirs*, are a delight to read. He is by far the greatest prose writer among all the monarchs who, since Julius Caesar, have governed Gaul or France. Those books also reveal his character, his personal courage, his wry humor, his feeling for natural beauty, his contradictions, and the few permanent obsessions which have been his.

To be sure, De Gaulle has nurtured, over the last 25 years, quite a few justified grievances against American policy; and he, the most deeply Catholic of the French rulers since Saint Louis, does not easily yield to forgiveness or to charity.

President Roosevelt never had faith in him; he refused to believe that the French people in France were in large majority his enthusiastic supporters. He tried to set up the colorless and unpolitical figure of General Giraud against him. He kept from De Gaulle all the plans about landing in Normandy. He prepared a corps of military government experts to administer France when she would be liberated, not realizing how humiliating that would be for the French resistance. He even suggested getting rid of De Gaulle by packing him off to Madagascar as the governor of that island. That series of humiliating rebuffs has never been forgotten by De Gaulle; in his eyes, it was France that was being slighted.

De Gaulle is not a grateful man. Gratitude seldom has prevailed among the rulers of nations. He was deeply wounded by the disregard, in 1958, of his proposal that France, then unified under him, be accepted along with Britain as the third member of the council which would be consulted on decisions affecting the Western Alliance. He then resented the unilateral American decisions to land troops in Lebanon, to intervene in the Congo, to treat the United Nations in New York as an adjunct to the Department of State. He was irked by McNamara's haughty remonstrances on the uselessness of manufacturing a paltry, old-fashioned French atomic bomb. His suggestions that NATO was outdated and that European continental powers should insist on America's promising a nuclear reply to any Russian attack on Europe were ignored.

De Gaulle was probably most angered by the U.S. giving role of favored ally or satellite to Great Britain, and by the sanctimonious sermons admonishing France to stay out of the nuclear club. Next to that, he was irked by the American diplomatic efforts to turn Germany against France and to reserve American favor or sympathy for the French parties who stood against De Gaulle or for the individuals who advocated a different policy (Mendès-France, Lecanuet, Jean Monnet).

Whatever his failings, De Gaulle's greatness will, in the eyes of history, lie primarily in a fourfold achievement: (1) He strengthened and made as final as anything can ever be in human affairs the peaceful cooperation of France and Germany and thus closed ten centuries of internecine strife in Europe; (2) He succeeded in his attempt, judged an impossible dream until 1960, to "de-colonize," and thus far, from Algeria to Madagascar, the former French colonies have remained closely and devoted linked to their protector and mentor; (3) He saved France from what might very well have been a Communist takeover in 1944–45, when the Communists, riding on the prestige which their courage in the underground had brought them, ruthlessly shot or displaced those whose opposition they feared and were close to taking over many French cities; (4) He established a strong presidential regime in France, able to act speedily and efficiently in time of crisis. In a word, by introducing drastic structural reforms, De Gaulle made it possible for France to live up to the motto which he coined for her: "France must marry her own time." She has, probably for good, ceased to look backward nostalgically. She is fully aware of "the American challenge." Gaullists and non-Gaullists are determined to do their best to meet it.

Many of De Gaulle's pinpricks at the American giant seemed to hurt: they probably have been salutary and there is much truth in hinting, as some Frenchmen do, that Ge Gaulle—bluntly, discourteously, ungratefully—says aloud to America what other European nations all think in silence. From 1945 to 1960, the United States acted as if it was certain that American power knew no limits and that Japan, South America, Western Europe, and the small emergent nations in Southeast Asia would necessarily fall in line. The power of the dollar and of American industry, the fear of the "agonizing reappraisal" periodically threatened by Washington, would deter anyone from protesting. The dollar gap in reverse, first predicted by a Yale economist whom no one then would believe, and the deficit in the balance of payments and in the Federal budget, were dismissed as insignificant.

Since 1960 or so, the countries which America saved and put back on their feet have, loudly or slyly, pointed to the limits of American power. They have to be reckoned with. NATO had, and has still, to be reorganized and rethought after De Gaulle's cruel denunciation of its blatant weaknesses. Europe, since the rebuke dealt England and France during the Suez crisis, is determined not to accept meekly the shield of American nuclear power, but to have its own. France had led the flag of protest; but other nations also know that not to develop nuclear energy—even bombs, rockets, nuclear submarines, and IBM machines and computers—is tantamount to remaining permanently the satellites of America.

De Gaulle has played on the string of nationalism, stridently and unpleasantly. But, for years to come, nationalism is the one potent force in all the continents of the world, the locomotive of history which gives new nations their personalities and revitalizes old ones. It has to been transcended and, to begin with, broadened. Allegiance can gradually be transferred from one African, South American, Asiatic, European nation to a confederacy of several of them; some day perhaps to a federation.

Much as he worships France mystically, De Gaulle is even more a European nationalist than a French one. He well knows that, materially and economically, France is not capable or desirous of governing or leading Europe. But he also believes that only if European nations cease acting in disunion and sending their rulers separately to Washington to secure favors and credits, and act as a coherent group toward the United States, can they some day become fully aware of European unity.

De Gaulle's France has been a nuisance. She has been shocked more than once by the bluntness of her own leader: stunned when he used an unfortunate sentence to regret the assertiveness of the Israelis and ad-

vised them to use charity and restraint to the Arab nations; surprised, if not stunned, when he meddled in Canadian affairs. It is, in point of fact, far from certain that he was wrong in the first case: a permanent humiliation of the Arab peoples might well throw them into Communism for good. In the case of Canada, a number of people have, since De Gaulle's bombshell, reflected that reforms in the status of French Canada (with regard to her language, her culture, her economic status) were imperative; without them, a partition might some day loom as no more impossible than the once deemed impossible partition of Pakistan and India.

But whether or not De Gaulle's blunt prophecies are eventually fulfilled (and his record has been, in that respect, more astonishing than that of any other man of this century), the one broad-minded and cool attitude to adopt toward him is to look for the usefulness of his strictures of this country. Haughty critics may well be of greater benefit to a great power like the United States than obsequious flatterers. It is likely that, for a few years at least, another combination of parties or forces, more to the left, will succeed the Gaullist regime, whose self-righteous infallibility has irked even the French. But it is more than likely that while the foreign policy of France will change somewhat in style, its substance will remain very much the same. Indeed, since any other group of parties will have to take into its own midst Communist leaders, and take heed of Communist demands in foreign policy, it may well be that this country will find the next French government more intractable than the present one and will some day sigh for the era when the General admonished America.

MESSAGE FROM THE HOUSE—ENROLLED BILL SIGNED

A message from the House of Representatives by Mr. Bartlett, one of its reading clerks, announced that the Speaker had affixed his signature to the enrolled bill (S. 510) providing for full disclosure of corporate equity ownership of securities under the Securities Exchange Act of 1934.

AGRICULTURAL ACT OF 1968

The Senate resumed the consideration of the bill (S. 3590) to extend and improve legislation for maintaining farm income, stabilizing prices and assuring adequate supplies of agricultural commodities.

The PRESIDING OFFICER. Who yields time?

Mr. BYRD of West Virginia. Mr. President, in behalf of the distinguished Senator from Delaware, I yield the distinguished Senator from Texas 5 minutes.

Mr. YARBOROUGH. Mr. President, there are more than 3,000 counties and parishes in the United States. Of those more than 3,000, the overwhelming majority lost population between 1940 and 1950, and an overwhelming majority continued to lose population from 1950 to 1960. Moreover, a majority are still losing population.

This farm bill helps stabilize population and slow the flight of people from the rural areas to the cities. The faster people come from the rural areas to the cities, the greater the urban problems that plague this country.

I attended, this week, a symposium on the cost of the aerospace industry, most of which is subsidized by the Government, most of it being military.

It was developed there, Mr. President, that there are 1.6 million workers in the aerospace industry in America. Six hundred thousand of those workers are in southern California. Their average wages, paid by the Government—the taxpayers—are more than $10,000 per worker per year. That is $6 billion paid to aerospace workers, most of it out of tax money, in southern California each year—or about the cost of the entire farm program for all 50 States.

I love to visit that beautiful country in southern California. I have nothing against its people. But I wish to point out that in consideration of the national economy, it is folly to talk about the farm program being a waste of money, when some of it goes into each of more than 98 percent of the counties of the United States, and helps stabilize the whole economy of this country; and it has a sociological and governmental advantage far beyond food and agriculture itself.

Mr. President, I yield the floor.

Mr. BYRD of West Virginia. Mr. President, I am authorized by the Senator from Delaware to yield back all remaining time from his hour on the amendment.

RECESS UNTIL TOMORROW AT 10 A.M.

Mr. BYRD of West Virginia. Mr. President, if there be no further business to come before the Senate, I move, in accordance with the previous order, that the Senate stand in recess until 10 o'clock tomorrow morning.

The motion was agreed to; and (at 6 o'clock and 44 minutes p.m.) the Senate took a recess until tomorrow, Saturday, July 20, 1968, at 10 a.m.

NOMINATION

Executive nomination received by the Senate July 19, 1968:

FEDERAL DEPOSIT INSURANCE CORPORATION

Irvine H. Sprague, of California, to be a member of the Board of Directors of the Federal Deposit Insurance Corporation for a term of 6 years, vice William W. Sherrill, resigned.

CONFIRMATIONS

Executive nominations confirmed by the Senate July 19, 1968:

SMALL BUSINESS ADMINISTRATION

Howard J. Samuels, of New York, to be Administrator of the Small Business Administration.

DEPARTMENT OF DEFENSE

Robert C. Moot, of Virginia, to be an Assistant Secretary of Defense.

POST OFFICE DEPARTMENT

Victor Frenkil, of Maryland, to be a member of the Advisory Board for the Post Office Department.

POSTMASTERS

ALABAMA

Grady D. Cope, Huntsville.

ARKANSAS

William F. Woods, Hazen.
R. E. Johnson, State University.
Dalene I. Surratt, Tucker.
Leonard E. Tripp, Wheatley.

CALIFORNIA

James P. Hutler, Chico.
Vern T. Conner, Dixon.
Harmon G. Hawblitzel, Duarte.
Joseph E. Alecci, Grover City.
Betty N. Raines, Macodel.
William J. McGovern, Millbrae.
Jerald A. Egbert, Rancho Mirage.
Jeanne W. McMahan, Sierra City.
Carl H. Penfield, Tujunga.
Marie C. Donadio, Woodbridge.

CONNECTICUT

Robert L. Parent, Haddam.

FLORIDA

Clarence W. Martin, Jr., Bartow.
Rowena S. Eubanks, Bristol.
Charles Rockett, Flagler Beach.
Ralph H. Finke, Indian Rocks Beach.
Gloria D. Pearce, Killarney.
May M. Roberts, Pomona Park.
Joachim J. Svetlosky, Saint Leo.

GEORGIA

John D. Lance, Bogart.
J. Ray Grant, Forsyth.
Virginia R. Roberts, Haralson.
Gordon W. Allen, Red Oak.
James D. Tarver, Jr., Wadley.

HAWAII

Arthur C. Kong, Ewa Beach.
Taishi Tomono, Hawaii National Park.
Ernest A. Cravalho, Paia.

ILLINOIS

Steven E. Ducaj, Riverside.

INDIANA

Ralph E. Bowland, Amboy.
Elmer R. Tekulve, Columbus.
Dolly M. Hall, Eminence.
Max W. Gooch, Harmony.
Matthew J. Purzycki, Notre Dame.
Wilbur D. Hall, Orleans.
Edwin R. Bartholomae, Plainfield.
Erskine L. Crosby, Ramsey.

IOWA

Raymond D. Showalter, Bettendorf.
Paul H. Stineman, Grandview.
Daniel B. Forward, Henderson.
Robert L. Kerkvliet, Larchwood.
Keith W. Davis, Malcom.
Esther V. Tow, Superior.

KANSAS

Evelyn J. Rappard, Burlingame.
June E. Schoneman, Edwardsville.
Francis W. Escher, Herndon.
Norman M. Wiley, South Haven.
Ernest G. Cutter, Wallace.

KENTUCKY

Gladys R. Boling, Lackey.

LOUISIANA

Herman H. Nunez, Bell City.
Lessie G. Stafford, Collinston.
Paul V. Burke, New Orleans.
Louis O. Troxler, New Sarpy.
Vera M. Hornsby, Pine Grove.
Kenneth O. Halbrook, Pollock.

MAINE

Paul A. Beliveau, Brownfield.

MARYLAND

Melvin G. Bussey, Glen Burnie.
Thomas C. Hayden, La Plata.

MASSACHUSETTS

Rena F. Simmons, Dunstable.
Charles R. Santos, Dowell.

MICHIGAN

Homer L. Blamer, Atlanta.
Charles E. Yaeger, Bloomfield Hills.
Elwood F. Barkkari, Chassell.
Thomas S. Dzarnowski, Gaastra.
Thomas A. Greene, Kinde.
Clement J. Cassette, Mohawk.
George P. Woodruff, Oden.
Donald J. Wiltshire, Onaway.
Carl Wudarcki, Ortonville.
Truman R. Horton, Oxford.
Sidney D. Reinbold, Pellston.
Bole P. Centala, Posen.

Arthur S. C. Waterman, Roseville.
Edward R. Vaughan, South Haven.
Shurley C. McIntyre, Vassar.
Benjamin L. Bement, Webberville.

MINNESOTA

Mario A. Colletti, Aurora.
Vernon W. Olson, Bellingham.
Joseph R. Anderson, Belview.
Francis J. O'Keefe, Prior Lake.
Donna K. Hill, Soudan.
Lowell J. DeBus, Welcome.

MISSISSIPPI

Robert L. Stubbs, Magee.

MISSOURI

John C. Greenwell, Jr., Adrian.
Charles C. Farris, Ava.
Paul C. Mallery, De Soto.
Charles E. Davis, Fillmore.
Marvin H. Hamann, Liguori.
Ermal D. Cameron, Pattonsburg.
J. Donald O'Connor, Perry.
Hosea Rhoades, Thayer.
Cecil B. Allison, Tipton.

MONTANA

Harold O. Gunderson, Havre.

NEVADA

George H. Smith, Zephyr Cove.

NEW JERSEY

Lois L. Kern, Readington.
Hermine B. Kuhl, Three Bridges.

NEW MEXICO

John R. Robertson, Lordsburg.

NORTH CAROLINA

Robert I. Parnell, Lumberton.
Jackson B. Jones, Madison.
Robert L. Rowe, Marion.
Bernard J. Carter, Stoneville.

NORTH DAKOTA

Roland J. Nelson, Churchs Ferry.
Arthur O. Johnson, Lehr.

OHIO

Mary M. Fox, Blue Rock.
Mabel M. Tobin, Chatfield.
Leonard W. Mueller, Grove City.
Paul E. Rowse, Harpster.
Dwayne L. Mathias, Phillipsburg.
Robert W. Weber, Shelby.
Robert Burns, Sidney.

OKLAHOMA

Albert E. Swearinger, Arcadia.
Lee T. Goodwin, Concho.
Dora E. Hilliary, Medicine Park.

OREGON

Madonna L. Crescenzi, Chemult
Charles A. Schiedler, Scotts Mills.
Jennabelle M. Vincent, Weston.

PENNSYLVANIA

Mary C. Cardone, Bairdford.
Wilfrid G. Minner, Bally.
Mary F. Holdren, Beaver.
Wilma J. Lacey, Buena Vista.
John A. Antonetti, Bulger.
Russell E. Horner, Burnham.
Charles J. Hiler, Camp Hill.
Mary R. O'Connor, Heckscherville.
Annaglad J. Angelo, Isabella.
Ferry E. Dysinger, Mifflintown.
Michael J. Noone, Jr., Moscow.
Lester E. Roth, Nazareth.
Joseph D. LaGorga, North Versailles.
Richard A. Pfeifer, Portersville.
Alfred C. Bush, Portland.
George R. Tomko, Sharon.
Robert A. Mowrey, Sybertsville.
Lydia E. Harris, Valencia.

PUERTO RICO

Felix Rivera-Munoz, Naranjito.

SOUTH DAKOTA

Hilding C. Nelson, Stockholm.
Richard R. Jacobson, Valley Springs.

TENNESSEE

Cecil E. Collier, Church Hill.
Colleen C. Meeks, Coalmont.
Willard S. Vitatoe, Crab Orchard.
William F. Massey, Hartsville.
William J. Swann, Jefferson City.
John L. Marrs, Lobelville.
Jim C. Tolley, Lynchburg.
Linus L. Sims, Memphis.
Wiley R. Williamson, New Johnsonville.
Oren W. Johnson, Parrottsville.
Arthur J. Robinson, Sherwood.
Lawrence E. Shell, Watauga.
Edsel C. Floyd, Watertown.

TEXAS

Billy J. Enloe, Allen.
Verner S. Howard, Carrizo Springs.
Olan H. Wade, Cushing.
Iva K. Williams, Diana.
Michael S. Ball, Elmendorf.
Marion T. Seale, Giddings.
Barney W. Oliver, Greenville.
Maxwell Barkley, Hearne.
James W. McMillan, Kingsville.
Daniel T. Bailey, Jr., Longview.
Herbert L. Clayton, Olney.
Billie W. Creed, Plano.
Russell W. McFarland, Portland.
John C. Gregg, Santa Anna.
Conley C. Bradshaw, Silsbee.
Thomas J. Leatherwood, Sr., Tyler.

VERMONT

Armina M. Fletcher, Cambridge.
Elspeth P. Eaton, North Thetford.

VIRGINIA

Joseph J. Restein II, Cape Charles.
Earl T. Patton, Jewell Ridge.
Robert G. Moore, Lexington.
Elsie B. Rich, Saluda.
Callie H. Stevens, Stanleytown.

WASHINGTON

Frank R. Costi, Black Diamond.
Harold F. Van Horne, Elk.
Frank M. Suhadolnik, Prosser.
Fredrick W. Bremmer, Republic.
Frank R. McGuire, Shelton.
Robert L. Pallett, Tenino.

WEST VIRGINIA

Norval J. Tutwiler, Clarksburg.
Vernon A. Shahan, Saint George.
Rutha Mae Davis, Switzer.

WISCONSIN

Henry J. Jarosz, Armstrong Creek.
Robert M. Hulverson, Durand.
Patrick J. McGinley, Gays Mills.
Harold C. Ristow, La Crosse.
Lorraine J. Olson, Maiden Rock.
Leslie R. Stevenson, Marinette.
S. Jane Abbott, Oconomowoc.
Jerome J. Zodrow, Princeton.
Robert T. Kauth, West Bend.

IN THE ARMY

The following-named officer for appointment in the Regular Army of the United States, to the grade indicated, under the provisions of title 10, United States Code, sections 3284 and 3306:

To be brigadier general, Veterinary Corps

Col. Wilson Marshall Osteen, O84815, Veterinary Corps, U.S. Army.

1. The following-named officers for temporary appointment in the Army of the United States, to the grade indicated, under the provisions of title 10, United States Code, sections 3442 and 3447:

To be major general

Brig. Gen. Andrew Peach Rollins, Jr., O24237, Army of the United States (colonel, U.S. Army).

Brig. Gen. William Thomas Bradley, O21768 Army of the United States (colonel, U.S. Army).

Brig. Gen. Salve Hugo Matheson, O36253, Army of the United States (colonel, U.S. Army).

Brig. Gen. Karl William Gustafson, O45560, Army of the United States (colonel, U.S. Army).

Brig. Gen. William Robertson Desobry, O24262, Army of the United States (colonel, U.S. Army).

Brig. Gen. Leo Henry Schweiter, O34334, Army of the United States (colonel, U.S. Army).

Brig. Gen. John Louis Klingenhagen, O39223, Army of the United States (colonel, U.S. Army).

Brig. Gen. Walter James Woolwine, O23795, Army of the United States (colonel, U.S. Army).

Brig. Gen. Ralph Longwell Foster, O22669, Army of the United States (colonel, U.S. Army).

Brig. Gen. Herron Nichols Maples, O45920, Army of the United States (colonel, U.S. Army).

Brig. Gen. John Frederick Freund, O23334, Army of the United States (colonel, U.S. Army).

Brig. Gen. Leo Bond Jones, O24255, Army of the United States (colonel, U.S. Army).

Brig. Gen. William Allen Knowlton, O25436, Army of the United States (colonel, U.S. Army).

Brig. Gen. Jack Jennings Wagstaff, O35585, Army of the United States (colonel, U.S. Army).

Brig. Gen. Linton Sinclair Boatwright, O23968, Army of the United States (colonel, U.S. Army).

Brig. Gen. Hugh Franklin Foster, Jr., O23837, Army of the United States (colonel, U.S. Army).

Brig. Gen. Donald Hugh McGovern, O36851, Army of the United States (colonel, U.S. Army).

Brig. Gen. Orwin Clark Talbott, O24617, Army of the United States (colonel, U.S. Army).

Brig. Gen. Kenneth Lawson Johnson, O36285, Army of the United States (colonel, U.S. Army).

Brig. Gen. Willard Roper, O33605, Army of the United States (colonel, U.S. Army).

Brig. Gen. Albert Ernest Milloy, O35289, Army of the United States (colonel, U.S. Army).

Brig. Gen. Donn Royce Pepke, O25188, Army of the United States (colonel, U.S. Army).

Brig. Gen. Willis Dale Crittenberger, Jr., O24893, Army of the United States (colonel, U.S. Army).

Brig. Gen. Harris Whitton Hollis, O53724, Army of the United States (colonel, U.S. Army).

Brig. Gen. Francis Paul Koisch, O24669, Army of the United States (colonel, U.S. Army).

Brig. Gen. Robert Bruce Smith, O46241, Army of the United States (colonel, U.S. Army).

Brig. Gen. William John Durrenberger, O25099, Army of the United States (colonel, U.S. Army).

Brig. Gen. James Leon Baldwin, O36864, Army of the United States (colonel, U.S. Army).

Brig. Gen. Morgan Garrott Roseborough, O22681, Army of the United States (colonel U.S. Army).

Brig. Gen. Edward Bautz, Jr., O34750, Army of the United States (colonel, U.S. Army).

Brig. Gen. Jack Carter Fuson, O36184, Army of the United States (colonel, U.S. Army).

Brig. Gen. William Henry Blakefield, O33927, Army of the United States (colonel, U.S. Army).

Brig. Gen. Elvy Benton Roberts, O25781, Army of the United States (colonel, U.S. Army).

Senate

July 20, 1968

3-year extension of the farm programs which the bill would extend for 4 years (p. S9019). Agreed to a Morton amendment to continue the present law regarding wheat certificates for 4 years (p. S9020). Agreed to a Lausche-Dirksen amendment to include Ohio and Ill. among States whose apple production is eligible to be included in marketing agreements and orders (p. S9020). By unanimous consent, it was agreed to limit further debate to 1 hour equally divided on any amendment or motion and the question of passage of the bill (pp. S9030-1). Pending at recess was the modified Williams, Del.,-Brewster amendment to limit agricultural payments.

14. ARTS AND HUMANITIES. Sen. Pell announced hearings on a bill to establish a Presidential Commission on Negro History and Culture July 23 in the Labor and Public Welfare Committee hearing room. pp. S8947-8

15. CROP INSURANCE. Sen. Pell commended the Federal Crop Insurance program as an important factor in strengthening the credit and farm future of growers who participate. p. S8950-1

16. NOMINATION. Confirmed the nomination of Howard J. Samuels, N.Y., to be Administrator of the Small Business Administration. p. S8967

17. POVERTY. Sen. Nelson announced that he and Sen. Percy intend to cosponsor a bill to provide our rural areas with new businesses and more jobs to stem the migration of people to large cities. p. S8976

18. FLOODING. Sen. Hansen inserted a resolution requesting that action be taken to make it possible to conduct an investigation of recurrent flooding on the Little Wind River in Wyo. pp. S8991-2

19. MAIL. Sen. Byrd, W. Va., supported pending legislation to exempt the mail-handling operations of the Post Office Department from manpower restrictions. p. S8992

20. ELECTRIFICATION. Sen. Muskie spoke in support of the construction of the Dickey-Lincoln hydroelectric project on the St. John River, Maine. pp. S8995-6

21. WATERSHEDS. Sen. Church commended Forest Service's emergency treatment of watersheds which help prevent damage from wildlife. p. S8996

22. LEGISLATIVE PROGRAM. Sen. Mansfield announced that following action on the farm bill the Senate will consider the public works appropriation bill. p. S9008

SENATE -- July 20, 1968

23. FARM PROGRAM. Passed, 58-18, with amendments S. 3590, to extend and improve legislation for maintaining farm income, stabilizing prices and assuring adequate supplies of agricultural commodities (pp. S9045, S9049-69). Rejected, 25-47, a Williams, Del.,-Brewster amendment to limit the amount of payments to any single recipient for any one year to $25,000, except under the Sugar

Act (pp. S9049-52). Rejected, 30-40, a Williams, Del.,-Lausche-Brewster amendment to limit the amount of payments to any single recipient for any one year to $75,000, except under the Sugar and Wool Acts (pp. S9052-3). Rejected, 26-48, a Monroney amendment to establish and maintain emergency reserves of storable agricultural commodities (pp. S9053-64).

24. MANPOWER. The Labor and Public Welfare Committee reported with amendments S. 2938, to extend certain expiring provisions under the Manpower Development and Training Act of 1962, as amended (S. Rept. 1445). p. S9087

25. TRADE FAIRS. Passed without amendment H. R. 18340, to amend section 212(B) of the Merchant Marine Act, 1936, as amended, to provide for the continuation of authority to develop American flag carriers and promote the foreign commerce of the United States through the use of mobile trade fairs (p. S9048). This bill will now be sent to the President.

26. OCEANOGRAPHY. Passed as reported H. R. 13781, authorizing funds for sea-grant colleges and ocean exploration for the fiscal year 1969, from not to exceed $8.5 million to not to exceed $15 million, and for the fiscal year 1970, from not to exceed $12 million to not to exceed $15 million. pp. S9047-8

27. PERSONNEL. Passed as reported H. R. 13844, to provide time off from duty without loss of pay or reduction in leave for employees of executive agencies to attend and make necessary arrangements in connection with the funerals of their sons or daughters in the U. S. Armed Forces overseas who died in or as a result of armed conflict with a hostile foreign force. pp. S9108-9

28. APPROPRIATIONS. Began consideration of H. R. 18188, the Transportation Dept. appropriation bill, 1969 (includes funds for forest highways) (p. S9108). As reported by the House Appropriations Committee this bill provides that "no funds shall be available to finance interdepartmental boards, commissions, councils, committees, or similar groups which do not have prior and specific congressional approval."

Passed, 67-3, with amendments H. R. 17903, the public works and Atomic Energy Commission appropriation bill, 1969 (pp. S9069-87). Conferees were appointed. House conferees have not been appointed. As reported by the House Appropriations Committee this bill provides that "no part of any appropriation contained in this or any other Act, shall be available to finance interdepartmental boards, commissions, councils, committees, or similar groups...which do not have prior and specific congressional approval."

29. FAMILY PLANNING. Sen. Gruening inserted a White House news release describing the mandate of the committee to review our Government's policies and programs in the field of population and family planning domestically and internationally. p. S9090

30. LEGISLATIVE PROGRAM. Sen. Mansfield announced on Mon. the Senate will consider the Transportation Department appropriation bill and the long staple cotton bill, later in the week the Labor-HEW appropriations measure, if reported. p. S9076

Please return to
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Congressional Record

PROCEEDINGS AND DEBATES OF THE 90th CONGRESS, SECOND SESSION

Vol. 114 WASHINGTON, SATURDAY, JULY 20, 1968 *No. 126*

House of Representatives

The House was not in session today. Its next meeting will be held on Monday, July 22, 1968, at 12 o'clock noon.

Senate

SATURDAY, JULY 20, 1968

(Legislative day of Friday, July 19, 1968)

The Senate met at 10 a.m., on the expiration of the recess, and was called to order by the President pro tempore.

Rev. Edward B. Lewis, D.D., pastor, Capitol Hill Methodist Church, Washington, D.C., offered the following prayer:

O God, in Thy name we pray today. Let us know Thy will. With Thee we are saved. Without Thy love we are lost. May our minds be stayed on Thee.

Though a thousand foes surround righteous thinking and acts, in Thee shall Thy people be found safe.

Guard and direct the affairs of our great Nation and the world. We commit ourselves to Thy care.

Inspire the thinking and deliberations of these worthy leaders. Thou art with us all the day long as we permit Thy presence to work within. Thou art justice, peace, life, and the healer of all nations' strife.

We trust in Thy steadfast love. Our hearts find hope in Thy salvation. Amen.

THE JOURNAL

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Journal of the proceedings of Friday, July 19, 1968, be approved.

The PRESIDENT pro tempore. Without objection, it is so ordered.

AGRICULTURAL ACT OF 1968

The Senate resumed the consideration of the bill (S. 3590) to extend and improve legislation for maintaining farm income, stabilizing prices, and assuring adequate supplies of agricultural commodities.

The PRESIDENT pro tempore. The time between now and 10:30 a.m. is under the control of the Senator from Delaware [Mr. WILLIAMS] and the Senator from Louisiana [Mr. ELLENDER]. Who yields time?

ORDER OF BUSINESS

Mr. MANSFIELD. Mr. President, will the Senator from Louisiana yield me 1 minute?

Mr. ELLENDER. I yield.

EXECUTIVE SESSION

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate go into executive session to consider the nominations on the Executive Calendar.

The PRESIDENT pro tempore. Without objection, it is so ordered.

DEPARTMENT OF STATE

The bill clerk proceeded to read sundry nominations in the Department of State.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the nominations be considered en bloc.

The PRESIDENT pro tempore. Without objection, the nominations are considered and confirmed en bloc.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the President be immediately notified of the confirmation of these nominations.

The PRESIDENT pro tempore. Without objection, it is so ordered.

LEGISLATIVE SESSION

Mr. MANSFIELD. Mr. President, I move that the Senate resume the consideration of legislative business.

The motion was agreed to, and the Senate resumed the consideration of legislative business.

ORDER OF BUSINESS

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar Nos. 1410, 1418, 1419, 1420, and 1421.

The PRESIDING OFFICER (Mr. PROXMIRE in the chair). Without objection, it is so ordered.

MRS. SOPHIE MICHALOWSKA

The Senate proceeded to consider the bill (H.R. 5233) for the relief of Mrs. Sophie Michalowska, which had been reported from the Committee on the Judiciary, with an amendment, on page 2, after line 16, insert a new section, as follows:

SEC. 3. Mrs. Sophie Michalowska is hereby relieved from any liability for payment to the United States of the amount of any income tax imposed under the laws of the United States on the sum referred to in the first section of this Act.

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time, and passed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 1430), explaining the purposes of the bill.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

PURPOSE OF AMENDMENT

The purpose of the amendment is to make clear that the amount awarded to the claimant is not intended to be subject to income tax.

PURPOSE

The purpose of the proposed legislation, as amended, is to authorize and direct the Secretary of the Treasury to pay, out of any

money not otherwise appropriated, to Mrs. Sophie Michalowska, of Baltimore, Md., the sum of $9,940.31 as a gratuity for the sacrifices sustained by her as a result of having been imprisoned for a period of approximately 8½ years by the Communist Government of Poland on charges of espionage and treasonable activities while employed in the U.S. Embassy in Warsaw, Poland.

STATEMENT

The Department of State has advised the House Judiciary Committee that it has no objection to the relief authorized in H.R. 5233.

The records of the Department of State disclose that Mrs. Sophie Michalowska began work as an alien clerk in the American Consulate at Krakow, Poland, on July 1, 1946. The information supplied to the committee indicates that at that time she was the sole employee of the consulate and acted as secretary to the consul. In March 1947, the consulate was closed and on March 24, 1947, she was transferred to the consular section of the American Embassy in Warsaw.

On December 6, 1947, she was arrested at home by Polish police. After some preliminary investigations she was transferred to the Mokotow Prison and imprisoned in a small cell with three other prisoners. The information supplied by the sponsor of the bill states that she was subjected to very poor treatment and indignities during this period. Further, the prison was crowded, with very primitive facilities.

After 18 months, Mrs. Michalowska was transferred to a basement cell and after waiting for 3 years, finally was tried in October 1950. She was charged with subversive and treasonable activities and was sentenced to 12 years in prison. In August 1951, she was sent to a woman's prison in Fordon and in the summer of 1952 was transported to another prison in Inowroclaw where she underwent a further period of difficult and arduous confinement. In the autumn of 1954 she was sent back to Fordon where the conditions were somewhat better. Finally on May 1, 1956, the Government issued a general amnesty which resulted in her release after more than 8 years' prisonment. She emigrated to the United States in April 1963, and is now living in Baltimore, Md.

The Department of State in its report has indicated that Mrs. Michalowska's employment with the United States was the cause of her arrest, trial, and imprisonment. The departmental report states:

"The Department is convinced that she was arrested and imprisoned because of her employment by the U.S. Government."

The committee has concluded that this case is a proper subject for private relief. In this connection, it should be noted that two bills providing for similar relief were enacted into law. S. 618 was approved September 29, 1965, as Private Law 89-108. The second bill, H.R. 10846, was approved November 2, 1966, as Private Law 89-401. The particular circumstances of Mrs. Michalowska's case in the opinion of this committee provide a similar basis for a finding of a moral obligation on the part of the Federal Government to compensate her in the manner provided in this bill. The amount authorized by the bill, $9,940.31, is the amount that Mrs. Michalowska would have earned during the period of her imprisonment had she remained on the State Department payroll. Mrs. Michalowska was imprisoned on December 6, 1947, and released on May 1, 1956. She was paid through December 19, 1947. At the time of her arrest she was earning $1,200 per year. The estimate of $9,940.31, the total amount Mrs. Michalowska would have earned had she remained on the Department's payroll, was arrived at as shown below:

Period	Annual rate	Total
New wage scale:		
Dec. 20, 1947, to Jan. 21, 1950	$1,200	$2,515.18
Jan. 22, 1950, to Feb. 17, 1951 [1]	$1,560	$1,680.00
Feb. 18, 1951, to Aug. 5, 1951 (6 Zl equals $1)	Zl 18,720	Zl 1,440.00
Aug. 6, 1951, to Jan. 5, 1952 (15 Zl equals $1)	Zl 18,720	Zl 316.80
Jan. 6, 1952, to Mar. 28, 1953	Zl 24,236	Zl 1,198.08
Mar. 29, 1953, to Aug. 14, 1954	Zl 29,600	Zl 1,639.38
Aug. 15, 1954, to May 1, 1956 (55 Zl equals $1)	Zl 29,600	Zl 925.26
Total		9,734.70
Lost annual leave while in prison, 13 days a year, 4 hours per pay period, 218 pay periods by 4 equals 872 hours, at Zl 14.23 per hour equals Zl 12,408.56		225.61
Total		9,940.31

[1] After Feb. 17, 1951, alien employees were paid in local currency (zlotys).

The committee is of the opinion that this woman should be awarded the amount stated in the bill and that she should have that entire amount not subject to any possible income tax deduction. While the committee does not approve of a tax-free amount as a matter of policy generally in bills for payments to individuals, this committee has on occasion made such awards in the light of special circumstances which indicate that such a freedom from tax liability should be recognized.

While the Department has indicated it would prefer to handle this case under public law, the fact that no such law exists means that Mrs. Michalowska's only recourse is to appeal to the Congress for the relief provided in this bill. However, the Department does not object to relief in this instance. In view of these facts and the position of the Department, it is recommended that the bill, as amended, be considered favorably.

QUITCLAIM REAL PROPERTY, MUSCOGEE COUNTY, GA.

The bill (S. 2908) to authorize the Secretary of the Army to quitclaim certain real property in Muscogee County, Ga., was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

S. 2908

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Army shall quitclaim, without payment of monetary consideration therefor, to William T. Heard, Junior, of Muscogee County, Georgia, all right, title, and interest of the United States in that tract or parcel of land situate, lying and being in land lot numbered 252 of the tenth land district of Muscogee County, Georgia, and more particularly described as all of that part of land lot numbered 252, tenth land district, Muscogee County, Georgia, which lies north of the northerly margin of the Central of Georgia Railway Company right-of-way in said land lot numbered 252, said tract consisting of sixty-two acres, more or less, and being a part of the real estate described in and conveyed to James W. Jackson by deed from C. M. Smith, recorded in deed book Z, folio 336, in the office of the Clerk of the Superior Court of Muscogee County, Georgia.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 1438), explaining the purposes of the bill.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

PURPOSE

This legislation would direct the Secretary of the Army to convey to William T. Heard, Jr., by quitclaim deed and without consideration approximately 62 acres of land located in Muscogee County, Ga., and described in a deed to James W. Jackson from C. M. Smith, recorded in Deed Book Z, folio 336, in the office of the clerk of the Superior Court of Muscogee County, Ga. The purpose of the bill is to correct a cloud on the title of the property. The United States purchased land located south of a right-of-way of the Central of Georgia Railway in 1942, and that by mistake deeds were delivered to the Government which also described land located north of the right-of-way which was not intended to be conveyed. This bill would correct this mistake by conveying this property to Mr. Heard as successor in title to the heirs of the original grantors.

EXPLANATION OF THE BILL

H.R. 14711 would direct the Secretary of the Army to quitclaim to William T. Heard, Jr., without payment of monetary consideration, all right, title, and interest of the United States in and to a certain 62-acre parcel of land in land lot No. 252, 10th land district, Muscogee County, Ga., lying north of the northerly margin of the Central of Georgia Railway Co. right-of-way.

Fort Benning, located in Chatthoochee, Muscogee, and Marion Counties, Ga., was established as an infantry training center on 96,618.30 acres of land acquired in fee during 1918–20 and was expanded under a major land acquisition program during World War II. The reservation currently comprises 182,051.33 acres of land acquired in fee at a cost of $4,926,098 and 189.23 acres of easements acquired at a cost of $1,350. As part of the World War II expansion project at Fort Benning, the United States acquired fee title in 1942 to three tracts of land, Nos. 168, 180, and 181 in the 10th land district of Muscogee County, Ga., all from one ownership consisting of five persons holding title as heirs at law of J. W. Jackson (tracts 168 and 181) and C. B. Jackson (tract 180), who will be referred to hereafter as the Jackson heirs. Three warranty deeds to the United States, one for each tract, were executed by the Jackson heirs as owners of record on April 2, 1942. The problem which this legislation would resolve arose in connection with these transactions.

The deed to tract No. 180 conveyed 353.22 acres in land lots 250, 251, and 252 of the 10th district, for a consideration of $6,600. The metes and bounds description of the area conveyed included that part of land lot 252, 10th district, lying south of the Central of Georgia Railway Co.'s right-of-way, which was under ownership of the Jackson heirs. No land north of the railroad, however, was included in the deed. The remaining portion of land lot 252 lying south of the railroad was acquired as tract No. 156 from Isaiah P. Turner. The deed to tract No. 168 conveyed 96.91 acres of land in land lots 295 and 296, 10th district for a consideration of $1,760. Tract No. 181, acquired for a consideration of $3,350, comprised 194.04 acres of land in land lot 259, 10th district. Each of these deeds contained a granting clause reciting "has granted, bargained, sold, and conveyed and do by these presents, grant, bargain, sell, and convey to grantee and grantee's assigns the following described real estate, to wit:" followed by a metes and bounds description of the conveyed area.

portation costs by using exclusively foreign-flag vessels or aircraft.

The House sought to avoid this unintended effect by amending subsection (a) of section 212(B) by striking out "exclusively used" and inserting in lieu thereof "used insofar as practicable" so as not to preclude the Secretary from defraying transportation costs of exhibits on U.S.-flag vessels and aircraft where foreign-flag vessels or aircraft are used on a portion of the carriage owing to the lack of comparable U.S.-flag service. This does not mean that the Secretary is authorized to defray transportation costs of exhibits on foreign-flag vessels or aircraft. An amendment providing for a parenthetical exception to subsection (b) of section 212(B) prohibits such a practice so as to avoid any possible subvention of foreign-flag vessels or aircraft. As a practical matter, it is expected that the use of foreign-flag vessels or aircraft will be kept to a minimum between points where there exists no comparable U.S.-flag service because it will be in the self-interest of the mobile trade fair operator to use U.S.-flag carriers for which he can seek reimbursement rather than to incur foreign-flag transportation costs out of his own pocket.

ORDER OF BUSINESS

Mr. MOSS. Mr. President, will the Senator from Louisiana yield me 30 seconds?

Mr. ELLENDER. I yield.

REFERRAL OF JOINT RESOLUTION

Mr. MOSS. Mr. President, I ask unanimous consent that Senate Joint Resolution 94, to create a Joint Committee To Investigate Crime, which was originally in the jurisdiction of the Committee on the Judiciary and then, by unanimous consent, was referred to the Committee on Rules and Administration, be returned to the Committee on the Judiciary to exercise jurisdiction. This matter has been cleared with the leadership on both sides and with the committees.

The PRESIDING OFFICER. Without objection, it is so ordered.

AGRICULTURAL ACT OF 1968

The Senate resumed the consideration of the bill (S. 3590) to extend and improve legislation for maintaining farm income, stabilizing prices, and assuring adequate supplies of agricultural commodities.

The PRESIDING OFFICER. Who yields time?

Mr. WILLIAMS of Delaware. I yield myself 2 minutes.

The PRESIDING OFFICER. The Senator from Delaware is recognized for 2 minutes.

Mr. WILLIAMS of Delaware. Mr. President, I ask unanimous consent to modify my amendment by striking out the words "other law" and insert in lieu thereof "amendments thereto".

Mr. KUCHEL. Mr. President, reserving the right to object—and I shall not object—what is the effect of the modification?

Mr. WILLIAMS of Delaware. Mr. President, the purpose of the modification is to make sure that this proviso exempts the Sugar Act of 1948 or any amendments thereto that have been adopted subsequently. It is merely to spell out clearly that the amendment which is pending will not affect sugar at all.

The PRESIDING OFFICER. Is there objection?

Mr. KUCHEL. Mr. President, I want the RECORD to be very clear, with respect to Senators who want the sugar legislation to continue, that the modification which the able Senator from Delaware now offers does not affect sugar subsidies, subsidy payments.

Mr. WILLIAMS of Delaware. That is correct. And it makes sure that it does not. It merely carries out the exact explanation we put into the RECORD yesterday.

Mr. KUCHEL. I thank the Senator.

The PRESIDING OFFICER. Without objection, the amendment is modified accordingly.

Who yields time?

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum, the time to be taken equally out of both sides.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. WILLIAMS of Delaware. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WILLIAMS of Delaware. Mr. President, I yield 4 minutes to the distinguished Senator from Hawaii [Mr. FONG].

Mr. FONG. Mr. President, the Williams-Brewster amendment to place a $25,000 limitation on payments to various farm producers in America is grossly unfair. The more I study it the more I see it is most discriminatory and most unjust.

One, it would keep controls on large farmers but would deny them payments of over $25,000 for complying with these controls.

Two, it discriminates against large farmers and legal entities. While individual farmers could collect up to $25,000, it would prevent farmers in partnerships or other joint organizations of farmers from collecting more than $25,000.

Three, it discriminates against stockholders of companies who operate large farm enterprises. While an individual farmer could receive as much as $25,000, the individual stockholder could not. A farm enterprise owned by 100 stockholders, for example, could not be eligible for more than $25,000. Stockholders would get the short end of the stick.

Four, such a limitation would very likely invite subterfuge. A large individual farmer who is now entitled to more than $25,000 might decide to break up his farm. His wife could own part of it, he could own another, and if he had any adult children, they could own other segments. In this way, each could perhaps qualify for the maximum of $25,000. The intent of the Williams-Brewster amendment could thereby be evaded.

Five, similarly, large company-owned farms might be able to subdivide the ownership in order to qualify for separate agricultural payments, thereby circumventing the intent of the sponsors of this amendment. Those large companies unable to subdivide their ownership would be discriminated against and possibly could be forced out of business.

Six, to propose such a limit—particularly without providing any substitute program for the protection of America's farm industry—would seriously disrupt America's basic farm programs, which keep America's dining tables filled with a cornucopia of foodstuffs at moderate prices.

Seven, the Williams-Brewster amendment, if approved today, will be followed, according to the senior Senator from Delaware, by another amendment to place a similar $25,000 limitation on compliance payments to sugar producers.

The consequences of such a limitation on my State of Hawaii, which produces one-sixth of all the sugar produced in America, would destroy the sugar industry in Hawaii. It would destroy the jobs of some 12,000 sugar workers in my State. This in turn would deal a staggering blow to Hawaii's economy, which is based heavily on the sugar industry.

While the limitation would drastically slash compliance payments on sugar, it would leave standing the Federal excise tax on every pound of sugar produced in the United States—another instance of rank discrimination, especially when the Federal Government has already profited to the tune of $500 million in the sugar program.

Mr. President, the Williams-Brewster amendment would be disastrous for America. I urge Senators to reject it by an overwhelming vote.

Mr. PASTORE. Mr. President, I would like to ask a question of either the manager of the bill or the sponsor of the amendment in connection with a matter that concerns me greatly.

Mr. WILLIAMS of Delaware. I yield 2 minutes to the Senator from Rhode Island.

Mr. PASTORE. Mr. President, I understand the Senator from Delaware said yesterday this had nothing to do with subsidies but had to do only with the soil bank. I am concerned about this.

We were selling cotton abroad at 8½ cents per pound cheaper than the American manufacturer could buy that same cotton. The manufacturer abroad took this differential and added to that the low standard of wages paid in those countries and sent back merchandise manufactured or fabricated, which put the American manufacturer of cotton goods at a great competitive disadvantage.

My point is that we had this problem for a long, long time. At first we began to pay back the differential to the American textile manufacturer. He resented this because he did not want a rebate or to have the Government pay him anything back. He wanted to be put on the basis of buying cotton at the same price as the foreign textile manufacturer. To overcome this we began to pay this subsidy to the American cotton producer.

Does the Senator's amendment affect this?

Mr. WILLIAMS of Delaware. Yes.

Mr. PASTORE. It would knock it out; would it not?

Mr. WILLIAMS of Delaware. No; but it would restrict it.

Mr. PASTORE. It would restrict it beyond $25,000.

Mr. WILLIAMS of Delaware. That is correct.

Mr. PASTORE. I am afraid this is going to affect a lot of textile jobs. This is a serious problem. The thing which concerns me is that the entire farm subsidy program should be carefully studied and reviewed, but whether we should do it on the floor of the Senate and summarily throw out this program we have developed over so many years concerns me greatly. The Senator has answered my question. Beyond the $25,000 the amendment would affect the differential, meaning the foreign manufacturer would be able to buy his cotton 8½ cents cheaper than the American manufacturer, the man who gives jobs to American workers.

Mr. WILLIAMS of Delaware. Cotton is about 32 cents, and to the extent it sells in the free market below that price the farmers are reimbursed for the difference. This would put a restriction on the amount of reimbursement. I thought I had made that clear yesterday.

Mr. PASTORE. The Senator has made it clear.

Mr. WILLIAMS of Delaware. I had intended to make it clear because I am not trying to mislead anyone into agreeing to the amendment. I think the amendment has merit. I want it understood that the Senator from Rhode Island is correct in his understanding.

Mr. PASTORE. Mr. President, I would be inclined to support the kind of amendment offered by the Senator from Delaware, provided that it would be the right thing to do on the overall program. I agree it has to be thoroughly studied. I hope the new President goes into this matter. I know Bob Kennedy went into the farm belt and talked about the farm problem, as have Vice President HUMPHREY, MCCARTHY, Rockefeller, and Nixon. They have all been talking about it. It is my fervent hope that they will come in with something that is constructive.

Mr. WILLIAMS of Delaware. I join the Senator in expressing that hope. I, too, recognize the problem of dealing with this matter on the floor of the Senate.

But as I stated earlier, this matter was presented to the committee for consideration. These amendments were considered. I testified in support of this position. I regret we could not work out a solution in conjunction with the committee; however, since we were not able to work something out with the committee I have offered the amendment on the floor of the Senate.

Mr. STENNIS. Mr. President, will the Senator yield to me for 1 minute?

Mr. ELLENDER. I yield.

Mr. STENNIS. Mr. President, I will take only a half minute.

I think the Senator from Rhode Island raised a very fine question and it has been honestly answered. It brings out a point I had in mind. With all deference, this amendment does not offer an alternative. It just jumps in and cuts out a part of the program without offering anything to replace it. It does not offer a substitute.

I thank the Senator for yielding.

Mr. ELLENDER. Mr. President, I wish to specifically answer the question asked by the Senator from Rhode Island.

The PRESIDING OFFICER. How much time does the Senator yield himself?

Mr. ELLENDER. I yield myself 2 minutes.

The PRESIDING OFFICER. The Senator is recognized for 2 minutes.

Mr. ELLENDER. There is a provision in the law at present which provides that if there is any kind of limitation on payments to cotton farmers the "snapback provision" applies. That means we go back to the two-price system, which means that foreign textile manufacturers might be able to get cotton at about 8½ cents to 9 cents cheaper than local textile mills.

I wish to advance a few more reasons why this amendment should not be adopted. It has been debated on the floor of the Senate on many occasions and fortunately, those who presented such limitations have not succeeded.

The program we have now, I fear, must be misunderstood by many Senators who are advocating this limitation. Under the old law, that is, the law that preceded the present one and which would be in effect in the event this act is not renewed, there was provision for compulsory controls of commodities. The only basic commodity not subject to mandatory controls from the time the old act was put on the statute books was corn, Corn was always able to get by in some way.

Under the old law the farmers had to vote for a program. They had to vote and two-thirds of those voting had to vote before any program was put into effect, which meant that cotton, wheat, rice, tobacco, and peanuts were on an involuntary program.

When the 1965 act was put on the statute books, the program was changed considerably. The program as to cotton is still compulsory, as to rice it is still compulory, and as to tobacco it is still compulsory.

As to wheat, corn, and other feed grains, it is a voluntary program. In order to be able to get the farmer to reduce his acreage, it is necessary to offer him a fair amount of diversion or price support payments. If we do not, this farmer will be prone to put every acre of land he has in cultivation. If, as, and when that happens, we will be faced with enormous surpluses and it would hurt the farmer, particularly the small farmer. The small farmer cannot produce at the low rates the large farmer can produce his commodities. He cannot buy a $10,000 tractor or other machines to plant the commodities he cultivates, but the large farmer can. The large farmer can produce wheat, corn, and other feed grains much more cheaply than can the small farmer because of the fact that he has the capability of buying the proper tools, tractors, planters, and corn harvesters. The small farmer cannot afford that.

In order to make the program effective it is necessary that we give proper inducement to the large farmer to join in and curtail production so that the markets will not be clogged with an abundance of corn, wheat, and other feed grains, and commodities. It is that simple. This is not a gift which is made to the large farmer. He must use much of that money in order to maintain the land that he diverts under approved conservation practices. He must do that under the contract he signs in order to be able to obtain the diversion payments.

The PRESIDING OFFICER. The 5 minutes of the Senator from Louisiana have expired.

Mr. ELLENDER. Mr. President, I yield myself 2 more minutes.

The PRESIDING OFFICER. The Senator from Louisiana is recognized for 2 minutes.

Mr. ELLENDER. Mr. President, there is no doubt that the present law is far superior to the old law.

I say that in light of actual experience. Since the act has been placed on the statute books, we have been able to increase sales abroad by over $2.3 billion since 1960, when this new program became effective—that is, the law that affected wheat, corn, and other feed grains. The record will show that we sold in excess of $6.8 billion in fiscal 1967 compared to $4.5 billion in 1960.

The reason for that is, the commodities we produced are sold on the world market at whatever the world market price is. Before that, we could not do that because we had a support price of a certain percentage of parity and if any cotton, wheat, or corn were sold abroad, the Federal Government had to pick up the difference between the fixed parity price—that is the percent of parity that was determined by the Secretary of Agriculture—and the world market.

In other words, it just happened that cotton, before the act went into effect was on a two-price system. The mills in the United States paid the going price which was almost the price support. The world price was about 8.5 cents less per pound than the support price. Therefore, we had more or less of a subsidy made available to the foreign mills, while domestic mills had to pay the support price, which was about 8.5 cents more per pound than the price of cotton sold abroad.

In order to be able to sell cotton and wheat at world market prices without the export subsidies, so that our domestic prices are maintained at world prices, we must pay the producer of those commodities not to overplant.

It strikes me, Mr. President, that we have done a good job, and I hope that the pending amendment will be rejected.

Mr. WILLIAMS of Delaware. Mr. President, I recognize the arguments of the Senator from Louisiana, but we have this situation. Congress has fixed the price of cotton at 30 cents or 32 cents per pound, depending upon the areas. To the extent the farmers sell this cotton below the price they do not have to be even a little bit concerned whether they get 25 cents or 15 cents a pound because the Government subsidy pays the differential. We are in effect operating the Brannan plan so far as cotton is concerned.

American cotton cannot compete with foreign cotton, but we should take care

of the problem by adjusting tariff rates. As it operates now payments are made on the one hand not to cultivate and produce cotton, and on the other hand, we pay and guarantee a profitable margin of 30 cents per pound irrespective of the domestic market. Many agriculture products operate in the free market. If the market declines they lose money, and they lose it out of their pockets. That is true to a large extent with poultry, dairy products, beef, and so on, but on this particular commodity we have an area where producers are guaranteed a liberal margin of profit regardless of how low the world market may be or how low they may sell it in the domestic market.

The result is a $3 to $4 billion annual subsidy, much of which is paid to the large corporate type of farmers.

This is the wrong kind of program, and the American taxpayers cannot afford the cost. Besides this special treatment for producers of some commodities is unfair to those other farmers who are forced to sell in a free market.

The PRESIDING OFFICER. The time of the Senator from Delaware has expired. The Senator has 1 minute remaining.

Mr. WILLIAMS of Delaware. Mr. President, so far as cotton is concerned, we come back to the question of how long the American taxpayers can keep paying $50,000, $100,000, $200,000, or in some instances a million dollars to a single farmer not to produce these crops.

There is one ridiculous situation in cotton where one farm operation in the Midwest is owned by a British company. This corporation is producing cotton in this country and receiving over one-half million dollars annually in subsidy. It then can ship this subsidized cotton back to British mills for manufacture. They are producing cotton here in this country to get the subsidy, and then turning around and buying it at the low wolrd market price and shipping it to their own mills in England. Conceivably the manufactured cotton article can then be exported back to the United States.

I do not think that this makes sense. It does not benefit. the bona fide cotton farmer, the wheat farmer, or any other kind of farmer.

This cannot even be called a subsidy for the American consumer since cotton cloth here in America is retailing today at prices higher than before the subsidy was initiated. As usual the taxpayers are the goats.

If we want a program for the benefit of the small farmer this amendment should be approved.

Mr. ELLENDER. Mr. President——

The PRESIDING OFFICER. The Senator from Louisiana has 1 minute remaining.

Mr. ELLENDER. There is one further point I wish to emphasize and that is the payment limitation conflict with surplus reductions. I have covered that, to some extent, but I simply want to indicate to the Senate what the condition is so far as the Commodity Credit Corporation is concerned.

The surplus reduction is a function of both production adjustment and market development. Each has had a part in reducing the Commodity Credit Corporation inventories from $6,148,000,000 in October of 1960, to only $896 million as of May 30 of this year.

That is a situation which certainly should be taken into consideration by the Senate.

We still have great capacity for overproduction; and producers will have to use that capacity, if our ability to pay them to remove it from production is curtailed.

We still have great conservation needs, to protect our land to provide clean water, to lessen flood risk or damage, to combat air pollution, to provide open space for recreation, and to meet many other needs of our people. If our ability to pay the amounts needed for these purposes is curtailed, these needs of our people will not be met. The damage to our land, water, and citizens could be irreparable.

Our objective for years has been to preserve and protect the family farm. If our ability to pay larger farmers for taking land out of production is curtailed, we will have to look to smaller farmers for the needed production adjustment. If we succeed in this, we may find that many of the smaller operators have reduced their production to such an extent that it is not economic to operate the remainder. We may then find ourselves encouraging them to find other employment and eventually to leave the farm.

This amendment would cut across all of the farm program machinery which has carefully been worked out by Congress. It would amount to a monkey wrench in that machinery.

The PRESIDING OFFICER. All time on the amendment has expired.

The question is on agreeing to the amendment, as modified, of the Senator from Delaware [Mr. WILLIAMS], offered for himself and the Senator from Maryland [Mr. BREWSTER]. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. BAKER (when his name was called). On this vote I have a live pair with the distinguished senior Senator from Illinois [Mr. DIRKSEN]. If he were present and voting, he would vote "yea." If I were voting, I would vote "nay." I therefore withhold my vote.

Mr. MANSFIELD (when his name was called). On this vote I have a pair with the distinguished Senator from Arkansas [Mr. FULBRIGHT]. If he were present and voting, he would vote "nay." If I were permitted to vote, I would vote "yea." Therefore, I withhold my vote.

The rollcall was concluded.

Mr. LAUSCHE (after having voted in the affirmative). Mr. President, on this vote I have a pair with the Senator from Georgia [Mr. TALMADGE]. If he were present and voting, he would vote "nay." If I were permitted to vote, I would vote "yea." I therefore withdraw my vote.

Mr. BYRD of West Virginia. I announce that the Senator from Hawaii [Mr. INOUYE], the Senator from New Jersey [Mr. WILLIAMS], and the Senator from Ohio [Mr. YOUNG] are absent on official business.

I also announce that the Senator from Alaska [Mr. BARTLETT], the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Indiana [Mr. HARTKE], the Senator from Massachusetts [Mr. KENNEDY], the Senator from Missouri [Mr. LONG], the Senator from Louisiana [Mr. LONG], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Maine [Mr. MUSKIE], the Senator from Georgia [Mr. RUSSELL], the Senator from Florida [Mr. SMATHERS], the Senator from Georgia [Mr. TALMADGE], and the Senator from Maryland [Mr. TYDINGS] are necessarily absent.

I further announce that, if present and voting, the Senator from Missouri [Mr. LONG], and the Senator from Louisiana [Mr. LONG] would each vote "nay."

Mr. KUCHEL. I announce that the Senator from Utah [Mr. BENNETT], the Senator from Colorado [Mr. DOMINICK], the Senator from Michigan [Mr. GRIFFITH], the Senator from Oregon [Mr. HATFIELD], the Senator from Nebraska [Mr. HRUSKA], the Senator from New York [Mr. JAVITS], the Senator from California [Mr. MURPHY], and the Senator from Illinois [Mr. PERCY] are necessarily absent.

The Senator from Illinois [Mr. DIRKSEN] is detained on official business. His pair has been previously announced.

If present and voting, the Senator from Nebraska [Mr. HRUSKA] would vote "nay."

On this vote, the Senator from Oregon [Mr. HATFIELD] is paired with the Senator from Colorado [Mr. DOMINICK]. If present and voting, the Senator from Oregon would vote "yea," and the Senator from Colorado would vote "nay."

On this vote, the Senator from New York [Mr. JAVITS] is paired with the Senator from Utah [Mr. BENNETT]. If present and voting, the Senator from New York would vote "yea," and the Senator from Utah would vote "nay."

On this vote, the Senator from Illinois [Mr. PERCY] is paired with the Senator from California [Mr. MURPHY]. If present and voting, the Senator from Illinois would vote "yea," and the Senator from California would vote "nay."

The result was announced—yeas 25, nays 47, as follows:

[No. 227 Leg.]

YEAS—25

Aiken	Clark	Pell
Bayh	Cotton	Prouty
Bible	Gore	Proxmire
Boggs	Jackson	Ribicoff
Brewster	Jordan, Idaho	Scott
Burdick	Magnuson	Smith
Cannon	McGovern	Williams, Del.
Case	Morton	
Church	Nelson	

NAYS—47

Allott	Harris	Montoya
Anderson	Hart	Morse
Brooke	Hayden	Moss
Byrd, Va.	Hickenlooper	Mundt
Byrd, W. Va.	Hill	Pastore
Carlson	Holland	Pearson
Cooper	Hollings	Randolph
Curtis	Jordan, N.C.	Sparkman
Dodd	Kuchel	Spong
Eastland	McClellan	Stennis
Ellender	McGee	Symington
Ervin	McIntyre	Thurmond
Fannin	Metcalf	Tower
Fong	Miller	Yarborough
Gruening	Mondale	Young, N. Dak.
Hansen	Monroney	

PRESENT AND GIVING LIVE PAIRS, AS PREVIOUSLY RECORDED—3

Baker, against.
Lausche, for.
Mansfield, for.

NOT VOTING—24

Bartlett	Hruska	Muskie
Bennett	Inouye	Percy
Dirksen	Javits	Russell
Dominick	Kennedy	Smathers
Fulbright	Long, Mo.	Talmadge
Griffin	Long, La.	Tydings
Hartke	McCarthy	Williams, N.J.
Hatfield	Murphy	Young, Ohio

So the amendment of Mr. WILLIAMS of Delaware and Mr. BREWSTER, as modified, was rejected.

Mr. WILLIAMS of Delaware. Mr. President, I send to the desk a second amendment.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk proceeded to read the amendment.

The PRESIDING OFFICER. The Senate is not in order. The clerk will suspend the reading until order is restored.

Mr. WILLIAMS of Delaware. Mr. President, this is a modification of my previous amendment. I ask unanimous consent that further reading of the amendment be waived.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment offered by Mr. WILLIAMS of Delaware is as follows:

On page 14, between lines 12 and 13, insert the following:

"SEC. 806. Notwithstanding any other provision of law, after January 1, 1969, the total amount of payments which may be made to any single recipient for any one year as (1) incentive payments, (2) diversion payments, (3) price-support payments, (4) wheat marketing certificate payments, (5) cotton equalization payments, and (6) cropland adjustment payments, shall not exceed $75,000. The foregoing shall not apply to payments under the Sugar Act of 1948 or any amendment thereto, or under the National Wool Act of 1954 or any amendment thereto."

Mr. WILLIAMS of Delaware. Mr. President, if I may make a very brief explanation, as far as I am concerned we can proceed to vote.

The only difference between this amendment and the preceding one is that I have changed the amount to $75,000 instead of $25,000, and I have added the exemption "or under the National Wool Act of 1954 or any amendments thereto," which means it would exempt both wool and sugar. Subsidy payments on all the other commodities would be covered. I repeat it is the same amendment as before except for exempting wool as well as sugar and raising the figure to $75,000.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that there be a time limitation of not to exceeed 4 minutes on the pending amendment, the time to be equally divided between the two sides.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LAUSCHE. Mr. President, will the Senator from Delaware permit me to be a cosponsor of his amendment?

Mr. WILLIAMS of Delaware. Yes. Mr. President, I offer this amendment on behalf of the Senator from Maryland [Mr. BREWSTER], the Senator from Ohio [Mr. LAUSCHE], and myself.

Mr. ELLENDER. Mr. President, I have no further argument to advance. The same principle is involved here. I simply remind Senators from States in the Northeast with textile mills that if this amendment is enacted, cotton will be sold under a two-price system, because under the present law the so-called snap-back provision provides that if we put a limitation on payments on cotton, then cotton goes back to a loan and purchase program, which could mean that cotton would sell to foreign mills at a lower price than it would sell to the textile mills in the United States.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. ELLENDER. In a moment.

I notice that my good friend from Delaware has exempted wool. I presume that that is to try to obtain favorable votes from Senators representing States where wool is produced.

Mr. President, if we provide a limitation now on some commodities, it will not be long before we will be putting a limitation on wool, sugar, and all other commodities.

I yield to the Senator from Rhode Island.

Mr. PASTORE. It would mean specifically that the American manufacturer of cotton products would have to pay, for American cotton, 8½ cents a pound more than the price at which that same cotton is sold to a Japanese shirt manufacturer, who will try to sell his shirts back to the American consumer and thereby destroy Americans jobs.

Mr. ELLENDER. The Senator is correct.

The PRESIDING OFFICER. The time of the Senator from Louisiana has expired. The Senator from Delaware has 1 minute remaining.

Mr. WILLIAMS of Delaware. Mr. President, I merely point out that when this present program first went into effect it was sold to the American people on the basis that by paying these enormous subsidies on cotton the consumer would be able to obtain cotton goods and shirts at a cheaper price.

The record shows, however, that as far as the consumer is concerned he is paying more for cotton goods today than he did before we started paying out these multimillion dollar subsidies. Let us face it—this is a subsidy for the textile mills and the large corporate-type operations.

Certainly $75,000 is a lot of money to pay to any one farming operation as a 100-percent subsidy, over and beyond what it receives as the market price of its product.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. MORSE. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. All time having expired, the question is on agreeing to the amendment of the Senator from Delaware. On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BAKER (when his name was called). On this vote I have a pair with the Senator from Illinois [Mr. DIRKSEN]. If he were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." I withhold my vote.

The rollcall was concluded.

Mr. ALLOTT (after having voted in the affirmative). On this vote I have a pair with the junior Senator from California [Mr. MURPHY]. If he were present and voting, he would vote "nay." If I were at liberty to vote, I would vote "yea." I withdraw my vote.

Mr. MANSFIELD (after having voted in the affirmative). On this vote I have a pair with the Senator from Arkansas [Mr. FULBRIGHT]. If he were present and voting, he would vote "nay." If I were at liberty to vote, I would vote "yea." I withdraw my vote.

Mr. MORTON (after having voted in the affirmative). On this vote I have a pair with the Senator from Georgia [Mr. TALMADGE]. If he were present and voting, he would vote "nay." If I were at liberty to vote, I would vote "yea." I withdraw my vote.

Mr. BYRD of West Virginia. I announce that the Senator from Hawaii [Mr. INOUYE] and the Senator from Ohio [Mr. YOUNG] are absent on official business.

I also announce that the Senator from Alaska [Mr. BARTLETT], the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Indiana [Mr. HARTKE], the Senator from Arizona [Mr. HAYDEN], the Senator from Massachusetts [Mr. KENNEDY], the Senator from Missouri [Mr. LONG], the Senator from Louisiana [Mr. LONG], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Montana [Mr. METCALF], the Senator from Maine [Mr. MUSKIE], the Senator from Georgia [Mr. RUSSELL], the Senator from Florida [Mr. SMATHERS], the Senator from Georgia [Mr. TALMADGE], and the Senator from Maryland [Mr. TYDINGS] are necessarily absent.

I further announce that, if present and voting, the Senator from Missouri [Mr. LONG] and the Senator from Louisiana [Mr. LONG] would each vote "nay."

Mr. KUCHEL. I announce that the Senator from Utah [Mr. BENNETT], the Senator from Colorado [Mr. DOMINICK], the Senator from Michigan [Mr. GRIFFIN], the Senator from Oregon [Mr. HATFIELD], the Senator from Nebraska [Mr. HRUSKA], the Senator from New York [Mr. JAVITS], the Senator from California [Mr. MURPHY], and the Senator from Illinois [Mr. PERCY] are necessarily absent.

The Senator from Illinois [Mr. DIRKSEN] is detained on official business, and his pair has been previously announced.

If present and voting, the Senator from Oregon [Mr. HATFIELD], and the Senator from Illinois [Mr. PERCY], would each vote "yea."

The pair of the Senator from California [Mr. MURPHY], has been previously announced.

On this vote, the Senator from Colorado [Mr. DOMINICK] is paired with the Senator from Utah [Mr. BENNETT]. If present and voting, the Senator from Colorado would vote "yea," and the Senator from Utah would vote "nay."

On this vote, the Senator from New York [Mr. JAVITS] is paired with the Senator from Nebraska [Mr. HRUSKA]. If present and voting, the Senator from New York would vote "yea," and the

Senator from Nebraska would vote "nay."

The result was announced—yeas 30, nays 40, as follows:

[No. 228 Leg.]

YEAS—30

Aiken	Cotton	Mundt
Bayh	Gore	Nelson
Bible	Hickenlooper	Pell
Boggs	Jackson	Prouty
Brewster	Jordan, Idaho	Proxmire
Burdick	Lausche	Ribicoff
Cannon	Magnuson	Scott
Case	McGovern	Smith
Church	McIntyre	Williams, N.J.
Clark	Miller	Williams, Del.

NAYS—40

Anderson	Hansen	Moss
Brooke	Harris	Pastore
Byrd, Va.	Hart	Pearson
Byrd, W. Va.	Hill	Randolph
Carlson	Holland	Sparkman
Cooper	Hollings	Spong
Curtis	Jordan, N.C.	Stennis
Dodd	Kuchel	Symington
Eastland	McClellan	Thurmond
Ellender	McGee	Tower
Ervin	Mondale	Yarborough
Fannin	Monroney	Young, N. Dak.
Fong	Montoya	
Gruening	Morse	

PRESENT AND GIVING LIVE PAIRS, AS PREVIOUSLY RECORDED—4

Allott, for.
Baker, against.
Mansfield, for.
Morton, for.

NOT VOTING—25

Bartlett	Hruska	Muskie
Bennett	Inouye	Percy
Dirksen	Javits	Russell
Dominick	Kennedy	Smathers
Fulbright	Long, Mo.	Talmadge
Griffin	Long, La.	Tydings
Hartke	McCarthy	Young, Ohio
Hatfield	Metcalf	
Hayden	Murphy	

So the amendment of Mr. WILLIAMS of Delaware was rejected.

Mr. ELLENDER. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. HOLLAND. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Several Senators addressed the Chair.

Mr. MONRONEY. Mr. President, without time running. I ask unanimous consent that Senators who seek to make short remarks be recognized.

The PRESIDING OFFICER. Is there objection to the unanimous-consent request?

Mr. MANSFIELD. Mr. President, I think the time ought to run because we have an hour on each amendment.

The PRESIDING OFFICER. Will the Senator from Oklahoma send his amendment to the desk?

AMENDMENT NO. 882

Mr. MONRONEY. Mr. President, I call up my amendment No. 882.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk proceeded to state the amendment.

Mr. MONRONEY. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered. The amendment will be printed in the RECORD.

The amendment ordered to be printed in the RECORD reads as follows:

At the end of the bill add a new title as follows:

"TITLE IX—EMERGENCY AGRICULTURAL RESERVE STOCK PROGRAM

"STATEMENT OF POLICY

"SEC. 901. It is the policy of the Congress to establish and maintain reserves of storable agricultural commodities adequate to meet any foreseeable food and fiber shortage which might arise in the Nation as a consequence of any natural disaster, adverse food production conditions for one or more years, military actions, or other causes and to assist other nations of the world in any food emergency. It is further the policy of Congress to establish such reserves in years of surplus production and to maintain them to the maximum extent practicable in the control of producers, to assure their segregation from the commercial market so that existence of the reserves will not adversely affect the level of market prices.

"ESTABLISHMENT OF RESERVE LEVEL FOR COMMODITIES

"SEC. 902. Whenever, during any marketing year the uncommitted stocks of wheat, feed grains, or soybeans owned by the Commodity Credit Corporation fall below the reserve level for such commodity specified below, the Commodity Credit Corporation may purchase at prevailing market prices such quantities of the commodity at such times and places as will effect the orderly establishment and maintenance of the Commodity Credit Corporation's stocks of the commodity at such reserve level. The reserve level of the commodity under this section for any marketing year shall be:

"For wheat............ 200 million bushels
"For feed grains........ 15 million tons
"For soybeans.......... 30 million bushels"

In any marketing year for any crop for which the Secretary determines that the estimated production from such crop will exceed estimated domestic consumption and exports during such marketing year by more than 10 per centum, the reserve level under this section shall be increased by 100 million bushels for wheat, 7.5 million tons for feed grains, and 15 million bushels for soybeans.

"LIMITATION ON SALE OF RESERVE STOCKS

"SEC. 903. (a) In order to assure that the Commodity Credit Corporation reserve stocks of wheat, feed grains, and soybeans will be insulated from the market, whenever the Commodity Credit Corporation's stocks of any such commodity are below the level specified for such commodity in the schedule at the end of this section. Commodity Credit Corporation, notwithstanding the provisions of any other law, shall not sell for unrestricted domestic use or value for redemption of payment-in-kind certificates such commodity at less than the price specified in such schedule.

"SCHEDULE OF COMMODITY CREDIT CORPORATION STOCK LEVELS AND PRICES

"(1) For wheat, when the Commodity Credit Corporation's uncommitted stocks are not more than two hundred million bushels, the minimum price shall be 100 per centum of the current parity price, adjusted for class, grade, and location, less the current cost of the marketing certificate charged to processors.

"(2) For feed grains, when Commodity Credit Corporation's uncommitted stocks are not more than fifteen million tons, the minimum price shall be 100 per centum of the current parity price, adjusted for class, grade, and location, less the current price support payment rate with respect to the maximum permitted acreage for the feed grain.

"(3) For soybeans, when the Commodity Credit Corporation's uncommitted stocks are not more than thirty million bushels, the minimum price shall be 100 per centum of the current parity price, adjusted for class, grade, and location.

"(b) Notwithstanding any other provision of this Act, for the purpose of efficient management of the reserve stocks, including rotation thereof, Commodity Credit Corporation may sell any commodity in its reserve at the domestic market price, but any such sale shall be offset by a prompt purchase of a substantially equivalent quantity of such commodity at the domestic market price.

"EXTENSION OF PRICE SUPPORT LOANS

"SEC. 904. (a) The Secretary shall make available a program for extending the maturity dates of price support loans for any crop of wheat, feed grains, or soybeans, if he determines that the estimated production from such crop will exceed estimated domestic consumption and exports during the marketing year for such crop. The Secretary shall estimate the production from each crop and the domestic consumption and exports for the marketing year for such crop within thirty days after the beginning of such marketing year and at any subsequent time during the marketing year when he finds that changed circumstances require a new estimate. If in any marketing year when the Secretary has made such a determination, extended loans on wheat, feed grains, or soybeans of any crop are called and the quantity of the commodity under such extended loans is not substantially offset by the quantity placed under the extended loan program from the current crop, the Commodity Credit Corporation shall purchase such additional quantity of the commodity at the prices specified in section 902 as will substantially offset the quantity of the commodity under extended loans which are called.

"(b) The Secretary shall make extended loan programs available under subsection (a) or otherwise and exercise the right to call extended loans in a manner which will enable producers so far as possible to maintain at the end of each marketing year carryover stocks under such programs of approximately one hundred million bushels of wheat, seven million five hundred thousand tons of feed grains, and fifteen million bushels of soybeans. In the case of any marketing year for any crop for which the Secretary determines that the estimated production will exceed domestic consumption and exports during such marketing year by more than 10 per centum, the Secretary may conduct the program in a manner which will enable producers to maintain at the end of such marketing year carryover stocks of up to two hundred million bushels of wheat, fifteen million tons of feed grains, and thirty million bushels of soybeans.

"(c) The Secretary shall offer to enter into agreements with producers under which the producer shall agree to keep such commodity in storage under his control for periods of not to exceed three years, and the Secretary shall agree not to call the loans in such cases unless the prevailing marketing price for the commodity has reached the level at which Commodity Credit Corporation may sell such commodity for unrestricted domestic use under the pricing schedule provided in section 903 and the Secretary determines that the commodity is needed to meet a shortage which has arisen as a consequence of a natural disaster, adverse food production conditions for one or more years, military actions, or other causes: *Provided*, That notwithstanding the foregoing restrictions, the Secretary may call the loans in the case of commodities which have substantially deteriorated in quality or as to which there is a danger of loss or waste through deterioration or spoilage or for the purpose of establishing claims arising out of contract or against persons who have committed fraud, misrepresentation, or other wrongful acts with respect to the commodity. The Secretary is authorized to provide incentives necessary to encourage farmers to store under such agreements approximately one hundred million bushels of wheat, seven million five hundred thousand tons of feed grains, and fifteen million bushels of soybeans. To the

extent that the quantity of any commodity stored by producers under this subsection falls below such level, the Commodity Credit Corporation may purchase an additional quantity of the commodity to offset the deficiency."

Mr. MONRONEY. Mr. President, I yield 1 minute to the distinguished Senator from Kentucky.

Mr. COOPER. Mr. President, I address a query to the manager of the bill, the Senator from Louisiana [Mr. ELLENDER]. I call attention to page 12, section 801 entitled "Extension of Tobacco Allotment Lease Authority." This section would extend the date for the authorized leasing of certain tobacco allotments. The section now prohibits and excludes the leasing of burley tobacco allotments.

Am I correct in my understanding and interpretation of this section in that it does not change the law and that under this section of the bill burley tobacco allotments cannot be leased?

Mr. ELLENDER. The Senator is correct.

Mr. MONRONEY. Mr. President, I yield 2 minutes to the Senator from Vermont.

The PRESIDING OFFICER. The Senator from Vermont is recognized for 2 minutes.

Mr. AIKEN. Mr. President, I think the matter we have just voted on needs a little explanation. The subsidy charged now to the farmer is really a subsidy to the consumer. By getting the subsidies, the farmer can produce and sell to the mills for less than the cost of production.

For 2 years this subsidy went to the manufacturers, and they did not like being named as getting the subsidy. They got it transferred as a charge against the farmer. I am referring primarily to cotton, which was the major item involved.

When the mills got the subsidy, they were then required to pay the farmer the full cost of production for a crop. The subsidy then got transferred to the farmer. So the producer now gets charged for these millions of dollars of subsidies, and the two returns combined are often less than the cost of production.

Because of that, this subsidy is probably warranted. However, it ought to be charged straight to the consumer or the manufacturer, rather than to the producers.

I realize that the textile mills are very important in the Senate, and they are very important in the national economy, too. I feel that a subsidy to the consumer is warranted in order to compete with the foreign manufacturers. But let us put our subsidies where they belong.

It might have been 5 or 6 years ago that an analysis was made by the Department of Agriculture, and it was found that probably half of the $6 billion of appropriations to agriculture was not a subsidy to agriculture, but was a subsidy to the consumers of this country.

I think it is warranted.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. ALLOTT. Mr. President, I yield 2 minutes to the Senator from Rhode Island.

Mr. PASTORE. Mr. President, I want to ask a question. I think the Senator from Vermont makes a very good case. And maybe the cotton-producer does not like the program. I know that the manufacturer and the textile millowner did not like the program. We did not want a handout or a rebate. We went to the White House, as a matter of fact I personally went to the White House. I said that the differnetial should be made up at the point of entry. And we were told very flatly that if we did that, the importing countries abroad would stop buying American cotton and, in order to meet the world price, we had to sell this cotton 8.5 cents cheaper than the American manufacturer was buying it.

I say it would be better the other way. But we have tried it and tried it and tried it and never even got to first base. So this was the only alternative that was left to us.

If this is changed, it would put us back where we were. We were at a disadvantage in maintaining American jobs, and that is what it amounts to. One thousand American textile mills have been closed in this country in the last 10 years, when we have been going up astronomically in the gross national product, when we have made more profits than ever before. Yet, these mills are closing down in Maine, in Massachusetts, in Rhode Island, and now they are even beginning to close down in the South.

I say this is a deplorable situation, and if anyone wants to give away the American textile industry to foreign producers, go ahead and knock out these subsidies.

Mr. AIKEN. Mr. President, we do not want to do away with our textile industry. We want our consumers to be able to buy textile goods on a level with the people of other countries, and we want to be able to compete with foreign imports.

What I was trying to do was to point out that this is, in fact, a consumer subsidy and should be recognized as such, and should not be charged against the American producers. It was in order to put emphasis on that situation that I just voted for the Williams amendment.

Mr. PASTORE. The Senator is correct. But I will make only this rejoinder: You cannot have an American consumer unless you have an American worker.

Mr. AIKEN. The Senator from Rhode Island is absolutely correct. Both the Senator from Rhode Island and I look after our cotton producers.

The PRESIDING OFFICER (Mr. HOLLINGS in the chair). Who yields time?

Mr. COTTON. Mr. President, will the Senator yield?

Mr. MONRONEY. I yield to the distinguished Senator from New Hampshire.

Mr. COTTON. I thank the Senator.

I simply wish to associate myself with the statement just made by the Senator from Rhode Island, with whom I served for years on the Textile Subcommittee, trying to save American jobs and particularly our own New England jobs.

I shall not take any more of the Senator's time, but I simply desire to associate myself with the remarks of the Senator from Rhode Island, for we have worked together on this project, and he has voiced my convictions perfectly.

Mr. MONRONEY. Mr. President, I yield 2 minutes to the distinguished senior Senator from Colorado.

Mr. ALLOTT. I thank the Senator.

Mr. President, I was delighted to note the provisions of sections 804 and 805 of title VIII of the pending bill. These provisions are identical to two bills, S. 3056 and S. 3057, which I introduced on February 29, 1968, with the cosponsorship of Senators DOMINICK, BENNETT, and MONTOYA.

As Senators are aware, the Agricultural Marketing Agreement Act of 1937, as amended, has provided the means whereby the orderly and efficient marketing processes can be used for the improvement of the markets for various agricultural commodities. This important legislative tool was enacted not only for the economic assistance of the agricultural industry involved with various commodities, but also for the general benefit of the consuming public. This law has provided the opportunity for proper farmer bargaining power through collective farmer marketing and selling agreements otherwise unavailable to individual farmers.

Section 804 of the present bill will provide applegrowers in Colorado, Utah, and New Mexico with the opportunity to avail themselves of the promise and purposes of section 8c(2)(A) of the Agricultural Marketing Agreement Act of 1937.

Mr. President, as I indicated when I introduced this legislation, what was intended when we introduced S. 3056 was to enable applegrowers in Colorado, Utah, and New Mexico, to join with other applegrowers in those States enumerated in section 8c(2)(A) of the Agricultural Marketing Agreement Act to create voluntary marketing orders. It was clearly our intention that applegrowers in these three States should be able to take full advantage of the procedures established by that particular section.

When the report on this bill was first made available, I noted on page 10 some language which indicated that apple growers in these States might not be able to take full advantage of section 8c(2)(A) of the act with regard to apples produced for canning or freezing.

I was happy to note, therefore, the statement made by the distinguished chairman of the committee in the RECORD on July 18, at page S 8942, wherein this question was laid to rest. The chairman stated at that time:

> Mr. ELLENDER. Mr. President, I should like to correct an error in the committee report on S. 3590. On page 10, in the explanation of section 804, appears the parenthetical phrase "(not including those for canning or freezing)". This is not correct. The bill does extend marketing order authority to apples for canning or freezing produced in the States of Colorado, Utah, and New Mexico. What the report should have stated was that it did not extend marketing order authority to the canned or frozen product.

I presume that means the person who makes the canned or frozen product also, does it not?

Mr. ELLENDER. It does.

Mr. ALLOTT. I thank the distinguished Senator. I appreciate his assistance in straightening out this situation, which means so much to some of our States in the West.

It was clearly the intention of those sponsors of S. 3056 to include all apples within the marketing order authority whether they were designed ultimately for fresh market consumption or for canning or freezing. I think the chairman has clarified this situation, and I merely wanted to draw further attention to the question for the purpose of establishing the legislative history of this proposed section of the pending bill.

Finally, Mr. President, I should like to thank the members of the committee for adding these two sections to the pending bill. Those of us who were concerned about the prospects for enabling legislation in this session of Congress are most grateful for the committee's action in incorporating our bills into the language of sections 804 and 805 of the present bill.

Mr. MONRONEY. Mr. President, on the desk of each Senator is a breakdown of the reserve amendment and the amounts in addition to the stocks that would be allowed to be resealed in the farmer's hands and to be created in the farmer's hands, to be held off the market until the price of wheat reaches $2. This is now the law, that the CCC is compelled to obtain wheat at the price support level. But because of various threats of oversupply, the market reacts in such a manner that puts the price of wheat far under the cost of its production.

The pages of history are filled with the 7 years of plenty and the 7 years of famine. We need only go back to Joseph's time in history to recognize that through his wisdom they created reserve stocks of food that carried them through the long 7 years of famine.

We have been going on this roller coaster, the ups and downs, for years and years, and it is no surprise to any of us familiar with the field of wheat, where climatic conditions and pestilence have so much to do with a bumper crop or with a crop of scarcity, that we have seen the price of wheat go, like a yo-yo, from nearly $2 a bushel down to where it is selling in Watonga, Okla., as of last Saturday, at $1.20 a bushel. This is quite a swing for a major crop on which the lives of so many people depend and which is the backbone of the diet of the American people and, in truth, of most of the people of the world, including the slave world and the free world.

What we are trying to do here—and may I say this amendment is supported by the wheat councils of the United States, by the various farm organizations, except the Farm Bureau, and has the strong support of the Department of Agriculture—is to have what we like to call a normal granary, one that is not penalized for a scarcity by skyrocketing prices or one depressed to the cellar by a bumper crop.

In other words, the great good fortune of weather and the accident of dry weather during harvest season have much to do with the price of wheat. This year, the gods of chance smiled on the farmers of America in the wheat belt, and we have a great bumper crop. As a result, instead of prosperity, we have a price of $1.20, which is a 26-year low price.

Let me emphasize. The price at which wheat is selling this afternoon in Oklahoma, in Kansas, in Texas, in Montana, and in Wyoming is a 26-year low price; and we are faced with this situation not just this time but on and on, with ups and downs.

As will be noticed in the leaflet, in 1966 we had only 200 million bushels in storage in the Federal Government, and only 425 million bushels in storage in the commercial part. But in 1960 to 1961, we had 1,368 million bushels in Federal storage, under CCC control, and we had 1,411 million in others. If this is not an example of the yo-yo type of operation of one of the world's major commodities, I do not know what it is.

What we are trying to do is to strike across a level, normal reserve so that the price will not fluctuate, so that it will be commensurate with the cost of production which Congress time and time again has pledged, and still pledges, to be the national policy.

I recall sitting with the Secretary of Agriculture in 1966—I believe the Senator from South Dakota [Mr. McGOVERN] was present—when we talked about the question of enlarging the acreage. The entire wheat area, most of it, throughout this country, was striken with a recordbreaking drought, and the prospects looked as though we would have a complete and total crop failure. The fear on the part of the Secretary and on the part of those of us from wheat States was that if this drought continued and we held acreage off and did not enlarge the acreage that could be broken out and planted to wheat, we would have a famine of wheat in this country so great that the entire farm programs on every product would be abandoned and the policy of trying to limit production to the usable demand would be dispensed with.

So the Secretary, after getting all the figures, all the advice of the agronomists, the advice of the Representatives and the Senators from these areas, decided to raise the total acreage by 15 percent, allowing the farmer to plant more.

They raised it by 15 percent. The drought continued and it was feared there would be a catastrophe. They raised it another 15 percent in 1967 to rescue this country from a wheat famine and a wheat shortage that would have been disastrous to the economy of the wheat States and the great industries that depend on wheat.

We want to get away from that. It has taken years to restore the productivity of the land. With this bill we will strike at the problem as near as we can, and we may have to change the figure some more in later years with experience, but we will be able to set aside 100 million bushels that will be held by the farmers in the Commodity Corporation loan program. That is the mechanism used, and it is a time-honored system. It could be resealed so the farmer does not have to market at the end of 1 year and watch the price go far below the cost of production.

We allow another 100 million bushels, not to exceed 3 years, to be held as reserve stocks on farms in addition to the amount of that resealed. The Commodity Credit Corporation would offer the necessary incentive to encourage farmer participation in this portion of the reserve.

Such stocks under contract could not be called by the Secretary or redeemed by farmers unless market prices have reached the level provided under the Commodity Credit Corporation release schedule and further, that the commodity is needed to meet a shortage resulting from a natural distaster, adverse production conditions, military actions, and so forth.

We will arrive at an ever-normal granary, we hope, that will keep this crop off the market until it is needed by reason of drought or disaster of one kind or another and try to maintain the price by holding it at $2 a bushel.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. MONRONEY. I yield to the Senator from Rhode Island.

Mr. PASTORE. The thing that disturbs me is that we are running head on into a paradox, are we not? Here we have a program to pay people to take acreage out of wheat. The Senator is saying we should stockpile wheat. That is what it amounts to, a stockpiling of wheat. We have done that in conection with nickel and copper. Now, we would stockpile wheat and at the same time pay people a certain amount of money not to produce it. That, it seems to me, would be meeting yourself coming down the hill.

Mr. MONRONEY. The Senator does not realize the alternative is breaking up the land and putting more land into wheat than we can use. Rather than doing that, we are keeping it set aside for future generations of growth. We are trying to prevent it breaking up by keeping it off the market in times of surplus and feeding it on to the market in times of shortage. This is being held off the market so it will not destroy the price. We are not going to break up the land if we can help it. We would like to have acreage limitation maintained. If we were faced with a situation similar to the situation we had in 1926 we would be at high noon. It has taken several years to get back to grass. We want to preserve the fertility and not have excessive production.

Mr. McGOVERN. Mr. President, will the Senator yield?

Mr. MONRONEY. I yield.

Mr. McGOVERN. Mr. President, I wish to join the Senator in the effort to strengthen the legislation before us.

It is my feeling that if we can get the Senator's amendment agreed to so the Secretary has the tools he needs to take the excess wheat and feed grains off the market in times of surplus production and have that available in times of food shortage, we can strengthen the overall operation of the program.

I am convinced the estimates are correct in the Department of Agriculture, which indicates if we can approve an

amendment such as this one, it would immediately add 10 cents a bushel or considerably more at this time to the price of wheat, and a similar amount on food grains. This is one thing we can do to firm up current prices on wheat and feed grains, and provide the Nation with needed reserves.

I have attempted for many months to secure enactment of emergency reserve legislation, and I am happy to support the current attempt.

The commodity reserve, or emergency reserve amendment which the senior Senator from Oklahoma [Mr. MONRONEY] has offered, would authorize a much-needed supply management tool. It is urgently needed now because of a record wheat crop, in spite of a 12- or 13-percent reduction in wheat acreage this year, and consequent disastrously low farm prices.

The amendment appears to be the compromise version of a reserve bill worked out between a group of farm organizations and the Department of Agriculture which is a very considerable improvement over anything the Department had previously proposed.

The Department had proposed a reserve purchased by Commodity Credit Corporation at not more than 119 percent of the price support loan level—which meant that commodity prices would have to fall seriously below fair levels before relief could be provided producers—which would be subject to sale at a schedule of price levels without regard to any emergency needs. The current proposed is for purchase at prevailing prices and resale at not less than parity, less any payments the producers have received. The senior Senator from North Dakota joined me in offering reserve legislation, which provided for a farmer-owned, farmer-interest-free controlled reserve, on which the producers would get an advance of 115 percent of the price support loan level to store, at Government storage rates, and hold commodities until an emergency arose which lifted prices up to parity. The producers themselves would then have had the decision to sell or hold their grain at their own expense.

The compromise embodied in this amendment is for CCC purchase of part of the reserve at prevailing prices, to be held until there is a bona fide supply emergency, and farmer storage of some of the reserves under 3-year contracts, the supplies not to be released except in an emergency at parity less payments.

I shall propose a minor amendment or two to clarify the proposal a little, but I want first to discuss the need for this reserve.

The President's Food and Fiber Commission a year ago recommended that we maintain two levels of reserves of essential storable commodities. One level of reserve, readily available to the market, would keep the transportation, processing and marketing pipeline filled so food production and distribution would never be interrupted. The second level, proposed today, would be an emergency reserve insulated from the market so it would not depress farm prices, which could be used only when a supply emergency existed.

Wheat, feed grains, and soybeans are involved in the current proposal, and I would like to use wheat as an example of the rationale behind the measure.

There is general agreement that we should carry about 600 million bushels of wheat over from year to year to meet both normal trade requirements and emergencies.

Studies of crop production back to 1900 indicate that while we do not have general crop failures, we sometimes have below average production, and that we can occasionally expect wheat production to drop 300 or even 400 million bushels below average, or anticipated production. Corn production has dropped 800 to 900 million bushels below average in some years. In the thirties, over one 3-year period, the shortfall in production of wheat exceeded 1 billion bushels and the shortfall in corn went to nearly 2 billion bushels.

Add to the probability of such occasional domestic short output the probability of occasional shortages in other Nations of the world, plus the possibility that our short crops and those elsewhere in the world might coincide in some years, and it is apparent that we should follow the Biblical example of putting aside some reserves in the 7 good years to meet requirements in a lean year or two.

A difficulty we confront is that if adequate reserves are carried, available to the market, farm prices fall to bankruptcy levels.

In the 1966 crop year, when we had a prospect of a 425 million bushel wheat carryover, the price of wheat was at about $1.80 a bushel in the market. A year later, when the prospect was for a 120 million bushel increase in the carryover to 545 million bushels, the price fell to about $1.49, average. This year, with another crop being harvested which will further increase free carryover—probably to the 600 million bushel level or above, the Department of Agriculture reports the average June 15 farm price of wheat as $1.24 and we have heard of sales in Texas recently, when the harvest was in progress, at least than $1 per bushel. The price situation is so bad the Secretary of Agriculture has offered to buy wheat at the loan value from farmers who do not have storage so they can take the loan of $1.25 per bushel. That loan level is considerably less than 50 percent of parity; parity for wheat is $2.63.

What we have is the spectacle of wheat supply climbing up to what experts regard as a safe level, but farm prices being forced down to a bankruptcy level.

With a commodity reserve insulated from the market, it would be possible to carry needed emergency supplies outside the market without depressing agriculture as it is being depressed today.

I hope that the Senate will adopt the amendment the Senator from Oklahoma has offered, with an amendment I shall offer.

COMMODITY RESERVE—RESALE PROVISION

As I have said, Mr. President it is essential that a commodity reserve, or an emergency reserve, truly insulate the emergency supplies of storable commodities held within it from the market or farm prices will be depressed to intolerably low levels, as they are today.

As a consequence, I have been concerned by the provision in the compromise reserve measure, embodied in Senator MONRONEY's amendment, which limits resale only for "unrestricted domestic use or value for redemption of payment-in-kind certificates."

I have had some fear that a Secretary of Agriculture might come along who would restrict the use of wheat, for example, to the milling of flour only and dump out of the reserve, at the CCC's normal resale price level, rather than to hold it for an emergency at the parity-less-payments formula provided in the bill.

I have been assured in a letter from Mr. Harry Graham that the Department Solicitor's office has interpreted the act to restrict sales to emergency supply situations. The stated purpose of the act is to "meet any foreseeable food and fiber shortage which might arise in the Nation as a consequence of any natural disaster, adverse food production conditions for one or more years, military actions, or other causes, and to assist other nations of the world in any food emergency." The Solicitor has advised that this criteria would govern to prevent any sales out of the reserve at less than the formula price for any commercial use.

In order to make this interpretation a matter of record, I ask unanimous consent, Mr. President, to place in the RECORD at this point Mr. Graham's letter to me stating the Solicitor's holding.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

NATIONAL GRANGE,
Washingon, D.C., July 17, 1968.

Hon. GEORGE S. MCGOVERN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MCGOVERN: We've been deeply grateful to you for your continuing interest in an adequate program to establish strategic reserves of United States agricultural commodities, both for the welfare of American agriculture, and also for the benefit of our American trade policies.

We think that perhaps the major reason for this legislation is that it is absolutely essential if we're going to be able to plan a supply-management program that does not end up in wide fluctuation of production and the consequent fluctuation in prices. The knowledge that there is a reserve isolated from the market in the hands of the Federal Government at all times, which can be used in case of an exceedingly high demand for agricultural products under the purposes covered in the Bill, will permit us to adjust our supply-management programs more closely to our commercial demands.

It seems to us to be important to note also that we are advised that these commodities cannot be used for any commercial purpose whatsoever, except for those purposes outlined in the Bill itself. We checked this previously with the General Counsel's Office of the USDA and were informed that the stated purposes of the Bill would be the determining factor in the use of the commodities. Therefore, we are not as concerned as we previously were about tying these down with additional language.

Your support of the farm programs has been a major factor in the successful passage of farm legislation in the Senate and we're grateful to you for your continuing concern about many areas of American agriculture, including passage of the extension of the Agricultural Act of 1965 and the attachment

of an adequate strategic reserve bill to this legislation.

Respectfully yours,

HARRY L. GRAHAM,
Legislative Representative.

Mr. McGOVERN. Mr. President, I do have one modification of the amendment, which I have discussed with the Senator, to make clear that the farm stored portion of the reserve would not be a one-shot operation. The amendment has but one purpose, that is to make clear in the law that the farmer-held reserve is to be a continuing reserve, maintained from year to year by a succession of the 3-year contracts with farmers.

The original language directs the Secretary to offer contracts to farmers to hold grain in storage for periods not to exceed 3 years in certain specified amounts. He is directed to offer incentives to farmers to sign such contracts.

To be sure that it is understood that this is to be a continuing program, I propose to change the language so it will read that "The Secretary is authorized to provide incentives necessary to encourage farmers to maintain in storage from year to year approximately 100 million bushels of wheat, 7,500,000 tons of feed grains, and 15 million bushels of soybeans."

I am privately assured this is the intention of the amendment, but I feel it should be stated in the act. I hope the distinguished Senator from Oklahoma will accept the amendment to his amendment.

Mr. President, I send that proposal to the desk and ask that it be stated as an amendment to the Senator's pending amendment.

Mr. MONRONEY. Mr. President, may we have the modification read?

The PRESIDING OFFICER. The amendment would not be in order until all time has expired on the pending amendment.

Mr. MONRONEY. I could accept the amendment; could I not?

The PRESIDING OFFICER. The Senator can modify his own amendment.

Mr. MONRONEY. Mr. President, I ask unanimous consent that I may accept the amendment of my distinguished colleague for proper placement in my amendment.

The PRESIDING OFFICER. The amendment is so modified.

The modification of amendment No. 882 is as follows:

MODIFICATION OF AMENDMENT 882

On page 7 of the amendment, in line 1, strike the word "store" and insert in lieu thereof the words "maintain in storage from year to year".

Mr. MONRONEY. Mr. President, I also wish to announce that Senators HARRIS, BAYH, and YARBOROUGH are cosponsors of this amendment and support us fully in our quest for proper legislation.

Mr. RANDOLPH. Mr. President, will the Senator yield?

Mr. MONRONEY. I yield.

Mr. RANDOLPH. I wish to inquire of my distinguished friend from Oklahoma as to the approximate cost of this program.

Mr. MONRONEY. There would be no necessity to appropriate additional funds. We are under obligation now to furnish the Commodity Credit Corporation the funds to extend loans on these major products. For that reason we are limiting the way these products would be sold, whether they would be fed into the market with the thought in mind of maintaining parity or not. They do not have to be dumped by the Commodity Credit Corporation. The fear they will be dumped has a depressing effect on the market, with this amount sterilized from the market until the price reaches $2 a bushel, approximately. The market always reacts badly. So the farmer is the victim of the speculator who feels the Commodity Credit Corporation will be apt to reduce their stocks at the wrong time; and this is having its effect every year at harvest time when they see a big crop coming in.

Mr. RANDOLPH. Mr. President, it has been my privilege to discuss the pending amendment, which has now been modified, with the distinguished senior Senator from Oklahoma. I have given thought to the problem as it has been discussed informally, and now officially as the Senator offers his amendment. I believe the proposal to be one of equity, and I shall support it.

Mr. MONRONEY. I thank the distinguished Senator from West Virginia, and am grateful from his support.

Mr. President, I now yield to my distinguished fellow Oklahoman, a sponsor of the amendment, who well understands the situation with respect to wheat as it affects the people of Oklahoma, Texas, Kansas, and Nebraska.

Mr. HARRIS. Mr. President, I welcome this opportunity to join with my distinguished senior colleague from Oklahoma [Mr. MONRONEY] in cosponsoring this amendment to S. 3590 for the purpose of establishing a strategic reserve for wheat, feed grains, and soybeans. It is endorsed by the Oklahoma Wheat Commission.

We are, of course, all aware that the cost-price squeeze continues to jeopardize the future economic stability of the American farmer. Wheat prices are now at an alltime low in Oklahoma, and in some instances prices are currently below the loan level established by the Department of Agriculture. At the same time the cost of production continues to increase, with land, labor, fertilizer, and fuel increasing in cost annually while prices for commodities continually decline. Few things could be more detrimental to the stability of the American economy than a further decline in the health of American agriculture.

The establishment of a strategic reserve as proposed in the amendment now under consideration will not only stabilize the market price by isolating a substantial amount of wheat, feed grains, and soybeans from the market, but will also provide insurance for an adequate supply of these commodities should we suffer a natural disaster such as drought, which would result in our having a short crop in any given year.

The amendment proposed would provide the authority for the Department of Agriculture and the Commodity Credit Corporation to establish and maintain reserve stocks of wheat, feed grains, and soybeans. This reserve would be held by both the Commodity Credit Corporation and producers. Under the provisions of the amendment, CCC would purchase wheat, feed grains, or soybeans when the quantity owned by it fell below 200 million bushels of wheat, 15 million tons of feed grains, and 30 million bushels of soybeans. Purchases could be made at the marketplace of these commodities.

Furthermore, if reserve levels held by the CCC fell below 200 million bushels of wheat, 15 million tons of feed grains, and 30 million bushels of soybeans, the CCC would be prohibited from selling such stocks for unrestricted domestic use at less than 100 percent of current parity prices less the current cost of the marketing certificate in the case of wheat and less the price support payment for feed grains. The amendment also provides for an extended loan program which would encourage producers and the trade to hold reserve stocks when current production is expected to exceed current domestic and export requirements. Under this extended loan program, it is hoped that about 100 million bushels of wheat, 7.5 million tons of feed grain, and 15 million bushels of soybeans would be retained in reserve.

The amendment also authorizes the CCC to enter into long-term contracts with farmers—not to exceed 3 years—to hold a portion of the reserve stocks on their farms in addition to the amount they hold under reseal provisions. CCC would be able to offer necessary incentives to encourage farmer participation in this portion of the reserve. The goal under such long-term contracts would be about 100 million bushels of wheat, 7½ million tons of feed grains, and 15 million bushels of soybeans. Stocks held under such contracts with farmers could not be called by the Secretary or redeemed by farmers unless the market price had reached the level provided under the CCC release schedule and the commodity was needed to meet a consumer shortage resulting from a national disaster or military actions.

Mr. President, I feel, as do a number of other Senators, that this amendment establishes a workable program which will certainly strengthen the market price for wheat, feed grains, and soybeans and will also assure the American consuming public of an adequate supply of these vital commodities at all times. The strategic reserve proposal not only will benefit our agricultural industry, but it will also be of great benefit to every American. We who represent the agricultural States are well aware of the need for this legislation insofar as the American farmer is concerned, and those of us in the Senate and House who represent primarily consumer States should be equally concerned to see that the interests of the consumers are protected.

I commend my senior colleague from Oklahoma [Mr. MONRONEY] for his diligent work on this amendment. He has pinpointed a pressing need and has moved to correct it. I urge the Senate to adopt the strategic reserve amendment in order that we might move one step further in solving some of the ills of our

agricultural industry. The strategic reserve amendment has the endorsement of most of the major farm organizations in the United States and also has the endorsement of the U.S. Department of Agriculture.

Mr. MUNDT. Mr. President, first, I congratulate the distinguished senior Senator from Oklahoma upon having submitted this amendment to the farm bill. I shall support his efforts to have it agreed to. I think it is a step forward.

Earlier this session, I was one of a number of Senators who introduced various forms and types of reserve bills, legislation, none of which has yet been presented by the appropriate committee to the Senate on its own merits. Since we are confronted with the problem of price in agriculture, it seems to me that the Senator from Oklahoma is moving in the right direction in trying to take away from the open market some of the competitive factors now holding down the prices received by our farmers.

I have two proposed modifications which I have discussed with the distinguished Senator from Oklahoma. They are both in complete rapport with what he is endeavoring to do.

I should like to read the first amendment for the information of the Senate and which I believe the Senator from Oklahoma is willing to accept. It is a very minor amendment.

On page 2 after the word "soybeans," I propose to add the words "and soybean oil," because soybean products are frequently preserved in the Commodity Credit Corporation in the form of soybean oil, and, of course, it is in that form that most of the exports are made.

I believe that the Senator from Oklahoma is willing to accept this amendment.

Mr. MONRONEY. I am happy to accept the Senator's amendment and add it to mine because I believe it to be constructive contribution.

The PRESIDING OFFICER. The amendment of the Senator from Oklahoma is so modified.

Mr. MUNDT. Mr. President, the other amendment I propose spells out in words what the Senator from Oklahoma has stated on the floor of the Senate and which I know he has in mind through many private conversations with him and which I added to the particular type of strategic reserve legislation which I introduced earlier this session.

The amendment reads:

On page 3, line 22, of the Monroney amendment, after the word "processors," strike the period and add the following: "provided such price shall not be less than $2.00 per bushel."

The purpose of this amendment is to spell out the prohibition against the Commodity Corporation's dumping its wheat into the market in competition with producers. We have found that they have done that in corn and in wheat. What we need is to make this act serve as a magnet to pull prices up and not as a ceiling to hold prices down. This is in strict conformity with the philosophy of the language in the amendment of the Senator from Oklahoma and I trust that he will accept it.

Mr. MONRONEY. One point I should like to raise: This would be the normal basing price?

Mr. MUNDT. Correct.

Mr. MONRONEY. This is the wheat figure used in Chicago?

Mr. MUNDT. That is correct.

Mr. MONRONEY. That would be $2 a bushel there. It would phase downward as to the distance from there.

Mr. MUNDT. Correct.

Mr. MONRONEY. This is the goal we seek approximately of parity, so that I think it would be an addition to the bill to spell this out. I am happy to accept it.

Mr. MUNDT. I thank the Senator from Oklahoma.

Mr. MONRONEY. Mr. President, I modify my amendment to include the two amendments of the Senator from South Dakota.

The PRESIDING OFFICER. The amendment of the Senator from Oklahoma is so modified.

Mr. MUNDT. I thank my distinguished colleague from Oklahoma. Both of these amendments should be helpful to the American farmer.

Mr. MONRONEY. Mr. President, I thank the Senator from South Dakota for his contribution.

Anyone who goes through an agriculture-producing section of this country, more particularly a wheat-producing section, will realize that a bumper crop is a mixed blessing. While the soil is producing large quantities of harvest, the cost of tractors has multiplied by some 300 percent in many cases. The other farm machinery used to harvest wheat is up at least by 150 percent. The cost of labor is up perhaps 200 or 300 percent. We passed the minimum wage laws here which have prevented boys 16 years old from running tractors, although most young men of 12 or 14 years of age are far more skilled in operating tractors and other farm machinery than many of the people who come in from out of State for the harvest.

Everything that this Congress has done, practically, has increased the farmer's cost. I am not saying that this is true only in the Wheat Belt. It is also true in the Corn, Cotton, and Sugar Belts. Everywhere we go, the farmer has been the "fall guy." His income has gone down with the good fortune of nature rather than up, because whether or not he has a large crop, it tends to depress prices and he still has the cost of the harvesting. He cannot leave it in the field, and he must harvest his crop which will sell at an uneconomic price.

Then we have the European prices which are far higher than ours have been even when their prices were low. So that while we are the most blessed Nation on earth to have an adequate supply of the food and fiber and other agricultural products that we need, we cannot take that for granted. The best way is to try to guard against the "rollercoaster," the "up and down," the laying out of the soil for conservation and grass coverage, because of the probability of a shortness in stocks. So that I think this is a very effective means of dealing with this.

The PRESIDING OFFICER. The time of the Senator from Oklahoma has expired.

Does the Senator from Louisiana yield time?

Mr. ELLENDER. Mr. President, I yield myself 10 minutes.

Mr. MILLER. Mr. President, will the Senator from Louisiana yield so that I may offer an amendment to the amendment?

Mr. ELLENDER. I yield.

Mr. MILLER. Mr. President, I send to the desk an amendment——

The PRESIDING OFFICER. The Chair informs the Senator from Iowa that that can be done only by unanimous consent or when all time has been consumed.

Mr. MILLER. Mr. President, I am proposing an amendment to the amendment——

Mr. ELLENDER. It cannot be done.

The PRESIDING OFFICER. It is not in order at this time until all time is consumed, used or yielded back.

Mr. MILLER. Mr. President, the Senator from Louisiana, I am sure, would rather make his comments on the amendment as it is eventually amended.

If that is not correct, then I shall not press my amendment at this time; but I think it would be helpful to the Senator from Louisiana to know what the whole scope of the amendment will be before he speaks for or against it. So I ask unanimous consent that I may be permitted to offer my amendment to the amendment at this time.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Iowa? The Chair hears none, and it is so ordered.

Mr. KUCHEL. Mr. President, reserving the right to object—and I am not going to object if the distinguished Senator from Louisiana does not object—will the Chair tell the Senate what the time situation will be then, if, by unanimous consent, our able colleague from Iowa offers his amendment to the amendment?

The PRESIDING OFFICER. One hour on the amendment of the Senator from Iowa.

Mr. KUCHEL. And the remaining time on the Monroney amendment. I thank the Chair.

Mr. MILLER. Mr. President, I send an amendment to the amendment to the desk and ask that it be stated.

The PRESIDING OFFICER. The amendment to the amendment will be stated.

The assistant legislative clerk read as follows:

On page 3 add the following at the end of line 3:

"*Provided*, That such authority of the Commodity Credit Corporation shall not be exercised where the Secretary determines that carryover stocks of said commodities (including Commodity Credit Corporation reserves as hereinabove provided for) will exceed the following: For wheat, 500 million bushels (as of July 1); for feed grains, 40 million tons (as of October 1); for soybeans, 100 million bushels (as of October 1)".

Mr. MILLER. Mr. President——

Mr. ELLENDER. Mr. President——

Mr. MILLER. I yield to the Senator from Louisiana.

Mr. ELLENDER. Mr. President, I have the floor.

Mr. MILLER. I am sorry. I thought that the Senator had yielded so that I could speak on the amendment to the amendment.

Mr. ELLENDER. Just so that the Senator from Iowa could offer his amendment to the amendment, yes.

The PRESIDING OFFICER. The Senator from Louisiana is recognized.

Mr. ELLENDER. Mr. President, I rise to oppose the amendment——

The PRESIDING OFFICER. On which amendment does the Senator yield time, just so that the Chair can keep the record straight?

Mr. ELLENDER. On the Monroney amendment, Mr. President.

The PRESIDING OFFICER. The Chair thanks the Senator from Louisiana. The Senator may proceed.

Mr. ELLENDER. Mr. President, as I just stated, I rise to oppose the amendment.

A provision similar to this amendment was considered by a subcommittee of the House Committee on Agriculture. The subcommittee met many times and considered many versions of this amendment. It was unable to report any bill on this subject to the full committee.

I wish to point out that an important factor behind the act of 1965, which is now on the statute books, was the fact that we had enormous surpluses on hand. There were 84.5 million tons of feedgrains, 1.4 billion bushels of wheat, and 16.6 million bales of cotton on hand. There they all were in the warehouses. The charges to store those commodities was a tremendous expense to the Government.

So what did we do? We passed the act of 1965 in order to make it possible for us to rid ourselves of these enormous surpluses; and over the space of 2½ years we succeeded in doing it. Today we have, in corn and other feed grains, between 45 and 50 million tons. In respect to wheat, we have at present 545 million bushels in carryover. Cotton has been drawn down to 6.4 million bales.

I think it would be a gross error for us to adopt this amendment.

The committee has three bills before it on the same subject. Up to now the proponents of those bills have been unable to agree as to what ought to be done. Since the Senator from Oklahoma introduced his amendment, three or four or five amendments have been offered to it. I have not had time to study what effect those amendments would have on the amendment, but there is a great amount of dissension among those who are advocating the strategic stockpile.

There is much complaint today, and there was much complaint yesterday, on the cost of this program. I stressed yesterday that I was a little disappointed in the cost of the program. I thought the cost would be much less than the cost of the old program. There was a lessening of cost, but, because of the increased production of wheat last year, the cost of the program for this coming year will increase.

Just as sure as I am speaking to the Senate today, we will be in trouble in less than 2 years from now if we permit what this amendment provides. Six hundred million bushels of wheat could be tied up in storage under the amendment, as I understand it. Forty-five million tons of feed grains could be tied up in storage. If that were true today, the surplus of what we have on hand would be as much as what gave rise to the enactment of the law which is now on the statute books.

In respect to soybeans, we have never had a surplus. We have been producing only slightly over and above our requirements, but it is a crop that has been planted in abundance in the past 2 or 3 years. If the present trend continues, we are inviting trouble to the soybean growers if we permit the strategic stock piling of that important crop.

Mr. President, as of July 1, 1968, we had on hand 545 million bushels of wheat. We are not in trouble with wheat. The pending bill is so flexible that the Secretary of Agriculture has the power to increase or decrease production in proportion to our needs, both domestic and sales abroad.

I believe, if the bill is permitted to work, a time will be reached in the near future, when the production of wheat, corn, feed grains, as well as other commodities, will be in such quantities as to meet the needs of the domestic market as well as exports. If, as, and when that time is reached, we can send the farmer to the marketplace to get his good price.

We can look at the record. That was the intention of the 1965 act. That was the goal when it was enacted 2 or 3 years ago.

Speaking as a member of the Committee on Agriculture and Forestry for 32 years—I have been chairman for over 16 years—I say it would be a mistake for us to return to huge surpluses.

Talk about costs. The costs we now carry as a result of the laws on the statute books will probably remain a while, but to add this amendment to the law would mean additional costs.

Mr. President, we do not pay for the storage of wheat with collar buttons; it takes money. Loans cannot be obtained on that wheat unless interest is paid. Today the cost of interest is 6 or 6.5 percent. The cost of the program would increase by a great amount.

I hope the Senate will concur with the committee and not place this amendment in the bill.

Mr. ALLOTT. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. ALLOTT. The Senator has used the figure of 545 million bushels of surplus at the present time.

Mr. ELLENDER. On hand. That is the carryover on July 1.

Mr. ALLOTT. Or on hand, which is roughly the same figure as the amount of wheat that is used for food in this country in a year. Is that correct?

Mr. ELLENDER. Just about; that is, if we consider seedings, and so forth. It is just about that.

Mr. ALLOTT. If we consider seedings.

Mr. ELLENDER. Yes.

Mr. ALLOTT. If I understand the Senator correctly, under the amendment proposed, and which I can understand some wheat farmers would like, in effect the amount of wheat for which they could get support prices would increase.

Mr. ELLENDER. Yes. This would tend to raise the market price, so that noncompliers as well as compliers might receive the support price. In fact they might receive prices above the support level. That is the objective of the amendment.

Mr. ALLOTT. So we would be moving backwards to a place which would have the same effect as the 17 percent average by which the wheat allotments were increased the year before last and the year before that?

Mr. ELLENDER. This proposal would increase our surpluses to the point where we could not dispose of them.

Mr. ALLOTT. So, in effect, this would be a bonanza to the great storage bins. We would not only be paying storage on the wheat, but we would also have to be paying interest on the money. Is that correct?

Mr. ELLENDER. The Senator is eminently correct. As I have just said, the rate of interest has gone sky high. The storage cost of wheat, as the Senator knows, is about 12 to 13 cents a bushel a year. If the wheat were to remain in storage, which it could under this proposal, for 3 years, it would mean we would have to add 39 cents to the cost just for storage. The same holds true for other commodities affected under this amendment.

Mr. ALLOTT. I can see where a wheat farmer might look at the proposal, on an immediate basis, and think it is to his advantage; but I must say I agree with the Senator that, from the standpoint of the nation, or even from the standpoint of the wheat farmer in the long term, it would be disadvantageous to accept this amendment.

Mr. ELLENDER. There is no doubt about it. We have often paid in the past, as I have pointed out, huge subsidies to bolster the price of wheat, the price of corn, or the price of any commodity we produce.

Mr. ALLOTT. Does the Senator think that perhaps the reduction of surpluses in the last 3 years, which we had to do, has been a major factor in the reduction of the price of wheat?

The PRESIDING OFFICER. The Senator's 10 minutes have expired.

Mr. ELLENDER. I yield myself 2 additional minutes.

I doubt that; because if we can produce wheat, and have on hand supplies to meet the domestic and export needs, that in itself will have a tendency to firm the price, in my opinion.

Mr. ALLOTT. Provided that it is not produced in excess.

Mr. ELLENDER. Yes.

Mr. ALLOTT. But if we have a stockpile, even though we have a freeze on it at a price of $2, if we have a stockpile of wheat overhanging the market, does it not act exactly as it has in the case of so many of our mineral stockpiles, where the fact that a stockpile does overhang the market and is a potential factor in the market tends to depress the price?

Mr. ELLENDER. The Senator is correct; there is no question about it.

Mr. ALLOTT. I thank the Senator.

Mr. ELLENDER. I yield 5 minutes to the Senator from North Dakota.

Mr. YOUNG of North Dakota. Mr. President, I have been in favor of a grain reserve. In fact, I am a cosponsor of such legislation. This bill is still pending in the Senate Agriculture Committee. Legislation of this kind can be very helpful, or it can be very damaging if it is not properly written. I believe that the floor of the Senate is no place to attempt to write complicated legislation of this kind.

For example, several amendments have now been agreed to, with the result that I, for one, would not know what the resale price of wheat would be. If that price should be $1.50 a bushel, it could be very damaging. If it were $2 a bushel, it would be all right, if the $2 resale price were adhered to.

But we have in the bill a provision for unrestricted use, which is very unclear to me. I fear that it may make it possible for the Secretary of Agriculture to sell wheat for resale, for example, at a price as low as $1.30 to $1.40 a bushel. If I understand the situation as it now exists, the Secretary could sell wheat for less than $2 a bushel. If he could, the farmers could be in very deep trouble, because this Secretary or some future Secretary could dump wheat on the market when he saw fit to do so; and that has happened all too often in the past.

While I am in full accord with the objectives of my friend from Oklahoma and other Senators, I do not beleive the floor of the Senate is the place to write complicated legislation such as this. Further, I am very anxious not to add an amendment that would jeopardize the final approval of this bill.

Mr. ELLENDER. Mr. President, I yield the Senator from Florida 10 minutes.

Mr. HOLLAND. I thank the Senator. First, Mr. President, I wish to say that I agree wholeheartedly with the chairman of the committee and with the ranking minority member of the subcommittee, the Senator from North Dakota [Mr. YOUNG]. They have both correctly stated the situation as I see it.

As chairman of a subcommittee of the Committee on Agriculture and Forestry having to do with this subject matter, I held the first hearings this year that were held by our subcommittee—I think it was in January; it may have been in February—on two or three different measures offered to set up reserves of grains, including wheat and feed grains. I do not believe that at that time soybeans were included.

The able Senator from Oklahoma was one of the dedicated authors of one of the bills which was before us. The able Senator from South Dakota [Mr. McGOVERN] was author of another. The able Senator from North Dakota [Mr. YOUNG] was a cosponsor of one of those measures—I forget which.

We held hearings, and it developed in the course of the hearings that the Secretary of Agriculture and his Department could not agree with any of the proposals as written and presented, and thought there ought to be material and substantial changes. Later, as I recall, both the Senator from Oklahoma and the Senator from South Dakota, in the course of the hearings, indicated that they, too, felt that there should be changes in the proposals as made to the subcommittee.

Mr. President, we held hearings and permitted statements to come in for a considerable length of time, because there were others interested in this program, and then we asked that conferences be held with the Department of Agriculture, in an effort to work the thing out. Such conferences were held. I am not advised as to what the results of those conferences were, except that I believe there was near agreement among the various parties.

At any rate, Mr. President, we then tried to find time to hold meetings of our subcommittee. We agreed on one time, and when the subcommittee members were located, we found out we could not obtain a quorum, so we abandoned that effort. We agreed upon another time, all the members of the subcommittee were approached, and a large majority of them said they could be present. When the time came, I was there as chairman, and there was not a quorum present. So we have not been able to act upon this proposed measure, which has very far-reaching implications.

I do not at all blame Senators representing the grain belt for wanting to do anything possible to alleviate the conditions of the grain producers. I find no fault with that. But, Mr. President, I wish to say I have found this to be one of the most complicated subject matters ever submitted to the Committee on Agriculture and Forestry in the 18 or 20 years I have been a member of that committee. The very fact that all these amendments have been proposed on the floor today is indicative of that fact.

Without expressing or intending any lack of sympathy with the objectives, I simply say that the Senator from North Dakota has hit the nail on the head when he says it would be unfortunate to have complicated legislation of this kind attached to this particular bill on the floor of the Senate, when none of us have had a chance to know what is specifically included, particularly since these amendments have been offered on the floor.

That would be true, Mr. President, even if the attitude in the House of Representatives toward this type of legislation were friendly. Unfortunately, we are told by some of the leading members of the House Committee on Agriculture that they have been unable to reach any solution of this problem, and they will not accept this type of amendment; and, as a matter of fact, it is my humble judgment that the attachment of this amendment, or any amendment in this area, would jeopardize in every way the passage of the pending legislation in this session of Congress.

I have talked with the distinguished chairman of the committee about this subject, and with the distinguished ranking minority member of my subcommittee, and I feel sure they have the same views.

Mr. President, it is simply impracticable to talk about attaching to this particular bill, on the floor of the Senate, an amendment on this highly complicated subject, which has not been taken to an agreement stage even in the subcommittee which is studying the matter. I regret this is the case, but it is the case; and furthermore, I wish to substantiate what our distinguished chairman has said, except that I shall carry it a little farther back.

We have been pursuing this will-o'-the-wisp, the ever normal granary, ever since Henry Wallace's days as head of the Department of Agriculture. When we had pursued it long enough, we found ourselves carrying mountains of surpluses. With all due respect to this bill, which I have never supported because it involves Government regimentation and control which I do not approve, I must say its principal objective was to get away from those surpluses, to achieve diversion of lands and pay a fair price for the diversion in order to get away from those heavy surpluses.

It looks to me as though entering into a reserve program—and "reserve" is just another more palatable word for "surplus"—is endeavoring to turn back the very effort that the distinguished chairman of our committee and the distinguished Senator from North Dakota and others, who so strongly sponsored this bill of 1965, are trying to accomplish through this legislation.

They have made some progress in it. We have had to expend a great deal more money than they thought would be required in 1965, when I predicted on this floor that such would be the case. There are other features about it as to which I could find fault, but I shall not do that today, Mr. President. I am seeking to get through the Senate the most effective measure that we can, because I realize that there is a critical need to agriculture and to agricultural producers in many parts of the country.

I think it would be a calamity to have the pending amendment attached to the bill. I say so with regret. I would like very much to assist the distinguished Senator from Oklahoma and the distinguished Senator from South Dakota and my friend on the other side, the distinguished senior Senator from South Dakota, who has also expressed interest in the measure. But we just have not gotten to the stage when there is any meeting of the minds as to what can be done in creating a so-called reserve without hurting more than helping the objectives which prevail under the 1965 program.

It has always been my attitude to try to keep measures effective whether I am in support of them or not. I think that the pending amendment, if it were agreed to, would either defeat or render ineffective the principal aims involved in the pending measure. For that reason, I strongly oppose it, and I strongly hold up the hands of my chairman, the distinguished Senator from Louisiana, the distinguished Senator from North Dakota, and the other Senators who are still trying to find something in this field but have not found it.

This is the most complicated kind of measure. The very fact that our distinguished friends stated during the hearings that they would have to search for modifications and amendments and the

fact that all of these amendments have been offered this morning by Senators who are equally interested in the subject matter indicates how complicated the measure is.

I hope, with some regret, that the amendment will be rejected by the Senate.

Mr. MONRONEY. Mr. President, will the Senator yield for a question?

Mr. HOLLAND. I will be happy to yield if I have sufficient time remaining.

Mr. ELLENDER. Mr. President, how much time remains?

The PRESIDING OFFICER. Three minutes remain.

Mr. HOLLAND. Mr. President, I yield to the Senator from Oklahoma.

Mr. MONRONEY. Mr. President, I have discussed the measure with the distinguished members of the House Agriculture Committee. The ranking minority member of that committee is from Oklahoma. He knows the desperate conditions that the Oklahoma wheat farmers are in. I cannot picture him denying this relief to the farmers, in the desperate plight they are in with the $1.20 wheat.

Mr. HOLLAND. Mr. President, in our own opinion there is a distinct difficulty in this proposal, and there has not been any meeting of the minds either in the subcommittee or in the full committee on what kind of a measure would meet the very laudable objective of the distinguished Senator from Oklahoma. I regret that very much.

Mr. ELLENDER. Mr. President, I yield 5 minutes to the distinguished Senator from Wyoming.

The PRESIDING OFFICER. The Senator from Wyoming is recognized for 5 minutes.

Mr. HANSEN. Mr. President, I thank the distinguished chairman for yielding to me.

I associate myself with the chairman of the committee and with the distinguished Senator from North Dakota, the ranking minority member. I think this is no place to write legislation.

The distinguished Senator from Oklahoma has already said that wheat is now selling at a 26-year low.

Under the pending bill, as I read it, there could be as much as 600 million bushels of wheat in storage. There could be in storage as much as 45 million tons of feed grains. There could be in storage as much as 90 million bushels of soybeans.

If I figure it correctly, I think the American taxpayers could be paying in annual storage costs alone $78 million for the storage of wheat. The cost of storing the feed grains could be $69 million per year. And the storage costs of soybeans could be $11.7 million per year. CCC stocks need not be limited to strategic reserve stocks but could exceed that depending upon the size of future stocks. The huge storage cost has been one of the reasons that there have been great pressures for the CCC stocks to be reduced. It led to the charge made by many that the Secretary of Agriculture wsa capricious in selling these stocks instead of trying to help the farmer and that he was more concerned with the consumer.

We recall a couple or 3 years ago that the charge was made in response to a direct quote from the Secretary of Agriculture that he looked forward to lower food prices. There was a great deal of political discussion about that remark, as we will all recall.

With these stocks in storage, there will be the ever-present desire on the part of Members of Congress and the public generally to reduce those stocks.

I do not think the case has been made that we need to have any additional wheat in storage, in Government ownership, in order to preserve the security of America.

We have demonstrated the capacity to keep sufficient stocks on hand in the normal course of things without going back to the bankrupt policy which has already demonstrated its ability to depress grain prices when they need most to be supported.

I will oppose the amendment offered by the distinguished Senator from Oklahoma.

The PRESIDING OFFICER. Who yields time?

Mr. MONRONEY. Mr. President, I ask for the yeas and nays.

Mr. MILLER. Mr. President——

The PRESIDING OFFICER. The Senator from Iowa.

Mr. MILLER. A point of order.

Mr. MANSFIELD. Mr. President, the Senator from Oklahoma has already asked for the yeas and nays. It is his amendment.

Mr. MILLER. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Oklahoma has asked for the yeas and nays on his amendment.

Mr. MILLER. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Parliamentarian advises the Chair that the Miller amendment as an amendment to the Monroney amendment is pending and that the yeas and nays on the Monroney amendment are not in order except by unanimous consent until the Miller amendment has been disposed of.

Mr. MILLER. Mr. President, I yield myself 5 minutes.

The PRESIDING OFFICER. The Senator from Iowa is recognized for 5 minutes.

Mr. MILLER. Mr. President, I certainly do not object to the yeas and nays, but I would like to have my amendment before the Senate. I also have a further amendment which I have discussed with the distinguished Senator from Oklahoma, which amendment I believe is acceptable to him.

First of all, I agree with much of what has been said by my able friends, the Senator from Louisiana and the Senator from Florida. However, for a long time I have reconciled in my mind the propriety of having a food and feed grain reserve, inasmuch as for years we have had strategic reserves of critical type materials, like aluminum, copper, and others.

There seems to be no good reason why, if it is for the national security interest to have strategic reserves of minerals, we should not have strategic reserves of food grains and feed grains. However, while I support the principle of a strategic reserve, there are two points that must be satisfied if I am going to support the enactment of a strategic reserve provision.

The first is that the disposal authority of the Secretary of Agriculture be ironclad to prevent dumping and abuse of his authority. We have had abundant testimony before our Committee on Agriculture and Forestry by proponents of a strategic reserve, supporting that principle.

The other principle is that the strategic reserves not be established in excess of the Nation's needs.

Periodically, in the Armed Services Committee, we have authorized the disposal of some of the critical materials from our reserve stocks because they are not needed.

If a strategic reserve of wheat, for example, is needed, taking into account our stocks throughout the country in the farmers' hands and in the grain trade industry, that is one thing. But if we have adequate stocks in the country, on-farm stocks and stocks in the grain trade, then to superimpose on these an unnecessary quantity in the form of strategic reserves of wheat would be a waste of the taxpayers' money.

I invite my colleagues' attention to the testimony we received in our subcommittee of the Committee on Agriculture and Forestry on this point.

I am reading from the testimony on page 59 of the hearings:

> Senator McGOVERN. Thank you very much, Mr. Secretary.
>
> In that concluding part of your statement, you state that your objective would be a carryover of 500 million bushels of wheat, 40 million tons of feed grain, and 100 million bushels of soybeans.

In his prepared statement before the committee, Under Secretary Schnittker said this:

> In summary, S. 2743, if amended as indicated, would be a good approach to a security reserve.
>
> Under it, we would aim for a total carryover of wheat of about 500 million bushels of wheat, with up to 200 million bushels in the farmer-held reserve, and about 200 million bushels in the Government-owned reserve—

Which is what the Senator from Oklahoma is providing in his amendment—

> and about 100 million bushels held privately by farmers and the trade.

So Mr. Schnittker pointed out that the Department of Agriculture has a target of 500 million bushels of carryover stocks of wheat, which would be made up of onfarm stocks, stocks held in the private grain trade, and stocks in the strategic reserve—a total of 500 million bushels.

He said further:

> We would aim for a total carryover of around 40 million tons of feed grains, with 15 million tons in each category of the reserve, and about 10 million tons in private hands. For soybeans, 60 million bushels would be in the two reserve categories, and about 40 million bushels in private hands for a total carryover target of about 100 million bushels.

Mr. President, what my amendment to the amendment of the Senator from

Oklahoma would do would be to put a limitation on the authority of the Commodity Credit Corporation to acquire stocks for this reserve. That limitation would be based upon the carryover stocks as determined by the Secretary of Agriculture, and the figures I have used in this amendment are identical to the figures testified to by Under Secretary Schnittker.

I want to be fair about this. While the carryover stock of wheat for 1967 on July 1 was 425 million bushels, the carryover projection for this year is 545 million bushels. Under my amendment, if the Secretary determined that the carryover would exceed the 500 million bushels that he has said is necessary, then he would exercise no authority as provided by the amendment of the Senator from Oklahoma, because it would result in stacks excessive to our needs.

My amendment provides the same thing with respect feed grains—40 million tons as of October 1.

I believe I should point out, in fairness, that the estimated carryover as of October 1 for this year is approximately 47 million tons.

If the estimate is in excess of what the Secretary says is necessary for carryover, then he would not, under my amendment, be permitted to exercise the authority provided by the amendment of the Senator from Oklahoma.

The ACTING PRESIDENT pro tempore (Mr. METCALF). The time of the Senator has expired.

Mr. MILLER. I yield myself 2 additional minutes.

With respect to soybeans, the Secretary said 100 million bushels is necessary. The projection is that, as of October 1 of this year, the carryover will be the neighborhood of 160 million bushels. Therefore, if it is in excess of our needs, the Commodity Credit Corporation would not have authority acquire reserves under the amendment of the Senator from Oklahoma—and it should not have.

I am as sympathetic as anybody with the price of wheat to which the Senator from Oklahoma has alluded. The only thing I can say is that I wish he had voted for my amendment yesterday to limit the present program to a 1-year extension running through December 31, 1970, because the present program is not doing justice to his wheat farmers. But it is too late now.

So far as helping out his wheat farmers or helping out my corn farmers by acquiring reserve stocks which are in excess of what the Secretary of Agriculture says the country needs, I cannot in good conscience support that. I can in good conscience support a strategic reserve which is consistent with the security needs of our country. I would hope that the Senator from Oklahoma would see the prudence of my amendment to his amendment. I would say to him, further, that if he could accept this amendment and take it to conference—and we have already agreed, as I understand it, on a further amendment of mine—then I could in conscience support his reserve amendment because then it would be in line with our country's requirements.

Mr. ELLENDER. Mr. President, will the Senator yield?

Mr. MILLER. I yield.

Mr. ELLENDER. As I understand, the Senator's amendment applies only to section 902 of the act.

Mr. MILLER. The Senator is correct.

Mr. MONRONEY. Mr. President, I rise in opposition to the amendment of the junior Senator from Iowa.

The ACTING PRESIDENT pro tempore. Who yields time?

Mr. MONRONEY. I have time to oppose the amendment, do I not?

The ACTING PRESIDENT pro tempore. I am informed that the time of the Senator from Oklahoma has expired.

Mr. MONRONEY. I thought that was the time on the bill. I do not know how the Senator had time to present the amendment.

Mr. ELLENDER. I have time to oppose the amendment.

Mr. MONRONEY. Will the Senator yield me 3 minutes?

Mr. ELLENDER. I yield 5 minutes to the Senator from Oklahoma.

Mr. MONRONEY. Mr. President, this is equivalent to striking this entire matter, because if you are going to accept $1.20 wheat, the present prices of soybeans, and the present low prices of feed grains, then vote for the Miller amendment; because we already have the stocks on hand, according to his estimates, that would limit the operation of the normal reserves we are attempting to set up in this bill.

The bill provides for the storage of wheat for a famine or for a crop failure or for a disaster which could very easily consume many times the reserves we have and could completely destroy the overseas market we have.

As these figures are kicked around, I wonder if Senators realize that four out of every five bushels of wheat raised in Oklahoma go into export. Three out of every five bushels of wheat the country produces go into export. So when you throw around this domestic consumption as the guide, you are talking about only a fraction of the market.

For example, we have 540 million bushels of wheat in Commodity Credit Corporation and private storage as of today. More than that. So the wheat would not be operative, and you are approving $1.20 wheat throughout the country. Some 47 million tons of feed grains are in stocks and reserves throughout the country. There are 125 million bushels of soybeans. So you are throwing a rock to the soybean people, without giving any hope.

We are trying to prevent the yo-yo type of operation which this limit of reserves has caused.

If history teaches anything, we need legislation in this field or we are going to find ourselves in a disaster by not having the reserves necessary to feed our people and the reserves necessary to take care of the drastic up-and-down swings that occur. Senators who represent agricultural constituencies will know that this occurs at periodic intervals, and only the good Lord himself, with the rainfall and the crop generated thereby, has anything to do with it.

I ask that the amendment be rejected.

Mr. MILLER. Mr. President, if I correctly understand the argument of the Senator from Oklahoma, the purpose of his amendment is not to provide for the national security interests so the people of this country will be assured of adequate grain stocks. This is something about which he is not even thinking; it is irrelevant to his purpose. However, I say that is the only basis for having an amendment such as his.

Instead, he premises his argument on the fact that grain prices are low, and every Member of the Senate understands that and is sympathetic with that. So he says because grain prices are low, even though the Nation does not need these reserves, let us go out and acquire them at the taxpayers' expense.

I say if he wants to do that, it would be better to make an appropriation for increased payments to farmers. That is no reason for exceeding the Nation's requirements for grain.

If this approach were followed, it will not be very long before somebody will offer on the floor an amendment to acquire so many million tons of steel and copper, even though the Defense Department says it is in excess of our requirements. And the excuse given for that will be, "Well, steel prices are low and copper prices are low and aluminum prices are low."

If it is carried to that logical extent, it could bankrupt the country.

I do not think that is a proper justification for a reserve bill. I am trying to make the Monroney amendment into a soundly premised amendment. If it were a soundly premised amendment, everybody here could vote in good conscience for the security of our country. Without my amendment, the Senator is suggesting this as another way of exceeding the Nation's requirements at the taxpayers' cost. I do not see that it will have a long-term benefit to the farmers, either.

The ACTING PRESIDENT pro tempore. Is all time yielded back?

Mr. MILLER. I yield back the remainder of my time.

Mr. MONRONEY. I yield back the remainder of my time.

The ACTING PRESIDENT pro tempore. All time having been yielded back, the question is on agreeing to the amendment of the Senator from Iowa [Mr. MILLER].

The amendment was rejected.

Mr. MILLER. Mr. President, I send to the desk an amendment and ask that it be stated.

The ACTING PRESIDENT pro tempore. The amendment will be stated.

The bill clerk proceeded to read the amendment.

Mr. MILLER. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered, and the amendment will be printed in the RECORD.

The amendment to the Monroney amendment, ordered to be printed in the RECORD, is as follows:

On page 1, strike lines 8 and 9 and insert in lieu thereof the followng: "major disaster, seriously adverse food production weather

conditions for one or more years, or military actions and to assist".

On page 6, line 14, insert "serious" before "shortage".

On page 6, line 15, strike "natural" and substitute "major".

On page 6, line 16, insert "seriously" before "adverse" and "weather" before "conditions".

On page 6, line 17, insert "or" before "military actions" and strike "or other causes".

Mr. MILLER. Mr. President, I yield myself 4 minutes.

The ACTING PRESIDENT pro tempore. The Senator from Iowa is recognized.

Mr. MILLER. Mr. President, I wish to invite the attention of Senators to page 1 of the Monroney amendment. I shall read section 901 of the amendment:

SEC. 901. It is the policy of the Congress to establish and maintain reserves of storable agricultural commodities adequate to meet any foreseeable food and fiber shortage which might arise in the Nation as a consequence of any natural disaster, adverse food production conditions for one or more years, military actions, or other causes.

Mr. President, when the Secretary of Agriculture was before our committee similar langauge was discussed. I pointed out to the Secretary of Agriculture that if we had the phrase "or other causes" included it would open wide the door for the possible dumping of commodities on the market. This is the thing that those who testified for the reserves do not want. The Secretary of Agriculture very graciously pointed out he did not intend to have such authority.

My amendment would delete the words, "or other causes" at the appropriate place in the bill on page 1 and again on page 6.

Also, I think it is desirable to narrow the type disaster that is referred to so that instead of saying "natural" disaster we provide for "major" disaster. A major disaster can be declared only by the President. That limits the type of disaster that we might have. The language is designed to make sure that the kind of disaster involved is a major disaster.

Then, I would propose further that instead of talking about "adverse food production conditions," that we tighten that language by referring to "seriously adverse food production weather conditions".

Therefore, as a result of this amendment, on page 1 and again on page 6, the language would read: "as a consequence of any major disaster, seriously adverse food production weather conditions for one or more years, or military actions."

With that language, I believe we have a tighter restriction on the disposal of the stocks from the reserve and it will accord with the desires of the proponents and needs of the Nation.

Mr. MONRONEY. Mr. President, I discussed this matter with the Senator from Iowa yesterday. I have no objection to accepting this language to make the amendment more specific. It is for an unusual situation we might face in adverse food production and other ways. The language improves the bill. We are happy to accept it.

Mr. MILLER. I yield back the remainder of my time.

Mr. MONRONEY. I yield back the remainder of my time.

The ACTING PRESIDENT pro tempore. The amendment is so modified.

Mr. YARBOROUGH. Mr. President, the security reserve amendment introduced by the distinguished senior Senator from Oklahoma appeals to the farmers of Texas at least as much as to the farmers of other States. And the general public of my State would benefit along with the people of all the other States. In my opinion, this amendment is an excellent addition—in fact, a necessary addition—to the bill as it came to the floor.

Among Texas farmers, both grain sorghum and wheat producers have much to gain from this amendment.

Texas produces far more grain sorghum, or milo as we call it, than any other State. Last year the value of the crop to farmers in my State was well over $350 million. That was more than $29 million greater than the value of the 1966 crop, but farmers are not able to sell all that they produced, which means that the carryover at the end of this marketing year will be somewhat higher than it was at the end of the preceding year. We do not yet have an official estimate on the size of this year's crop, but we do know that farmers planted more than they originally intended to because some of their wheat was ruined by bad weather, making land available for milo. In some parts of the Great Plains, rain came early enough for milo although it was too late to save the wheat. If it should turn out that we are again producing more than the market will take without depressing prices, we definitely need the alternative of taking some milo off the market and insulating it where it cannot get back until the need for it arises.

The feed grain program we have under the Food and Agriculture Act of 1967 is a good one for the milo producers. They have been making good use of it. They are doing a good job of gearing production to demand and marketing their crops in orderly fashion. They do not say they have a crisis—they merely say they need the help of the security reserve to stay out of trouble and continue to make progress.

As to wheat, Texas is one of the major producing States. We had a relatively poor crop last year, but it was worth about $80 million. The year before it was valued at more than $120 million. This year our crop is estimated to be larger than last year's but smaller than the 1966 crop. Unfortunately, the price is down to a very unsatisfactory level. This reserves amendment could help those producers who have not sold their wheat. We should have had it a year ago. At that time, competent economists estimated that it could well increase prices 5 to 10 cents a bushel. How much it would strengthen prices today would be hard to estimate accurately right now in the middle of the Nation's harvest. But for every cent of increase, on my State's 85 million bushels, Texas farmers would be $850,000 better off. A few pennies would add up to substantial improvement in the income of many producers.

This is another example of how the public interest and the farmer's interest coincide.

Now is the time to set up a reserve for the public protection. Now is when the supplies are available at relatively low prices. By the same token, now is when the action would help farmers—while grain prices are low and increases are thoroughly justifiable from the standpoint of the entire economy.

I shall vote for this amendment, and I believe that every Member should vote for it in the public interest.

Mr. MONRONEY. Mr. President, I ask for the yeas and nays on my amendment as modified.

The ACTING PRESIDENT pro tempore. Is there a sufficient second?

Mr. MILLER. Mr. President, a parliamentary inquiry.

The ACTING PRESIDENT pro tempore. The Senator will state it.

Mr. MILLER. Mr. President, I offered an amendment and I discussed it. Then I yielded back the remainder of my time and the Senator likewise yielded back the remainder of his time. What is the disposal of my amendment?

The ACTING PRESIDENT pro tempore. The Senator from Oklahoma accepted the amendment of the Senator from Iowa as a modification to his amendment. Since the yeas and nays have not been ordered on the Monroney amendment, the Senator from Oklahoma is permitted to modify his amendment. That has been done.

Now, the Senator from Oklahoma has asked for the yeas and nays on the Monroney amendment, as modified. Is there a sufficient second? There is a sufficient second. The yeas and nays are ordered.

The question is on agreeing to Mr. MONRONEY'S amendment, as modified.

On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. SPARKMAN. I voted no. However, I have a live pair with the senior Senator from Indiana [Mr. HARTKE]. If he were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." I withdraw my vote.

Mr. WILLIAMS of New Jersey (after having voted in the negative). On this vote I have a live pair with the junior Senator from Missouri [Mr. LONG]. If he were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." I withdraw my vote.

Mr. BYRD of West Virginia. I announce that the Senator from Hawaii [Mr. INOUYE] and the Senator from Ohio [Mr. YOUNG] are absent on official business.

I also announce that the Senator from Alaska [Mr. BARTLETT], the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Indiana [Mr. HARTKE], the Senator from Massachusetts [Mr. KENNEDY], the Senator from Ohio [Mr. LAUSCHE], the Senator from Missouri [Mr. LONG], the Senator from Louisiana

[Mr. LONG], the Senator from Minnesota [Mr. MCCARTHY], the Senator from Maine [Mr. MUSKIE], the Senator from Florida [Mr. SMATHERS], the Senator from Georgia [Mr. TALMADGE], and the Senator from Maryland [Mr. TYDINGS] are necessarily absent.

Mr. KUCHEL. I announce that the Senator from Utah [Mr. BENNETT], the Senator from Colorado [Mr. DOMINICK], the Senator from Michigan [Mr. GRIFFIN], the Senator from Oregon [Mr. HATFIELD], the Senator from Nebraska [Mr. HRUSKA], the Senator from New York [Mr. JAVITS], the Senator from California [Mr. MURPHY], the Senator from Illinois [Mr. PERCY], and the Senator from Texas [Mr. TOWER] are necessarily absent.

If present and voting, the Senator from Utah [Mr. BENNETT], the Senator from Nebraska [Mr. HRUSKA], the Senator from New York [Mr. JAVITS], the Senator from California [Mr. MURPHY], and the Senator from Illinois [Mr. PERCY] would each vote "nay."

On this vote, the Senator from Texas [Mr. TOWER] is paired with the Senator from Colorado [Mr. DOMINICK]. If present and voting, the Senator from Texas would vote "yea" and the Senator from Colorado would vote "nay."

The result was announced—yeas 26, nays 48, as follows:

[No. 229 Leg.]

YEAS—26

Bayh	Jackson	Morse
Burdick	Magnuson	Moss
Byrd, W. Va.	Mansfield	Mundt
Church	McGee	Nelson
Clark	McGovern	Proxmire
Dodd	Metcalf	Randolph
Gore	Mondale	Symington
Harris	Monroney	Yarborough
Hart	Montoya	

NAYS—48

Aiken	Eastland	McIntyre
Allott	Ellender	Miller
Anderson	Ervin	Morton
Baker	Fannin	Pastore
Bible	Fong	Pearson
Boggs	Gruening	Pell
Brewster	Hansen	Prouty
Brooke	Hayden	Ribicoff
Byrd, Va.	Hickenlooper	Russell
Cannon	Hill	Scott
Carlson	Holland	Smith
Case	Hollings	Spong
Cooper	Jordan, N.C.	Stennis
Cotton	Jordan, Idaho	Thurmond
Curtis	Kuchel	Williams, Del.
Dirksen	McClellan	Young, N. Dak.

PRESENT AND GIVING LIVE PAIRS, AS PREVIOUSLY ANNOUNCED—2

Sparkman, against.
Williams of New Jersey, against.

NOT VOTING—23

Bartlett	Inouye	Muskie
Bennett	Javits	Percy
Dominick	Kennedy	Smathers
Fulbright	Lausche	Talmadge
Griffin	Long, Mo.	Tower
Hartke	Long, La.	Tydings
Hatfield	McCarthy	Young, Ohio
Hruska	Murphy	

So Mr. MONRONEY'S amendment, as modified, was rejected.

Mr. CURTIS. Mr. President, if, when this agriculture bill is advanced for passage——

The ACTING PRESIDENT pro tempore. The Chair would advise the Senate that someone must offer an amendment or yield some time.

Mr. CURTIS. Mr. President, I was not aware that we were under controlled time on the bill.

Mr. MANSFIELD. Mr. President, how much time does the Senator from Nebraska require? I yield 5 minutes to the Senator from Nebraska. I would hope that the Senator from New Jersey and any other Senators who have amendments would be prepared to offer them.

The ACTING PRESIDENT pro tempore. The Senator from Nebraska is recognized for 5 minutes.

Mr. CURTIS. Mr. President, if, when this bill is passed, my vote is required to prevent it from failing, I shall vote "yea."

I do not think we can end our agricultural program and turn our farmers out into the cold. On the other hand, if my vote is not required to prevent that from happening, I cannot vote "yea" and endorse the agricultural prices we have at this time.

Mr. President, we seem to have two agricultural worlds. One is made up of the agricultural theoreticians, the agricultural bureaucrats, and statisticians. The other one is that world of agriculture in which the farmers live, work, and market their products. These worlds are far apart.

It was stated by the distinguished Senator from Oklahoma that prices were the lowest in 26 years. I think it is worse than that. Prices were never worse. Instead of the price of wheat being $1.26, I was home last weekend, and the loan price of wheat in my community was down to $1.13.

How well I can remember the depth of the depression in the early 1930's. Wheat went to 50 cents a bushel. But 1,000 bushels of wheat would buy more then than 1,000 bushels of wheat will buy now.

When corn was harvested last fall, it sold for very little over $1 if it met the grade and moisture test. A great deal of corn in my area sold for 90 cents or less.

Ranchers and livestock producers find a dwindling margin between the cost of doing business and the prices they receive.

Eggs are quoted at 18 cents a dozen in my hometown this week, and that is probably optimistic. A nice, fat, old hen can be purchased for 20 cents in Nebraska, or not to exceed 25 cents.

Prices were never lower, and we have more officials in the Department of Agriculture who are spending more money than we ever spent before.

Mr. President, parity is the comparison of farm prices with all other prices. They were not too good in the Eisenhower years, but they averaged 85 percent of parity. On June 15, 1967, it was down to 75 percent of parity. On June 15 of this year, it was down to 73 percent of parity.

Mr. President, how well I can remember how that great orator from Minnesota would make the rafters ring in behalf of the farmers during the Eisenhower years. I refer to our beloved and distinguished Vice President, Mr. HUMPHREY. He deplored farm prices then. Why, they were high compared to now. Here is what he said in 1958:

> There is one way this program can be stopped. We shall have a little rendezvous with the ballot box this fall. The ballot box in our part of the country and in other parts of the country may have a great deal to do with determining the kind of policies being enacted into law by the Congress of the United States.

He went on to say:

> The American people now know that 90 percent of parity is reasonably fair.

He also said:

> We are going to have a campaign this year, and I am going to be in it. I am going to talk to some farm audiences. We are going to have it out as to whether or not the farmers think they are entitled to parity or whether they are entitled to less than parity.

Well, they wrote the platform for 1960. Mr. HUMPHREY, as a member of the Committee on Agriculture and Forestry, was quite active in that. I want to read a very interesting promise made to the American people at that time.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. CURTIS. Mr. President, I ask for 3 minutes.

Mr. MANSFIELD. Mr. President, I yield the Senator 3 additional minutes.

Mr. CURTIS. The Democrat platform of 1960 pledged 90 percent of parity commodity loans. It has never been carried out.

As soon as the pledge was made and the election was over, Mr. HUMPHREY left the Committee on Agriculture and Forestry; and prices have been going down since all that time.

Here is what Mr. Johnson said:

> Agriculture has been going downhill day by day for the last 8 years.

This was on July 2, 1960.

Mr. President, it has been going downhill for 16 years. I think we are in a situation in which we have to have an agricultural program, but I cannot endorse what we have, or the prices that the farmers receive for their products.

I want to end with one more quotation from our distinguished Vice President. He said this in 1960:

> All we need to do is remember the old axiom, "Where there's a will, there's a way." If there is a will, there is a way to do something to help these people in rural America, something that will help them in connection with the prices they receive for the commodities to help them get the kind of help they sorely need.

I agreed with that. Not only were those promises rejected and not carried through; Mr. Freedman was appointed Secretary of Agriculture, and he has used the power of that office time and again to lower the farmer's prices. There is not a Senator from a farm State who does not know that to be a fact.

A few weeks ago, in connection with the march of the poor on Washington, a gentleman accused Mr. HUMPHREY, in substance, of operating the Department of Agriculture for the benefit of the farmers; and he said no, that was not so. Mr. HUMPHREY is right. It has not been done.

Mr. President, we never had worse farm prices than we have today. I submit that the American farmers are entitled to something better.

Mr. MANSFIELD. Mr. President, it is my understanding that we may well be

voting shortly, and at this time I ask for the yeas and nays on final passage.

The yeas and nays were ordered.

Mr. MANSFIELD. Mr. President, I yield to the Senator from New Jersey.

Mr. WILLIAMS of New Jersey. Mr. President, I had intended to call up my amendment 883. For a variety of good reasons, I am not calling the amendment up, but I would like to discuss briefly the subject matter involved in the amendment that I shall not offer.

The proposed amendment to the Agricultural Act of 1968 would bring farm employers and employees under the National Labor Relations Act. Since its passage over 30 years ago, the National Labor Relations Act has expressly excluded agricultural employees. The amendment, which I have not introduced, would simply correct this inequity by eliminating this discriminatory exclusion from the act.

Unlike the farm measure, S. 3590, which requires several billions of dollars in taxpayers' revenues, the idea that I am discussing imposes no additional burden on the American taxpayer.

Mr. President, I should like to say a word on the reasons for discussing farm workers' collective-bargaining rights in the context of the legislative we are considering, the multibillion-dollar farm subsidy bill.

The amendment I intended to introduce, but which will be considered later as a separate legislative matter, has been the subject of extensive Senate public hearings and thorough study of all issues involved, and this has extended over a period of several years. There are many cosponsors of the idea which is embodied in the bill, S. 8. I ask unanimous consent to have printed in the RECORD at this point a list of the cosponsors of that measure.

There being no objection, the list was ordered to be printed in the RECORD, as follows:

Mr. WILLIAMS, Democrat, of New Jersey; Mr. BARTLETT, Democrat, of Alaska; Mr. CLARK, Democrat, of Pennsylvania; Mr. GRUENING, Democrat, of Alaska; Mr. HART, Democrat, of Michigan; Mr. INOUYE, Democrat, of Hawaii; Mr. KENNEDY, Democrat, of Massachusetts; Mr. MCCARTHY, Democrat, of Minnesota; Mr. PELL, Democrat, of Rhode Island; Mr. YOUNG, Democrat, of Ohio; and Mr. MONDALE, Democrat, of Minnesota. The bill was also cosponsored by the late Senator Kennedy, of New York.

Mr. WILLIAMS of New Jersey. The bill (S. 8) has been on the agenda for executive consideration by the full Committee on Labor and Public Welfare since April 24. Between April 24 and today, the committee has reported to the Senate several major bills which came to the committee later in point of time than did the bill (S. 8).

While I strongly supported each of those measures, Mr. President, I think the RECORD should reflect the list of bills for the consideration of which S. 8 was temporarily set aside so that they could receive the attention of the Committee on Labor and Public Welfare. Notwithstanding the importance of this measure to our Nation's farm economy, and particularly to farmworkers, I recognized the imperative public interest in other major bills which, though chronologically below S. 8 on the committee agenda, did not have the disadvantage of being somewhat adamantly opposed by a very powerful economic group. I ask unanimous consent to have printed in the RECORD a list of the bills, for which S. 8 was set aside, and which have been reported by the full Labor Committee.

There being no objection, the list was ordered to be printed in the RECORD, as follows:

H.R. 5404, Amendments to the National Science Foundation Act.

H.R. 11308, Arts and Humanities Foundation.

H.R. 12120, Juvenile Delinquency Amendments.

S. 2938, Manpower Training Act.

S. 3769, Higher Education.

S. 3770, Vocational Education.

H.R. 15758, Regional Medical Programs.

S. 325, National Eye Institute.

H.R. 14096, Unlawful possession of LSD and other hallucinogenic drugs.

H.R. 13781, Sea-grant Colleges and Ocean Exploration.

Mr. WILLIAMS of New Jersey. From April 24 to the present time, the members of the Committee on Labor and Public Welfare have not been given an opportunity to vote on the merits of the bill, or, for that matter, to vote on even a single amendment regarding the substance of the measure. The only action has been delaying action of a procedural nature.

In fact, the pending committee business on S. 8 is a motion by an opponent of the measure to refer the bill to still another subcommittee, the effect of which, of course, would be to kill an opportunity for a vote on the bill this year.

Mr. FANNIN. Mr. President, will the Senator yield?

Mr. WILLIAMS of New Jersey. I yield.

Mr. FANNIN. I would just like to have the record disclose, while we are talking about the meetings that the Senator has listed, that the Republicans did furnish a sufficient number of committee members for a quorum; that, in fact, on every date listed when the Senator's bill (S. 8) was considered, there were from three to five Republicans in attendance.

The ACTING PRESIDENT pro tempore. The Senator's time has expired.

Mr. MANSFIELD. Mr. President, I yield the Senator from Arizona 5 minutes.

Mr. WILLIAMS of New Jersey. Mr. President, I wonder if I could finish my statement.

The ACTING PRESIDENT pro tempore. Will the majority leader yield the 5 minutes to the Senator from New Jersey?

Mr. MANSFIELD. Yes.

Mr. FANNIN. Mr. President, I would like to clarify some other points.

Mr. WILLIAMS of New Jersey. As I understand the procedure, a speaker may yield for a question, but I have not heard a question. I would like to continue and finish my statement, and then I will yield for a question, or the Senator from Arizona can obtain the floor.

Mr. FANNIN. I would simply like to ask the Senator this, so we can clarify the matter: How many members are there on the committee?

Mr. WILLIAMS of New Jersey. That is a question for which I did not yield. We will come to that later.

The majority of the committee was prepared to vote on the question. Unfortunately, however, the intent to vote was thwarted by the author of the motion himself, who walked out of the executive session while the vote was being taken or about to be taken; and I believe these facts show why a discussion of the farmworker issue is properly a part of the Senate consideration of this multibillion-dollar farm subsidy bill.

It ought to be clear that the advocates of this legislation have made every effort to work within the traditional legislative procedures, and, I add, we are prepared to continue to work within the traditional procedures if the opportunity to do so is afforded.

I must report to the Senate, however, that as the facts now stand, the final report on the bill (S. 8) and the right to have it determined through the traditional procedures of this body have been thwarted within the committee by the tactics of a small minority of the members of the Committee on Labor and Public Welfare. I will say at this time that it has been worked out with our distinguished chairman to have further executive sessions next week on this measure.

In closing, Mr. President, I point out that Vice President HUMPHREY has strongly called for enactment of this farmworker legislation this year. In a letter to the New York Times, the Vice President stated:

> It is now time—indeed, it is long overdue—for farm workers to have full rights of organization and collective bargaining guaranteed under the National Labor Relations Act. As I have stated in the past and I reaffirm now, Congress should act this year to provide this protection.

The Vice President has pointed the way, and I agree with him wholeheartedly. And I shall continue to press for consideration of the merits of this legislation this year. The normal procedures of the Committee on Labor and Public Welfare will be used to the maximum to make that possible. Should that avenue continue to be blocked by what I consider unreasonable delay and refusal to come to the merits of the issue, this measure, in my judgment—and it is my conclusion—will have to be brought to the floor in an appropriate parliamentary way.

Mr. FANNIN. Mr. President, will the Senator yield now for a question?

The ACTING PRESIDENT pro tempore. Does the Senator yield?

Mr. WILLIAMS of New Jersey. I yield for a question.

Mr. FANNIN. Did not the distinguished senior Senator from Florida ask for hearings in his State, in order to present the position of the workers in his State on this legislation? Does the Senator from New Jersey care to answer that question?

Mr. WILLIAMS of New Jersey. Mr. President, I am consulting with counsel to our staff. I did not receive any letter of request to that effect.

Mr. FANNIN. The distinguished chairman of our committee is present, and I am sure that he will verify that requests were made. I know that I made them personally, and I know they were even made in writing, and the distinguished

Senator from Florida, I am sure, will verify that fact.

Mr. WILLIAMS of New Jersey. We had hearings from coast to coast.

Mr. FANNIN. Coast to coast consisted of California and Texas. I do not think those areas can properly be termed coast to coast.

Mr. WILLIAMS of New Jersey. We have been in Michigan, Florida, New York, and New Jersey.

Mr. FANNIN. I know there was a hearing in New York. But the Senator said his efforts had been obstructed by the minority. Is it an obstruction when we have under consideration a bill that involves all the labor on farms—not just seasonal or migratory labor? Is it right for the Senator to say it is not proper to have a special Subcommittee on Labor consider this legislation, when it involves other than migratory labor?

Mr. WILLIAMS of New Jersey. I am certainly glad the Senator raised that point, if we may have additional time to discuss it.

Mr. MANSFIELD. The Senator from Arizona has 5 minutes.

Mr. WILLIAMS of New Jersey. The Senator from Arizona made a motion that the bill be sent to the Subcommittee on Labor. I can still see the Senator, before the vote was taken, going out the door. We did not even have a chance to vote on that.

Mr. FANNIN. Was I the only Senator who went out the door?

Mr. WILLIAMS of New Jersey. The Senator was followed by the Senator from California [Mr. MURPHY].

Mr. FANNIN. And preceded by two other Senators who left earlier.

Mr. WILLIAMS of New Jersey. I think the Senator from Arizona was the first to go through the door.

Mr. FANNIN. Mr. President, I do not think the Senator can say that I had anything to do with it .

Mr. WILLIAMS of New Jersey. It was the motion of the Senator.

Mr. FANNIN. Certainly, and it is still under consideration.

Mr. WILLIAMS of New Jersey. Why did we not have a vote?

Mr. FANNIN. Because at the time the Senator was proceeding, not in a proper order of procedure, and I so stated.

Mr. WILLIAMS of New Jersey. We had a quorum present.

Mr. FANNIN. I had a right to make the motion. The Senator had some proxies. The committee members represented by those proxies were not present. They did not know of my motion. Therefore, the Senator could not have voted the proxies properly on my motion.

Mr. WILLIAMS of New Jersey. We had a physical quorum present, and I was about to agree that I would not vote the proxies because there was a quorum present.

Mr. FANNIN. I cannot read the Senator's mind. So, I did not know that the Senator was about to agree that he would not vote the proxies.

Mr. WILLIAMS of New Jersey. The Senator could not read my mind because he was going out of the door.

Mr. PROUTY. Mr. President, will the Senator yield?

Mr. FANNIN. I yield.

Mr. PROUTY. Mr. President, I should like to point out something important. This bill was reported by the Migratory Labor Subcommittee when a quorum was not present. A point of order was raised against that in our full committee. Several members of the majority, as well as the members of the minority, agreed they would vote to sustain the point of order. Then finally, to save embarrassment for the Senator's subcommittee, our full committee voted to discharge the Migratory Labor Subcommittee from further consideration of S. 8, and to bring it before our full committee in its original text.

The minority has had a better representation when the bill was under consideration by the full committee, I think, percentagewise, than the majority.

There are 10 members of the majority on the full committee. There are only six members on the minority side. Any time that the Senator wanted to, if the majority agreed, he could get a quorum present or enough members present to vote down anything that the minority might suggest.

Mr. WILLIAMS of New Jersey. Mr. President, I am glad we have had the discussion. We are going in on Tuesday. Can we here have an understanding with each other and agree that we will start calling the roll on amendments and make a final decision on the bill?

Mr. FANNIN. I feel it is absolutely necessary that the distinguished senior Senator from Florida have an opportunity to hold the hearings which he has requested for some period of time in his State. And that request will be made again.

Mr. WILLIAMS of New Jersey. I try to find every reason possible to go to Florida, I do not mind saying. The only thing is that he bill has been so thoroughly considered, and it has been for most of the period since April 24 No. 1 on the agenda of the Labor Subcommittee for consideration.

So, our hearings have been held. I think later on, if I can find another reason to go to Florida, I would certainly like to go.

Mr. FANNIN. Does not the Senator admit that the State of Florida, being one of the largest agricultural States in our Nation, perhaps being second to California on migratory labor, should be entitled to have hearings?

Mr. WILLIAMS of New Jersey. We recognize exactly that, that Florida is one of our most important agricultural States. In our recognition of that fact, I believe we have had five trips out of our subcommittee to Florida.

Mr. FANNIN. The Senator will have to admit that was not during the course of this session.

Mr. WILLIAMS of New Jersey. We have been from Homestead to Belle Glade—and what is the name of that big lake?

Mr. HOLLAND. Okeechobee.

Mr. WILLIAMS of New Jersey. I have been in celery fields where the temperature was about 110. We have been to Florida.

Mr. FANNIN. The Senator will admit that we have not had hearings held during this session of Congress other than the ones first referred to by the Senator, the very limited hearings in California and the even more limited hearings in the State of Texas. In fact, I refer to the report concerning the limitation of those hearings when the members of the committee on the majority side admitted that we did not have a sufficient amount of time to make the needed investigations.

Mr. WILLIAMS of New Jersey. Gracious. The investigation of this subject matter goes back 30 years.

Mr. FANNIN. Not for this session of Congress and not for the Members of this Congress.

Mr. WILLIAMS of New Jersey. I refer to the issue, the subject.

Mr. FANNIN. The Members of this Congress have not had an opportunity to have the information submitted to them. They have not had the opportunity to have the subcommittee come to their States so that they could present their problems and their programs in this regard.

I refer the Senator to page 581 of the hearings where the Senator from Massachusetts [Mr. KENNEDY] is quoted as saying that they did not have the time to visit the farms. I think the Senator will have to admit that this is true.

Mr. WILLIAMS of New Jersey. That is in a different context altogether. It did not deal with national labor relations coverage of farmworkers. That had to do with offering housing and other matters.

We have seen enough bad housing. We did not have to go there. We have seen it in Arizona. We have seen some of the worst housing for farmworkers in the whole Nation in the State of Arizona.

Mr. FANNIN. The only place that I can think of might be on Indian reservations where the Federal Government has jurisdiction. I am working on this problem.

The ACTING PRESIDENT pro tempore. The time has expired.

Mr. MANSFIELD. Mr. President, I yield 4 minutes to the distinguished senior Senator from Florida, and I hope that after we get through with that, we can get to a vote on the pending business.

The ACTING PRESIDENT pro tempore. The Senator from Florida is recognized for 4 minutes.

Mr. HOLLAND. Mr. President, I hope that my distinguished friend, the Senator from New Jersey, will listen when I again invite him to come down and enjoy the hospitality of our State. I hope that he will not state on the RECORD that we have temperatures of 110 degrees in our State, because I have not experienced that in our State.

Mr. WILLIAMS of New Jersey. It was in the celery fields. It was not at the beaches or the beautiful lakes or the seashore. However, that was true in the celery fields.

Mr. HOLLAND. We have felt, since hearings were held in California and Texas, which are States that we admire and like very much, and since we are as important a producer of perishables

as any other State in the Union, that hearings should be held there. We have invited the committee to meet our producers there. We would like to have hearings held there.

We invite the subcommittee again. Our problem is acute. When perishable crops like tomatoes, beans, or roasting ears are ready to move, we have to move them even though the temperature is not quite as hot as that stated by the distinguished Senator from New Jersey.

The idea of having our more than 200,000 agricultural laborers—in large part migratory labor—controlled by an agent who is not a fieldworker, but is somebody who is there to try to make trouble when we have to have the labor at the time when the vegetables must be moved, is simply terrifying to our producers.

We want to be heard on the matter, and I think we should be heard on it.

May I say just one more thing. These industries get no aid out of the pending bill. They do not share in the billions which are mentioned. They do not ask for any price support. All they want is the chance to produce and harvest their product.

The pending bill which seeks to give help to the farmers would go in exactly the opposite direction as to a large group of farmers if any such measure as the one now discussed were agreed to.

I appreciate the decision of the Senator not to offer his amendment at this time.

I again extend a warm invitation to him to come to Florida. I believe that on one of his visits there, I assigned some of my friends to meet with him and see that he saw the sights. I hope he did.

I will arrange the same thing again if he wishes me to do so.

Mr. WILLIAMS of New Jersey. I appreciate the invitation. The Senator from Florida is most convincing when he says, "Come on down." He ought to be on television.

Mr. PROUTY. Mr. President, will someone yield me a minute or two?

Mr. ELLENDER. I yield 2 minutes to the Senator from Vermont.

Mr. PROUTY. Mr. President, I think it should be pointed out that the amendment goes much further in opening this bill up to further amendment than many people realize. This was an amendment to the National Labor Relations Act. It would have opened up the whole field of labor law to amendment and, if we ever got to that point, there would have been a good many amendments offered and possibly adopted with which organized labor would have been most unhappy.

We would have had a donnybrook during the closing days of this session that would not have done credit to any of us. This would have opened up the whole field of labor relations for amendments to the National Labor Relations Act.

I certainly am willing, and have been right along, to consider the problem involved. But I do not believe this is the proper way to handle it.

Mr. BYRD of Virginia. Mr. President, there is so much dissatisfaction with the present farm program, both among the farmers and among the taxpayers, that it seems to me very unwise in 1968 to extend the program to January 1, 1974.

Such an extension would completely overlap the administration to be elected in November. It would tend to preclude adoption of new ideas which might be presented by the new President.

Since the present farm bill does not expire until January 1, 1970, a new administration would have a full year to evaluate the present program, and to propose revisions. I could support a 1-year extension beyond the January 1970 date, but a 4-year extension is unjustified.

The ACTING PRESIDENT pro tempore. The bill is open to further amendment. If there be no further amendment to be proposed, the question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading and was read the third time.

The ACTING PRESIDENT pro tempore. Does the Senator from Louisiana yield back the remainder of his time?

Mr. ELLENDER. I yield back the remainder of my time.

Mr. CASE. I yield back the remainder of the time on this side.

The ACTING PRESIDENT pro tempore. All time having been yielded back, the question is, Shall the bill pass? On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called roll.

Mr. BYRD of West Virginia. I announce that the Senator from Hawaii [Mr. Inouye], and the Senator from Ohio [Mr. Young] are absent on official business.

I also announce that the Senator from Alaska [Mr. Bartlett], the Senator from Arkansas [Mr. Fulbright], the Senator from Indiana [Mr. Hartke], the Senator from Massachusetts [Mr. Kennedy], the Senator from Ohio [Mr. Lausche], the Senator from Missouri [Mr. Long], the Senator from Louisiana [Mr. Long], the Senator from Minnesota [Mr. McCarthy], the Senator from Maine [Mr. Muskie], the Senator from Florida [Mr. Smathers], the Senator from Georgia [Mr. Talmadge], and the Senator from Maryland [Mr. Tydings] are necessarily absent.

On this vote, the Senator from Minnesota [Mr. McCarthy] is paired with the Senator from Ohio [Mr. Lausche]. If present and voting, the Senator from Minnesota would vote "yea" and the Senator from Ohio would vote "nay."

I further announce that, if present and voting, the the Senator from Alaska [Mr. Bartlett], the Senator from Arkansas [Mr. Fulbright], the Senator from Indiana [Mr. Hartke], the Senator from Louisiana [Mr. Long], the Senator from Missouri [Mr. Long], and the Senator from Georgia [Mr. Talmadge] would each vote "yea."

Mr. KUCHEL. I announce that the Senator from Utah [Mr. Bennett], the Senator from Colorado [Mr. Dominick], the Senator from Michigan [Mr. Griffin], the Senator from Oregon [Mr. Hatfield], the Senator from Nebraska [Mr. Hruska], the Senator from New York [Mr. Javits], the Senator from California [Mr. Murphy], the Senator from Illinois [Mr. Percy], and the Senator from Texas [Mr. Tower] are necessarily absent.

If present and voting, the Senator from Oregon [Mr. Hatfield] would vote "yea."

On this vote, the Senator from Colorado [Mr. Dominick] is paired with the Senator from Nebraska [Mr. Hruska]. If present and voting, the Senator from Colorado would vote "yea," and the Senator from Nebraska would vote "nay."

On this vote, the Senator from New York [Mr. Javits] is paired with the Senator from Illinois [Mr. Percy]. If present and voting, the Senator from New York would vote "yea" and the Senator from Illinois would vote "nay."

On this vote, the Senator from Texas [Mr. Tower] is paired with the Senator from California [Mr. Murphy]. If present and voting, the Senator from Texas would vote "yea" and the Senator from California would vote "nay."

The result was announced—yeas 58, nays 18, as follows:

[No. 230 Leg.]

YEAS—58

Aiken	Harris	Moss
Allott	Hart	Mundt
Anderson	Hayden	Nelson
Baker	Hill	Pastore
Bayh	Hollings	Pearson
Brooke	Jackson	Prouty
Burdick	Jordan, N.C.	Proxmire
Byrd, W. Va.	Kuchel	Randolph
Carlson	Magnuson	Russell
Church	Mansfield	Scott
Clark	McClellan	Smith
Cooper	McGee	Sparkman
Dirksen	McGovern	Stennis
Dodd	McIntyre	Symington
Eastland	Metcalf	Thurmond
Ellender	Mondale	Williams, N.J.
Ervin	Monroney	Yarborough
Fong	Montoya	Young, N. Dak.
Gore	Morse	
Gruening	Morton	

NAYS—18

Bible	Cotton	Jordan, Idaho
Boggs	Curtis	Miller
Brewster	Fannin	Pell
Byrd, Va.	Hansen	Ribicoff
Cannon	Hickenlooper	Spong
Case	Holland	Williams, Del.

NOT VOTING—23

Bartlett	Inouye	Muskie
Bennett	Javits	Percy
Dominick	Kennedy	Smathers
Fulbright	Lausche	Talmadge
Griffin	Long, Mo.	Tower
Hartke	Long, La.	Tydings
Hatfield	McCarthy	Young, Ohio
Hruska	Murphy	

So the bill (S. 3590) was passed, as follows:

S. 3590

An act to extend and improve legislation for maintaining farm income, stabilizing prices and assuring adequate supplies of agricultural commodities

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Act of 1968".

TITLE I—DAIRY

EXTENSION OF CLASS I—BASE PLAN AUTHORITY

SEC. 101. The class I dairymen's base plan is extended by striking out *"December 31, 1969" and inserting "December 31, 1973" in* section 103 of the Food and Agriculture Act of 1965.

RESEARCH, PROMOTION, AND ADVERTISING

SEC. 102. The Agricultural Adjustment Act, as reenacted and amended by the Agri-

cultural Marketing Agreement Act of 1937 and subsequent legislation is further amended, by adding at the end of subsection 8c(5) the following new subparagraph (I):

"(I) Establishing or providing for the establishment of marketing research and development programs, other research programs, and advertising (excluding brand advertising), sales promotion, educational, and other similar programs, designed to improve or promote the domestic marketing and consumption of milk and its products, to be financed by producers in a manner and at a rate specified in the order, or all producer milk under the order. Producer contributions under this subparagraph may be deducted from funds due producers in computing total pool value or otherwise computing total funds due producers and such deductions shall be in addition to the adjustments authorized by subparagraph (B) of this subsection 8c(5). Provision may be made in the order to exempt, or allow suitable adjustments or credits in connection with, milk on which a mandatory checkoff for advertising or research is required under the authority of any State law. Such funds shall be paid to an agency organized by milk producers and producers' cooperative associations in such form and with such methods of operation as shall be specified in the order. Such agency may expend such funds for any of the purposes authorized by this subparagraph and may designate, employ, and allocate funds to persons and organizations engaged in such programs which meet the standards and qualifications specified in the order. All funds collected under this subparagraph shall be separately accounted for and shall be used only for the purposes for which they were collected. Programs authorized by this subparagraph may be either local or national in scope or both, as provided in the order, but shall not be international. Order provisions under this subparagraph shall not become effective in any marketing order unless such provisions are approved by producers separately from other order provisions, in the same manner provided for the approval of marketing orders, and may be terminated separately whenever the Secretary makes a determination with respect to such provisions as is provided for the termination of an order in subsection 8c(16)(B). Disapproval or termination of such order provisions shall not be considered disapproval of the order or of other terms of the order."

TITLE II—FEED GRAINS

EXTENSION OF CURRENT PROGRAM AUTHORITY

SEC. 201. The feed grain program is extended by striking out "1966 through 1969 crops" wherever it appears and substituting "1966 through 1973 crops" in the following provisions of law:

(1) Section 105(c) of the Agricultural Act of 1949, as amended.

(2) Section 16(i) of the Soil Conservation and Domestic Allotment Act, as amended.

AUTHORITY FOR PAYMENTS IN CASH OR KIND

SEC. 202. Effective beginning with the 1969 crop, section 105(e) of the Agricultural Act of 1949, as amended, is amended by adding at the end thereof the following: "Notwithstanding any other provision of this subsection and section 16(i) of the Soil Conservation and Domestic Allotment Act, as amended, price support payments and diversion payments may be made in cash or in kind for the 1969 through 1973 crops of feed grains. Payment-in-kind certificates which the Commodity Credit Corporation acquired under the price support and diversion programs for feed grains through the 1968 crop in assisting producers in the marketing of such certificates and which are still on hand on September 30, 1969, shall not be marketed and shall be canceled."

TITLE III—COTTON

EXTENSION OF AUTHORITY FOR ALLOTMENT TRANSFERS, EXPORT MARKET ACREAGE, AND DOMESTIC ALLOTMENT

SEC. 301. The Agricultural Adjustment Act of 1938, as amended, is amended—

(1) By striking out "1966, 1967, 1968, and 1969" in section 344a(a) and inserting "1966 through 1973".

(2) By striking out "the 1966, 1967, 1968, and 1969 crops" in the first sentence of subsection (e) of section 346 and substituting "the 1966 through 1973 crops".

(3) By striking out "the 1966, 1967, 1968, and 1969 crops" in section 350 and substituting "the 1966 through 1973 crops".

EXTENSION OF AUTHORITY FOR PRICE SUPPORT AND DIVERSION PAYMENTS, LEASE OF ACREAGE NOT DIVERTED, AND EXTENSION OF CCC RESALE PRICE PROVISION

SEC. 302. Effective beginning with the 1969 crop, the Agricultural Act of 1949, as amended, is amended—

(1) By amending paragraph (1) of section 103(d) by striking out "the 1966, 1967, 1968, and 1969 crops" and substituting "the 1966 through 1973 crops".

(2) By striking out the first sentence in paragraph (6) of section 103(d) and substituting the following: "Where the farm operator elects to participate in the diversion program authorized in this subsection and no acreage is planted to cotton on the farm, diversion payments shall be made at the applicable rate or rates establised under paragraph (4) on the quantity of cotton determined by multiplying that part of the farm acreage allotment diverted under the program by the projected farm yield, and the remainder of such allotment may be leased under the provision of section 344a of the Agricultural Adjustment Act of 1938, as amended, subject to the conditions of that section, or may be released under the provisions of section 344(m)(2) of such Act. Such lease or release shall not result in reduction of the acreage eligible for diversion under this paragraph."

(3) By striking out "July 31, 1970" in the next to last sentence of section 407 and substituting "July 31, 1974".

EXTENSION OF CURRENT DEFINITION OF COOPERATOR

SEC. 303. Section 402(b) of the Food and Agriculture Act of 1965 is amended by striking out "1966 through 1969 crops" and substituting "1966 through 1973 crops", and by striking out "1967, 1968, and 1969 crops" and substituting "1967 through 1973 crops".

EXPANSION OF ALLOTMENT TRANSFER AUTHORITY

SEC. 304. Section 344a of the Agricultural Adjustment Act of 1938, as amended, is amended—

(1) By striking out in subsection (a) the following: "(excluding that part of the allotment which the Secretary determines was apportioned to the farm from the national acreage reserve)".

(2) By striking out the last sentence in subsection (b).

EXPORT MARKET ACREAGE

SEC. 305. Section 346(e) of the Agricultural Adjustment Act of 1938, as amended, is amended—

(1) By striking out in the third sentence thereof "For each subsequent crop—" and substituting "For the 1967 and 1968 crops—".

(2) By inserting after the table in the third sentence thereof, the following: "For the 1969 through 1973 crops the national export market acreage reserve shall be an amount prescribed by the Secretary, not to exceed 250,000 acres."

(3) By striking out in the tenth sentence thereof "of all cotton produced on such farm for such year" and substituting "of a quantity of cotton equal to the quantity of all cotton produced on such farm for such year".

TITLE IV—WHEAT

EXTENSION OF CURRENT WHEAT PROGRAM

SEC. 401. The wheat program is extended—

(1) By striking out "the calendar years 1964 through 1969" in amendment (7) of section 202 of the Agricultural Act of 1964, as amended by amendment (1) of section 505 of the Food and Agriculture Act of 1965, and substituting "1964 through 1973 calendar years".

(2) By striking out "the calendar years 1965 through 1969" in amendment (13) of section 202 of the Agricultural Act of 1964, as amended by amendment (2) of section 505 of the Food and Agriculture Act of 1965, and substituting "1965 through 1973 calendar years".

(3) By striking out "the calendar years 1964 through 1969" in section 204 of the Agricultural Act of 1964, as amended by amendment (3) of section 505 of the Food and Agriculture Act of 1965, and substituting "1964 through 1973 calendar years".

(4) By striking out "the calendar years 1966 through 1969" in section 332(d) of the Agricultural Adjustment Act of 1938, as amended, and substituting "1966 through 1973 calendar years".

(5) By striking out "the calendar years 1964 through 1969" in section 339(b) of the Agricultural Adjustment Act of 1938, as amended, and substituting "1964 through 1973 calendar years".

(6) By striking out "the calendar years 1966 through 1969" wherever they appear in section 502 of the Food and Agriculture Act of 1965, and substituting "1966 through 1973 calendar years".

(7) By striking out "1966 through 1969 crops" in section 506 of the Food and Agriculture Act of 1965, and substituting "1966 through 1973 crops".

PROJECTED FARM YIELD COMPUTATION

SEC. 402. Effective beginning with the 1969 crop, section 301(b)(13)(k) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out "three calendar years" and substituting "five calendar years".

WHEAT ALLOTMENT COMPUTATION

SEC. 403. Effective beginning with the 1969 crop, section 332(b) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out "owned by the Commodity Credit Corporation" and substituting "on hand in the United States".

COST OF WHEAT MARKETING CERTIFICATES TO PROCESSORS

SEC. 404. Section 379(e) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out "1969" and substituting "1973".

DATE FOR DETERMINING WHEAT SUPPORT PRICE

SEC. 405. Effective beginning with the 1969 crop, section 107 of the Agricultural Act of 1949, as amended, is amended by inserting in paragraph (1)(a) after the words "100 per centum of the parity price" the following: "as of the beginning of the marketing year as estimated by the Secretary not earlier than May 1 preceding the beginning of such marketing year,".

TITLE V—WOOL

EXTENSION OF WOOL ACT

SEC. 501. Section 703 of the National Wool Act of 1954, as amended, is extended by striking out "December 31, 1969" and substituting "December 31, 1973".

TITLE VI—CROPLAND ADJUSTMENT

EXTENSION OF CROPLAND ADJUSTMENT PROGRAM

SEC. 601. Section 602 of the Food and Agriculture Act of 1965 is amended—

(1) By striking out "the calendar years 1965 through 1969" in subsection (a) and

substituting "1965 through 1973 calendar years".

(2) By striking out "during any of the fiscal years ending June 30, 1966 through June 30, 1968 or during the period June 30, 1968 through December 31, 1969" in subsection (k) and substituting "during any of the fiscal years ending prior to July 1, 1972, or during the period July 1, 1972, through December 31, 1973".

ADVISORY COMMITTEE EXPENSES

SEC. 602. Section 602(p) of such Act is amended by striking out of the last sentence thereof the words "or expenses" and inserting "other than transportation expenses and per diem as provided by section 5703(c) of title 5, United States Code".

TERMINATION OF AGREEMENTS

SEC. 603. Section 602 of such Act is amended by adding a new subsection (r) as follows: "(r) The Secretary may terminate agreements which are entered into with producers after the effective date of this subsection if he determines such action to be in the national interest and gives public notice in ample time to permit producers a reasonable opportunity to make arrangements to return their land to agricultural production."

TITLE VII—RICE

EXTENSION OF CONTINGENT RICE ACREAGE DIVERSION PROGRAM

SEC. 701. Section 353(c)(7) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out "1966, 1967, 1968, or 1969" and substituting "1966 or any succeeding year up to and including 1973".

TITLE VIII—MISCELLANEOUS

EXTENSION OF TOBACCO ALLOTMENT LEASE AUTHORITY

SEC. 801. Section 316(a) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out of the first sentence thereof "1962 through 1969", and insetring "1962 through 1973".

RESTRICTION ON REDUCTION OF STATE AND COUNTY PROJECTED YIELDS

SEC. 802. Section 708 of the Food and Agriculture Act of 1965 is amended by adding at the end thereof the following: "The projected yield for any State or county for the 1969 and succeeding crops of any commodity shall not be less than 95 per centum of the yield established for such State or county for the preceding crop."

EXTENSION OF BOILED PEANUT EXEMPTION

SEC. 803. The last paragraph of the Act entitled "An Act to amend the peanut marketing quota provisions of the Agricultural Adjustment Act of 1938, as amended, and for other purposes," approved August 13, 1957 (7 U.S.C. 1359 note), is amended to read as follows: "This amendment shall be effective for the 1957 through 1973 crops of peanuts."

MARKETING ORDERS FOR APPLES PRODUCED IN COLORADO, UTAH, AND NEW MEXICO

SEC. 804. Clause (A) of the first sentence of section 8c(2) of the Agricultural Adjustment Act as reenacted and amended by the Agricultural Marketing Agreement Act of 1937 and subsequent legislation, is amended by striking out "and Connecticut" and inserting in lieu thereof "Connecticut, Colorado, Utah, New Mexico, Illinois, and Ohio.

ADVERTISING PROGRAMS FOR APPLES

SEC. 805. (a) Section 2(3) of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Act of 1937 and subsequent legislation, is amended by inserting ", such marketing research and development projects provided in section 8c(6)(I), and" immediately after "section 8c(6)(H)".

(b) The proviso at the end of section 8c(6)(I) of such Act, as amended, is amended by striking out "or avocados" and inserting in lieu thereof "avocados, or apples".

Mr. ELLENDER. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. MANSFIELD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

PUBLIC WORKS FOR WATER AND POWER RESOURCES DEVELOPMENT AND ATOMIC ENERGY COMMISSION APPROPRIATIONS, 1969

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1383, H.R. 17903, the so-called public works appropriation bill. I do this so that the bill may be the pending business.

The ACTING PRESIDENT pro tempore. The bill will be stated by title.

The ASSISTANT LEGISLATIVE CLERK. A bill (H.R. 17903) making appropriations for public works for water and power resources development, including certain civil functions administered by the Department of Defense, the Panama Canal, certain agencies of the Department of the Interior, the Atlantic-Pacific Interoceanic Canal Study Commission, the Delaware River Basin Commission, Interstate Commerce on the Potomac River Basin, the Tennessee Valley Authority, the Water Resources Council, and the Atomic Energy Commission, for the fiscal year ending June 30, 1969, and for other purposes.

The ACTING PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. ELLENDER. Mr. President, we have under consideration this afternoon H.R. 17903, a bill making appropriations for public works for water and power resources development, including the Corps of Engineers, the Panama Canal, the Bureau of Reclamation, the Federal Water Pollution Control Administration, and power agencies of the Department of the Interior, the Atlantic-Pacific Interoceanic Canal Study Commission, the Delaware River Basin Commission, the Interstate Commission on the Potomac River Basin, the Tennessee Valley Authority, the Water Resources Council, and the Atomic Energy Commission for the fiscal year ending June 30, 1969.

Mr. President, as is our custom, the Subcommittee on Public Works divided itself into three panels for the consideration of the pending bill. The portion of the public works appropriation bill dealing with the Bureau of Reclamation and the power marketing activities of the Department of the Interior was handled by my good friend, the distinguished senior Senator from Arizona [Mr. HAYDEN], who is also chairman of the Committee on Appropriations. The portion of the bill covering the Atomic Energy Commission and the Tennessee Valley Authority was handled by my good friend, the distinguished senior Senator from Alabama [Mr. HILL]. I handled the portion of the bill relating the civil functions of the Department of the Army, the Panama Canal, the Federal Water Pollution Control Administration, and Atlantic-Pacific Interoceanic Canal Study Commission, the Delaware River Basin Commission, the Interstate Commission on the Potomac River Basin, and the Water Resources Council.

The hearings on the bill started on March 6 and continued through June 28. The subcommittees held 37 sessions for the purpose of taking testimony, and two executive sessions for the purpose of marking up the bill. The subcommittee heard 890 witnesses, which included representatives of various organizations and local communities, in addition to departmental representatives; 810 of the witnesses appeared before the panel handling the civil functions of the Department of the Army and the Federal Water Pollution Control Administration; 62 of the witnesses appeared before the panel headed by the senior Senator from Arizona [Mr. HAYDEN]; and the remaining 18 witnesses appeared before the panel headed by the senior Senator from Alabama [Mr. HILL]. The hearings comprise four volumes, which contain 4,622 pages of testimony. A complete set of the hearings is on each Senator's desk. The hearings constitute the basic specific information upon which the subcommittee based its recommendations to the full committee. However, the one overriding basic consideration in the subcommittee's recommendation was the critical fiscal situation this country faces. I shall discuss that in greater detail later.

Mr. President, the amount of the bill as passed by the House totaled $4,499,223,000. The Senate Committee on Appropriations made net increases in the amounts approved by the House of $228,239,500. Therefore, the total in the bill as reported to the Senate is $4,727,462,500.

The amount of the budget estimates considered by the Senate committee for fiscal year 1969 was $4,908,657,000.

The bill as reported to the Senate is under the budget estimates by $181,194,500 and over the appropriations for 1968 by $33,959,500.

Mr. President, I have been the chairman of this subcommittee now for over 14 years, and this is one of the leanest bills ever presented to the Senate. We had hundreds of worthy projects presented to us which, unfortunately, we could not incorporate in the bill because of the fiscal situation.

The subcommittee, in its report to the full committee, did include three very small emergency items in the bill, and I understand there are two other items that will be presented to the Senate, together with the reasons for requesting that they be put in the bill by the proponents of those amendments.

With respect to the civil functions of the Corps of Engineers, the hearings which I mentioned a few moments ago contain ample evidence to support many unbudgeted planning and construction items as well as economic justification for increased amounts on budgeted items. Except for three small emergency items not included in the budget for which initial construction funds are recommended, the committee did not go above the budget on any item. Except for a few items where changed conditions per-

mitted a reduction or elimination of the budget request, the committee restored the full budget estimate. The Chief of Engineers in his opening statement testified that the total 1969 budget request was the minimum amount necessary to maintain limited progress in the water resources development of our Nation consistent with the stringent budgetary situation. Our examination of the estimates confirmed this evaluation. While many witnesses presented evidence demonstrating the need for increased amounts, the committee, in view of the tight fiscal situation, did not recommend any increased amounts for the budgeted construction items of the corps.

For general investigations the committee restored the House cuts, except for the continuation of the survey of the St. Croix River in Wisconsin and Minnesota for which legislation is pending to reserve the area for wild and scenic purposes. The committee recommended modest increases for both flood control and navigation studies. As in the past, the committee did not earmark the increased amounts for surveys.

The budget estimate provides for the completion of 42 corps projects having a total estimated cost of $463 million, and the initiation of six projects having a future commitment of only $24 million. The Senate added three new starts having a future commitment of only $4 million. Those are the three projects I mentioned a moment ago which were recommended to the full committee just before the bill was reported. It is apparent, therefore, that the construction program of the corps will be substantially reduced in the next few years unless new construction starts are added. The balance to complete projects now underway is about $3.7 billion.

In my opinion, the development of our land and water resources requires a substantial number of new starts each year if we are to protect and preserve these priceless resources for future generations. In the past, our committee has recommended new construction starts with future commitments approximately equal to 1 year's construction appropriation. In other words, while we should be recommending a bill containing new starts with future commitments of about $900 million, the new starts recommended by the committee including those in the budget total only $28 million. It is for this reason that I previously stated that this is the worst bill I have ever reported to the Senate. There are a number of urgently required projects in Louisiana that I would have liked to have included in this bill. On other projects in Louisiana that are under construction, increased amounts are required for efficient completion. This is particularly true with respect to the hurricane protection projects. I am certain that the same situation obtains in most States.

However, in view of the financial requirements for meeting our commitments in Vietnam, together with practical problems with respect to the large budget deficit with which this Nation is confronted and the overall expenditure ceiling imposed on the administration, the committee had to exercise great restraint in its recommendations.

Most Members are as disappointed as I am that many worthy projects were not included in the bill. Under all the circumstances, I feel that this is the best bill we can present to the Senate this year. I support it, and I hope that all my colleagues can and will.

For construction general, the committee recommendation is $917,233,000 which is $1,179,000 below the budget and $104,904,000 above the House. Of this amount, $103,875,000 is for restoration of House cuts in budgeted items.

For operation and maintenance, the committee restored the budget estimate, an increase of $8,700,000.

For the general expenses of the corps, the committee recommended the full budget estimate of $21,200,000. The amount requested provides for a limited number of new positions, for the second stage of the Pay Act and for other mandatory costs.

For the Mississippi River and tributaries, the committee recommended $69,610,000, which is $10,000 over the budget estimate and the amount allowed by the House. The increase is for a survey of the old river control structure.

TITLE II

Title II of the bill, as reported by the subcommittee, proposes a net increase over the amount allowed by the House of Representatives of $36,110,500; of this amount, $1,513,500 is for the Bureau of Reclamation, which includes a $100,000 reduction, $713,500 in restoration of budget estimates reduced by the House, and $900,000 in increases over the budget for authorized projects.

The committee recommends that $75,000 reserved under the provisions of Public Law 90–218 be released for the purpose for which the appropriation was made; and $50,000 of soil and moisture work be done within available funds.

For the Water Pollution Control Administration the committee recommends restoration of the House cuts, an increase of $12,597,000 for water supply and water polution control and $22,000,000 for construction grants for waste treatment works.

The committee recommendation for title II, is $735,458,500, an increase of $36,100,500 over the House and $29,560,500 below the budget estimates, and $14,693,500 below the appropriations for fiscal year 1968.

TITLE III

Title III covers several independent agencies. For the Tennessee Valley Authority the committee recommends an increase of $3,000,000 over the amount allowed by the House and $2,950,000 over the budget estimate. The increase is to initiate the modernization of the ammonia plant.

The committee approved the House allowances for the Atlantic-Pacific Interoceanic Canal Study Commission; the Delaware River Basin Commission; and the Interstate Commission on the Potomac River Basin. For the Water Resources Council the committee concurred in the House allowance for water resources planning and recommended an increase of $265,000 for financial assistance to States, which increased this item to the budget estimate.

TITLE IV

Mr. President, title IV deals with the Atomic Energy Commission. I shall not discuss in detail the Atomic Energy proposal, but hearings were held, and my good friend, the Senator from Rhode Island [Mr. PASTORE], who is an ex-officio member of the subcommittee, was present. Our committee followed his recommendations, and I am sure that the committee has provided a sufficient sum for the Atomic Energy Commission, except probably in the field of the use of Atomic Energy for peaceful means.

The committee recommends $2,610,800 for the Atomic Energy Commission. This is $65,200,000 above the amount allowed by the House, $152,800,000 below the budget, and $92,667,000 above the appropriations for fiscal year 1968.

The bill as reported is $4,727,462,500, which is $228,239,500 above the House, $181,194,500 below the budget, and $33,959,500 above the appropriations for fiscal year 1968.

Mr. President, I wish to state to the Senate that usually the Corps of Engineers budget estimate includes a reduction of about $50 million for slippages—that is, contracts which have been delayed or could not be let due to lack of cooperation by the local people for some reason or other, or where the work under contract could not be continued because, perhaps, of rain conditions.

In this bill, the Corps of Engineers reduction for slippage was $50 million. That was increased by the House by another $52 million so that the bill as passed the House had a reduction for slippage of $102 million.

What the committee recommended was to restore the slippage item to the $50 million recommended in the Budget.

Also, Mr. President, in addition to the increased reduction of $52 million for slippage. The House cut every budgeted item from 5 to 10 percent, which means that the overall cuts on budgeted items are around 15 percent.

I think this is too deep a cut. What we did, because of the fact that this is a very austere bill, except where there was a lack of local cooperation, we restored all of the budgeted items as presented to us by the administration.

The bill, as I said, is a very austere one and I am therefore hopeful that there will not be amendments offered to curtail the recommendations which were made by the Senate Appropriations Committee.

Mr. PASTORE. Mr. President, I send to the desk an amendment——

The ACTING PRESIDENT pro tempore. If the Senator from Louisiana will submit the committee amendments, the Senate can dispose of them first.

Mr. ELLENDER. Mr. President, I ask unanimous consent that the committee amendments be agreed to en bloc and that the bill as thus amended be regarded for the purpose of further amendment as original text and that no point of order shall be considered to have been

DIGEST of Congressional Proceedings

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For actions of July 30, 1968
90th-2nd; No. 134

CONTENTS

HIGHLIGHTS: House passed food stamp bill. House debated farm bill. Senate adopted measure to establish hunger commission. Senate agreed to conference report on grain inspection bill. Senate continued debate on foreign aid authorization bill.

HOUSE

1. FOOD STAMPS. Passed with amendment S. 3068, the food stamp bill (pp. H7796-818). Agreed to, 227-172, an amendment by Rep. Sullivan to provide an open-end authorization for the fiscal years 1969, 1970, 1971, and 1972 (pp. H7796-812) amended to "prohibit the use of food stamps for students and strikers" (p. H7811). Rejected a motion by Rep. Belcher to recommit the bill (p. H7817). H. R. 18249, a similar bill was tabled.

2. FARM PROGRAM. Began debate on H. R. 17126, to extend the farm program for 1 year. pp. H7818-41

3. APPROPRIATIONS. Conferees were appointed on H. R. 17522, the Depts. of State, Justice, and Commerce, the judiciary, and related agencies appropriation bill, 1969. Senate conferees have been appointed. The conferees were granted until midnight, July 31, to file a report. p. H7789

4. POULTRY INSPECTION. Conferees were appointed on H. R. 16363, the poultry inspection bill. Senate conferees have been appointed. p. H7796

5. AGING. Passed as reported H. J. Res. 1371, to provide that it be the sense of Congress that a White House Conference on Aging be called by the President in 1971, to be planned and conducted by the Secretary of HEW. pp. H7790-4

6. VETERANS' BENEFITS. Concurred in Senate amendments to H. Con. Res. 705, to assist veterans who have served in Vietnam or elsewhere in obtaining suitable employment. p. H7796

7. TRANSPORTATION. Rep. Schwengel expressed opposition to the bill to increase weight and widths of trucks on the interstate highway system. pp. H7869-70

8. CONSERVATION. Rep. Wright inserted a list of the 50 "most significant" beautification and conservation measures signed into law through July 22, 1968, and commended the President and the Congress for their efforts to restore the natural balance of the American environment. pp. H7871-4

9. LEGISLATIVE RECORD. Rep. Staggers summed up briefly the work of the 90th Congress. pp. H7874-5

10. FOREIGN TRADE. Rep. Dent criticized a pamphlet issued by the Emergency Committee for American Trade which states in 20 years the U. S. "exported over $80 billion more than it bought from the rest of the world." Rep. Dent cited omissions which he stated "would have thrown some much needed light." pp. H7875-6

11. TAXATION. Rep. Vanik stated the Nation's economic advisers "now fear a recessive cutback, higher unemployment, and reduced income" due to the tax increase. pp. H7876-8

12. RESEARCH. Rep. Hall inserted an article, "A Control-of-the-Sea Concept of Oceanic Research. pp. H7878-9

13. ADJOURNMENT. Agreed to H. Con. Res. 805, that when the House adjourns on Fri., Aug. 2, 1968, it will stand adjourned until 12 o'clock noon Wed., Sept. 4, 1968. p. H7795

SENATE

14. APPROPRIATIONS. Agreed to the conference report on H. R. 17903, the public works and Atomic Energy Commission appropriation bill, 1969 (pp. S9765-75).

Mr. Gallagher with Mr. Frelinghuysen.
Mr. Karsten with Mr. Cramer.
Mr. Flood with Mr. Gubser.
Mr. Cohelan with Mr. Davis of Wisconsin.
Mr. Corman with Mr. Goodell.

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT OFFERED BY MR. BELCHER

Mr. BELCHER. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. BELCHER. I am, Mr. Speaker.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. BELCHER of Oklahoma moves to recommit the bill (H.R. 18249) to the Committee on Agriculture.

The SPEAKER. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER. The question is on the motion to recommit.

The motion to recommit was rejected.

The SPEAKER. The question is on the passage of the bill.

Mr. GERALD R. FORD. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 315, nays 83, not voting 34, as follows:

[Roll No. 294]

YEAS—315

Adams
Addabbo
Albert
Anderson, Ill.
Anderson, Tenn.
Andrews, N. Dak.
Annunzio
Ashley
Aspinall
Ayres
Barrett
Bates
Bevill
Biester
Bingham
Blatnik
Boggs
Boland
Bolling
Brademas
Brasco
Bray
Brinkley
Brooks
Broomfield
Brotzman
Brown, Calif.
Brown, Mich.
Brown, Ohio
Burke, Mass.
Burleson
Burton, Calif.
Burton, Utah
Button
Byrne, Pa.
Byrnes, Wis.
Cahill
Carey
Carter
Casey
Celler
Clark
Clausen, Don H.
Cleveland
Cohelan
Conable
Conte
Corbett
Cowger
Culver
Cunningham
Daddario
Daniels
Davis, Ga.
Dawson
de la Garza
Delaney
Dent
Diggs
Donohue
Dorn
Dow
Downing
Dulski
Duncan
Dwyer
Eckhardt
Edmondson
Edwards, Calif.
Edwards, La.
Eilberg
Esch
Eshleman
Evans, Colo.
Everett
Fallon
Farbstein
Fascell
Feighan
Fino
Flynt
Foley
Ford, Gerald R.
Ford, William D.
Fountain
Fraser
Friedel
Fulton, Pa.
Fuqua
Galifianakis
Garmatz
Gathings
Gettys
Giaimo
Gibbons
Gilbert
Gonzalez
Gray
Green, Oreg.
Green, Pa.
Griffin
Griffiths
Grover
Gude
Hagan
Halpern
Hamilton
Hammerschmidt
Hanley
Hanna
Hansen, Wash.
Hardy
Harrison
Harsha
Harvey
Hathaway
Hays
Hechler, W. Va.
Heckler, Mass.
Helstoski
Henderson
Hicks
Holifield
Horton
Hosmer
Howard
Hull
Hungate
Hunt
Ichord
Irwin
Jacobs
Joelson
Johnson, Calif.
Johnson, Pa.
Jones, Ala.
Jones, Mo.
Karth
Kastenmeier
Kazen
Kee
Keith
Kelly
King, Calif.
King, N.Y.
Kleppe
Kluczynski
Kornegay
Kupferman
Kuykendall
Kyl
Kyros
Landrum
Latta
Leggett
Long, La.
Long, Md.
McCarthy
McClory
McCloskey
McCulloch
McDade
McDonald, Mich.
McEwen
McFall
McMillan
Macdonald, Mass.
MacGregor
Machen
Madden
Mahon
Martin
Mathias, Md.
Matsunaga
May
Mayne
Meeds
Meskill
Michel
Miller, Calif.
Mills
Minish
Mink
Minshall
Mize
Monagan
Moorhead
Morgan
Morris, N. Mex.
Morton
Mosher
Moss
Murphy, Ill.
Murphy, N.Y.
Natcher
Nedzi
Nelsen
Nichols
Nix
O'Hara, Ill.
O'Hara, Mich.
O'Konski
Olsen
O'Neill, Mass.
Ottinger
Passman
Patman
Patten
Pelly
Pepper
Perkins
Philbin
Pickle
Pike
Pirnie
Poage
Podell
Pollock
Price, Ill.
Pryor
Pucinski
Purcell
Quie
Quillen
Railsback
Randall
Rees
Reid, Ill.
Reid, N.Y.
Reifel
Resnick
Reuss
Rhodes, Ariz.
Rhodes, Pa.
Riegle
Rivers
Roberts
Robison
Rodino
Rogers, Colo.
Rogers, Fla.
Ronan
Rooney, N.Y.
Rooney, Pa.
Rosenthal
Rostenkowski
Roudebush
Roush
Roybal
Rumsfeld
Ruppe
Ryan
St Germain
St. Onge
Saylor
Schadeberg
Scherle
Scheuer
Schweiker
Schwengel
Selden
Shipley
Shriver
Sikes
Sisk
Skubitz
Slack
Smith, Iowa
Smith, N.Y.
Springer
Stafford
Staggers
Stanton
Steed
Steiger, Wis.
Stephens
Stratton
Stubblefield
Stuckey
Sullivan
Taylor
Tenzer
Thompson, Ga.
Thompson, N.J.
Thomson, Wis.
Tiernan
Tunney
Udall
Ullman
Van Deerlin
Vander Jagt
Vanik
Vigorito
Walker
Wampler
Watkins
Watts
Whalen
Whalley
White
Whitener
Whitten
Widnall
Williams, Pa.
Willis
Wilson, Charles H.
Wolff
Wright
Wyatt
Wylie
Wyman
Yates
Young
Zablocki
Zwach

NAYS—83

Abbitt
Abernethy
Adair
Andrews, Ala.
Arends
Ashbrook
Ashmore
Belcher
Bell
Bennett
Berry
Betts
Bow
Brock
Broyhill, N.C.
Broyhill, Va.
Buchanan
Bush
Cabell
Cederberg
Chamberlain
Clancy
Clawson, Del
Collier
Colmer
Curtis
Dellenback
Denney
Derwinski
Devine
Dickinson
Dole
Dowdy
Edwards, Ala.
Erlenborn
Findley
Fisher
Goodling
Gross
Gurney
Haley
Hall
Halleck
Hutchinson
Jarman
Jonas
Jones, N.C.
Laird
Langen
Lennon
Lloyd
McClure
Mailliard
Marsh
Mathias, Calif.
Miller, Ohio
Montgomery
Myers
O'Neal, Ga.
Pettis
Poff
Price, Tex.
Reinecke
Roth
Sandman
Satterfield
Schneebeli
Scott
Smith, Calif.
Smith, Okla.
Snyder
Steiger, Ariz.
Taft
Talcott
Teague, Calif.
Teague, Tex.
Tuck
Utt
Wiggins
Wilson, Bob
Winn
Wydler
Zion

NOT VOTING—34

Baring
Battin
Blackburn
Blanton
Bolton
Burke, Fla.
Conyers
Corman
Cramer
Davis, Wis.
Dingell
Evins, Tenn.
Flood
Frelinghuysen
Fulton, Tenn.
Gallagher
Gardner
Goodell
Gubser
Hansen, Idaho
Hawkins
Hébert
Herlong
Holland
Karsten
Kirwan
Lipscomb
Lukens
Moore
Morse, Mass.
Rarick
Waggonner
Waldie
Watson

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Kirwan for, with Mr. Rarick against.
Mr. Morse of Massachusetts for, with Mr. Burke of Florida against.
Mrs. Bolton for, with Mr. Hansen of Idaho against.
Mr. Battin for, with Mr. Lipscomb against.
Mr. Hébert for, with Mr. Davis of Wisconsin against.
Mr. Waggonner for, with Mr. Baring against.
Mr. Evins of Tennessee for, with Mr. Herlong against.

Until further notice:

Mr. Karsten with Mr. Blackburn.
Mr. Dingell with Mr. Lukens.
Mr. Corman with Mr. Cramer.
Mr. Flood with Mr. Frelinghuysen.
Mr. Blanton with Mr. Moore.
Mr. Waldie with Mr. Gubser.
Mr. Fulton of Tennessee with Mr. Gardner.
Mr. Holland with Mr. Watson.
Mr. Gallagher with Mr. Goodell.
Mr. Hawkins with Mr. Conyers.

Mr. BROOMFIELD changed his vote from "nay" to "yea."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

The SPEAKER. Pursuant to the provisions of House Resolution 1260, the Committee on Agriculture is discharged from the further consideration of the bill S. 3068.

The Clerk read the title of the Senate bill.

MOTION OFFERED BY MR. POAGE

Mr. POAGE. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Motion offered by Mr. POAGE: Strike out all after the enacting clause of S. 3068 and insert in lieu thereof the provisions of H.R. 18249, as passed, as follows:

"That subsection (a) of section 16 of the Food Stamp Act of 1964 is amended (A) by deleting from the first sentence the phrase 'not in excess of $225,000,000 for the fiscal year ending June 30, 1969;' and inserting in lieu thereof the following: 'such sums as may be necessary for each of the fiscal years ending June 30, 1969, 1970, 1971, and 1972;' and (B) by adding at the end of the subsection the following sentence: 'On or before January 20 of each year, the Secretary shall submit to Congress a report setting forth operations under this Act during the preceding calendar year and projecting needs for the ensuing calendar year.', and section 5(b) of such Act is amended by adding at the end thereof the following: 'Notwithstanding any other provision of law, any person who is engaged in a strike, labor dispute, or voluntary work stoppage shall be ineligible to participate in any food stamp program established pursuant to this Act: *Provided*, That if any such person was eligible for and was receiving food stamp assistance pursuant to the provisions of this Act prior to the existence of a strike, labor dispute, or voluntary work stoppage, such person shall not be ineligible for participation in the food stamp program solely as a result of engaging in such strike, labor dispute, or voluntary work stoppage. Notwithstanding any other provision of law, any person who is a student attending an institution of higher learning shall be ineligible to participate in any food stamp program established pursuant to this Act: *Provided further*, That if any such person was eligible for and was receiving food stamp assistance pursuant to the provisions of this Act prior to being enrolled as a student at an institution of higher learning, such per-

son shall not be ineligible for participation in the food stamp program solely as the result of being a student attending an institution of higher learning.' "

The SPEAKER. The question is on the motion offered by the gentleman from Texas [Mr. POAGE].

The motion was agreed to.

The Senate bill was ordered to be read a third time, was read the third time and passed, and a motion to reconsider was laid on the table.

A similar House bill (H.R. 18249) was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. POAGE. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks in the RECORD on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate by Mr. Arrington, one of its clerks, announced that the Senate agrees to the report of the committe of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 3418) entitled "An act to authorize appropriations for the fiscal years 1970 and 1971 for the construction of certain highways in accordance with title 23 of the United States Code, and for other purposes."

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 10864) entitled "An act to authorize the Secretary of Agriculture to convey certain lands in Saline County, Ark., to the Dierks Forests, Inc., and for other purposes."

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 15794) entitled "An act to provide for United States standards and a national inspection system for grain, and for other purposes."

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 17903) entitled "An act making appropriations for public works for water and power resources development, including certain civil functions administered by the Department of Defense, the Panama Canal, certain agencies of the Department of the Interior, the Atlantic-Pacific Interoceanic Canal Study Commission, the Delaware River Basin Commission, Interstate Commission on the Potomac River Basin, the Tennessee Valley Authority, and the Water Resources Council, and the Atomic Energy Commission, for the fiscal year ending June 30, 1969, and for other purposes."

The message also announced that the Senate insists upon its amendments to the bill (H.R. 15387) entitled "An act to amend title 39, United States Code, to provide for disciplinary action against employees in the postal field service who assault other employees in such service in the performance of official duties, and for other purposes," disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. MONRONEY, Mr. YARBOROUGH, Mr. RANDOLPH, Mr. FONG, and Mr. BOGGS to be the conferees on the part of the Senate.

CORRECTION OF VOTE

Mr. CLEVELAND. Mr. Speaker, on rollcall No. 293 I am recorded as not voting. I was present and voted "yea." I ask unanimous consent that the RECORD be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from New Hampshire?

There was no objection.

CORRECTION OF VOTE

Mr. WYDLER. Mr. Speaker, on rollcall No. 262 I am recorded as not voting. I was present and voted "yea." I ask unanimous consent that the permanent RECORD and Journal be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

PROVIDING FOR CONSIDERATION OF H.R. 17126, EXTENSION OF FOOD AND AGRICULTURE ACT OF 1965

Mr. SISK. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 1218 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 1218

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 17126) to amend the Food and Agriculture Act of 1965. After general debate, which shall be confined to the bill and shall continue not to exceed two hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Agriculture, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

The SPEAKER pro tempore (Mr. ROONEY of New York). The gentleman from California [Mr. SISK] is recognized for 1 hour.

Mr. SISK. Mr. Speaker, I yield 30 minutes to the gentleman from Ohio [Mr. LATTA] pending which I yield myself such time as I may consume.

(Mr. SISK asked and was given permission to revise and extend his remarks.)

Mr. SISK. Mr. Speaker, House Resolution 1218 provides an open rule with 2 hours of general debate for consideration of H.R. 17126 to amend the Food and Agriculture Act of 1965.

H.R. 17126 would extend the Food and Agriculture Act of 1965 for 1 year and contains the following provisions which would—

First, extend the class I dairymen's base plan through December 1970;

Second, extend the voluntary feed grain program through the 1970 crop;

Third, extend the present cotton legislation through the 1970 crop;

Fourth, extend present wheat certificate legislation through the 1970 crop;

Fifth, extend present wool legislation through December 1970;

Sixth, extend the cropland adjustment program through December 1970;

Seventh, extend the exemption of boiled peanuts from marketing quotas and acreage allotments through the 1970 crop; and

Eighth, extend lease and transfer authority for certain types of tobacco through the 1970 crop.

Mr. Speaker, the bill will be gone into thoroughly during debate and I urge the adoption of House Resolution 1218 in order that H.R. 17126 may be considered.

Mr. LATTA. Mr. Speaker, I yield myself such time as I may consume.

(Mr. LATTA asked and was given permission to revise and extend his remarks.)

Mr. LATTA. Mr. Speaker, I agree with the statement just made by my friend and colleague, the gentleman from California [Mr. SISK] concerning the provisions of this rule.

It is an open rule providing for 2 hours of debate.

Let me say that the Committee on Rules had this bill under consideration for quite some time. We held the bill while the question of taking this bill up for consideration this session was being debated by the various members of the Agriculture Committee. As you know, Mr. Speaker, the present farm programs extend through the crop year of 1969 and by having a 1-year extension we will have 2 more years of these same programs.

The question involved was whether or not a new administration—and we certainly are going to have a new administration taking office in January—should have the opportunity to present a new program to this Congress.

As Members know, the other body has already acted on this matter and voted for a 4-year program. By enacting a 4-year program, the Senate is telling the American farmer you shall have 5 more years of suffering under these Democrat administration programs.

The farmers of this Nation have not fared very well under these programs, and they are supposed to be for the benefit of the American farmer rather than against his best interests.

The American farmer is now receiving only 73 percent of parity for all of his labors and for his large investment.

This is the lowest parity has been in 30 years and I question the wisdom of reenacting programs which have caused such a low parity ratio.

Under these programs, we have had more than 100,000 farmers forced off their farms each year. I do not think these figures speak very well for these programs. I think it is past time that this administration and this Democrat-controlled Congress do something to increase farm income over and above what is being done by these programs.

As I understand it, the chairman of the Committee on Agriculture has stated both inside the committee and outside the committee that he will resist any attempts, if this bill gets to conference, to extend it to 4 years.

I will yield now to the chairman of the Committee on Agriculture at this time if he wants to elaborate on that statement.

Mr. POAGE. Mr. Speaker, will the gentleman yield?

Mr. LATTA. I am happy to yield to the gentleman from Texas.

Mr. POAGE. I will elaborate on that statement when I discuss this matter on my own time, but I am glad to say to the gentleman that I do propose to resist any attempts to extend the life of this beyond 1 year.

Mr. LATTA. I thank the gentleman for his comment and I am sure that the sooner it gets into the RECORD, the sooner the Members will be able to make up their minds on this bill.

I understand that the minority members of the Committee on Agriculture will take the same position on this matter when it reaches the conference committee.

Mr. GOODLING. Mr. Speaker, will the gentleman yield?

Mr. LATTA. I yield to the gentleman.

(Mr. GOODLING asked and was given permission to revise and extend his remarks.)

Mr. GOODLING. Mr. Speaker, the Agricultural Act of 1965 has brought grief to the average farmer through a cost-price squeeze and payment distress to the taxpayer-consumer—practically the only one who has derived any benefit from the act is the big grower of the West and South.

This can be understood when one examines what has been going on under this act. Production for the three principal commodities under the act have been up, while the parity ratio, prices, and farmer income has been drastically down.

Production of all wheat is forecast at a record 1,588 million bushels, 4 percent above the previous high in 1967 and 29 percent above average. Changes in production estimates between the July 1 forecast and the final estimate have averaged 45 million bushels during the past decade, ranging from 8 to 114 million bushels. The U.S. yield per harvested acre is indicated at 28.3 bushels compared with 25.8 bushels last year—the previous high of 27.5 occurred in 1958. While the acreage for all wheat for harvest as grain is 56 million and 5 percent below last year, this figure is 18 percent above the average.

The farm price for wheat in 1968 was $1.24 per bushel—down 25 cents from the previous year, while the parity ratio for January 1968 slumped to 54 percent.

Production of corn for grain in 1968 is expected to total 4.5 billion bushels, 6 percent less than last year's record crop, but 15 percent above average. The decline from last year results largely from 7 percent fewer acres for harvest as grain. The indicated record yield per acre of 79.7 bushels is 1.5 bushels above the 1967 yield. The 5-year average is 68.3 bushels. Changes in production estimates between July 1 and harvest have averaged 225 million bushels for the past 7 years, ranging from 88 to 423 million bushels.

The market price for corn in 1968 was $1.02 per bushel, down 2 cents from 1967. The parity ratio for January 1968, was a dismal 65 percent.

Cotton planted in the United States this year is estimated at 11,051,000 acres, 17 percent more than the 100-year low of 9,448,000 acres last year. The 1962–66 average is 14,094,000 acres.

The price received by farmers in 1968 was 19.90 cents per pound, down from 20.21 cents per pound in the previous year. The parity ratio stayed in the cellar at 51 percent.

U.S. domestic consumption—Total use in 1967–68 is projected at a little over 9.1 million bales—9 million upland cotton—about 0.3 million below last year's high level.

Exports of raw cotton through January—at 1.9 million bales—were down from 2.6 million for the same months of 1966–67. Exports likely will total around 4¼ million bales this year, compared with 4.7 million bales in 1966–67.

It is quite apparent from these details that the program for cotton has failed to accomplish the stated objectives of the proponents of the act of 1965.

For all agricultural commodities, the parity ratio in 1968 has been running around 73. This ratio averaged only 74 last year. Even with Government payments included, it only averaged 79, a distressingly low level, in fact as low as was found in those dark days of the depression in the 1930's.

While this dismal drama in deflated prices has been going on, the taxpayer-consumer has been picking up the tab. He paid $700 million for the wheat program in 1968, $1,200,000,000 for cotton in the same period, and $1,400,000,000 for corn. This represents a total price tag of $3,300,000,000.

One can get a picture of the cost to taxpayers by taking a look at some Commodity Credit Corporation figures. For instance, during the first 30 years, 1933–63, of CCC operations, a total Government expenditure of $10,624,936,000 was made for wheat, feed grains, and cotton. However, during the past 4 years, 1963–67, reflecting costs of the Food and Agriculture Act of 1965, $9,906,214,000 has been spent, making a total of $20,531,154,000—almost doubled in 4 years.

The taxpayer-consumer has not reaped any particular benefits in the agricultural commodities he consumes, because prices at the retail counter are sticky, failing to reflect any great bargain for the consumer—the price benefits that were supposed to be generated by the Agricultural Act of 1965 have just not jelled.

Under the bill that is before this House, the taxpayer-consumer will again be socked with a heavy bill. A 1-year extension of the 1965 Farm Act will cost him about $3 billion, and the 4-year extension—as approved by the Senate—will carry a pricetag of $12 billion.

Mr. Speaker, my Pennsylvania farmers have taken it in the neck under this act. In fact, all the farmers in the State of Pennsylvania received a total of $3,885,734 for participation in the 1967 wheat program, and this was $216,084 less than was received in 1967 by the J. G. Boswell Co. of Kings County in California. Now just what kind of a program is it that sees one giant company in California receive more in Government subsidies than did all the farmers in the State of Pennsylvania?

The fact of the matter is that this act is geared to benefit not the average farmer but the large supercolossal corporate farming giants of the South and West.

One study presented to the President's Commission on Rural Poverty showed that 1 percent of the farmers in this Nation receive 21 percent of the cotton payments, 12 percent of the wheat payments, and 9 percent of the feed grain payments.

In cotton last year the amount of the Government payments was nearly equal to the market value of the cotton crop. Cotton subsidies of $943 million nearly matched the 1967 crop value of $1,027,000,000.

During the hearings on this legislation I pointed out to Secretary of Agriculture Freeman that if we had price support programs in effect for all other crops like we had for cotton, it would cost the taxpayer-consumer in this country over $42 billion a year.

When I say these programs are primarily benefiting the largest growers in the West and the South, I mean it. Here are some of the figures that the Appropriations Committee of the other body recently printed as part of their hearings.

In 1967 the State of Pennsylvania received a grand total of $21.2 million in payments under all farm programs. This figure includes conservation and land retirement payments as well as crop subsidies. By comparison, farmers in the State of Texas received $457,205,685.

In all of the Northeast, Pennsylvania's $21.2 million was tops, with New York second at $20.2 million.

The leading farm subsidy States after Texas were Kansas at $211.3 million, Mississippi at $136.9 million, Iowa at $142.8 million, Nebraska at $133 million, and North Dakota at $130.2 million.

It seems incredible to me that Members from the Northeast can continue to support these costly, ineffective programs which are of no benefit whatsoever to our farmers or our taxpayer-consumers.

Mr. Speaker, there are some who have been led to believe that the Agricultural Act of 1965 has the support of both the farmer and the taxpayer-consumer and is, therefore, something of a political plum. Nothing could be farther from the truth, for in operation the act

of 1965 has proved to be an "agricultural lemon"—and I don't think either the farmer or the taxpayer-consumer should be asked to accept another dose of the sour tasting same.

Mr. LATTA. Mr. Speaker, I yield one minute to the gentleman from California [Mr. TEAGUE].

Mr. TEAGUE of California. Mr. Speaker, I take this time to make it clear to my colleagues that just because a minority report was not filed on this bill does not mean the bill came out of the committee by unanimous vote. Several of us voted against the bill. I was one of those, and though it may come as a surprise to Drew Pearson, I have always opposed programs of this sort. I did again this year. They simply have not worked. The prices of farm products are at almost an alltime low. Prices to consumers are at an alltime high. The cost to the taxpayers is $3 to $4 billion a year. These are bad programs. I will discuss them at greater length during the general debate.

Mr. SISK. Mr. Speaker, I yield 10 minutes to the gentleman from Indiana [Mr. MADDEN].

CALL OF THE HOUSE

Mr. TEAGUE of California. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER pro tempore (Mr. ROONEY of New York). The Chair will count.

Evidently a quorum is not present.

Mr. SISK. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 295]

Baring	Frelinghuysen	Lukens
Battin	Fulton, Tenn.	Moore
Berry	Gallagher	Morse, Mass.
Blackburn	Gardner	Rarick
Blanton	Goodell	Resnick
Bolton	Gubser	Rhodes, Ariz.
Burke, Fla.	Hanna	Rhodes, Pa.
Conte	Hansen, Idaho	Satterfield
Corman	Hawkins	Teague, Tex.
Cramer	Hébert	Udall
Davis, Wis.	Herlong	Vander Jagt
Diggs	Holland	Vanik
Dingell	Jacobs	Waggonner
Eshleman	Karsten	Watson
Evins, Tenn.	Kirwan	Willis
Flood	Lipscomb	

The SPEAKER pro tempore. On this rollcall, 386 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

GILMOUR C. MacDONALD, COLONEL, U.S. AIR FORCE (RETIRED)

Mr. ASHMORE submitted the following conference report and statement on the bill (H.R. 10932) for the relief of Gilmour C. MacDonald, colonel, U.S. Air Force (retired):

CONFERENCE REPORT (H. REPT. No. 1821)

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 10932) for the relief of Gilmour C. MacDonald, colonel, United States Air Force (retired) having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate; and agree to the same.

ROBERT T. ASHMORE,
HERBERT TENZER,
HENRY P. SMITH III,
Managers on the Part of the House.

JOHN L. MCCLELLAN,
PHILIP A. HART,
HIRAM L. FONG,
Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 10932) for the relief of Gilmour C. MacDonald, colonel, United States Air Force (retired) submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The bill, H.R. 10932 provides for jurisdiction in the U.S. Court of Claims to hear, determine, and render judgment upon any legal claim of Gilmour C. MacDonald against the United States for compensation for the useage of a tubular caltrop tire puncturing device allegedly invented by him. When the bill was considered in the House, a new section 3 was added to the bill which would have limited any attorneys fee for services rendered in connection with the claim to 10 percent of any judgment entered by the court. The amendment of the Senate is to strike section 3. The limitation on attorneys fees is customarily added to bills authorizing the payment of sums of money in settlement of claims against the United States. As has been noted H.R. 10932 is not such a bill, but is a bill permitting an individual to institute an action in the Court of Claims. Accordingly, in conference the House conferees receded from their disagreement to the Senate amendment.

ROBERT T. ASHMORE,
HERBERT TENZER,
HENRY P. SMITH III,
Managers on the Part of the House.

PROVIDING FOR DISCIPLINARY ACTION AGAINST EMPLOYEES IN THE POSTAL FIELD SERVICE

Mr. DULSKI submitted the following conference report and statement on the bill (H.R. 15387) to amend title 39, United States Code, to provide for disciplinary action against employees in the postal field service who assault other employees in such service in the performance of official duties, and for other purposes:

CONFERENCE REPORT (H. REPT. No. 1822)

The committee of conference on the disagreeing votes of the two Houses on the following numbered amendments of the Senate to the bill (H.R. 15387), to amend title 39, United States Code, to provide for disciplinary action against employees in the postal field service who assault other employees in such service in the performance of official duties, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

Amendment numbered 1: That the House recede from its disagreement to the amendment of the Senate numbered 1 and agree to the same with an amendment as follows: In the matter proposed to be stricken out by the Senate amendment insert the word "with" immediately after the word "interferes"; and the Senate agree to the same.

Amendment numbered 2: That the House recede from its disagreement to the amendment of the Senate numbered 2 and agree to the same.

T. J. DULSKI,
DAVID N. HENDERSON,
ARNOLD OLSEN,
ROBERT J. CORBETT,
Managers on the Part of the House.

MIKE MONRONEY,
RALPH W. YARBOROUGH,
JENNINGS RANDOLPH,
HIRAM L. FONG,
J. CALEB BOGGS,
Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the two numbered amendments of the Senate to the bill (H.R. 15387), to amend title 39, United States Code, to provide for disciplinary action against employees in the postal field service who assault other employees in such service in the performance of official duties, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

Amendment No. 1: The House bill provided for disciplinary action against any postal employee who assaults, resists, opposes, impedes, intimidates, or interferes with any other postal employee while performing official duties. Senate amendment No. 1 limits this disciplinary authority to cases of assault only.

The House recedes from its disagreement to Senate amendment No. 1 with an amendment which makes a technical and clarifying change in language; and the Senate agrees to the same.

Amendment No. 2: Senate amendment No. 2 adds a section 3 to the House bill which provides, effective on the date of enactment, that employees in the postal field service (other than employees in regional offices) and employees of the Bureau of Research and Engineering of the Post Office Department, shall be exempted from the limitation on the number of civilian employees prescribed by section 201 of the Revenue and Expenditure Control Act of 1968, Public Law 90–364. The new section 3 also excludes such exempted employees from being taken into account in applying the employee ceiling prescribed by section 201, Public Law 90–364.

The House bill contained no such provision.

The House recedes.

EXPLANATION OF CONFERENCE AGREEMENT REGARDING POSTAL SERVICE PERSONNEL CEILING

Under the conference agreement, the employment ceiling, insofar as the Post Office Department is concerned, will not apply to—

(1) The Bureau of Research and Engineering; and

(2) The postal field service (other than employees in the regional offices).

The conference agreement does not exempt the Washington headquarters office (other than the Bureau of Research and Engineering) from the personnel ceiling. It does not exempt any part of the Post Office Department appropriated funds from the budget expenditure reductions required by sections 202 or 203 of Public Law 90–364.

The provision exempting the postal field service includes the personnel of the field inspection service, the postal data centers, and the supplies centers, all of which are part of the postal field service but not part of the regional offices.

Bureau of Research and Engineering: The conference agreement provides that the Bureau of Research and Engineering personnel ceiling shall not apply to the Bureau of Research and Engineering in the Post Office Department headquarters. This Bureau,

which was created by Public Law 89–492 on July 5, 1966, represents the real hope for postal modernization, effective management, and improved efficiency. Since its creation, appropriations for research and engineering have increased from $18 million in fiscal year 1966 to $35 million in fiscal year 1969. The number of employees has increased from 276 on June 30, 1966, to 517 on June 30, 1968. The Congress recently authorized 160 additional positions for this Bureau, making a total of 675 for fiscal year 1969.

The progress which this Bureau can achieve in the future for improved postal services is far more important to the Government and the taxpayer than the number of people it employs, or the amount of money it spends, can indicate. It would be a tragic and foolish waste to cut back this vitally important Bureau to the 1966 employment level.

Regional offices: The conference agreement does not exempt the regional offices from the personnel ceiling. The estimated personnel authorization for fiscal year 1969 for the regional offices is 3210, and the total personnel in these offices on June 30, 1966, was 2724. The conferees believe that these positions should be subject to the personnel limitation as will the positions in the Washington headquarters office, which total 1930 under the 1969 fiscal year authorization.

Mail volume: Unlike some government functions, the volume of mail cannot be controlled. Mail volume has increased from 75.6 billion pieces in fiscal year 1966 to an estimated 84 billion pieces in fiscal year 1969, an increase of 8.4 billion pieces.

From fiscal year 1966 to the end of fiscal year 1969, it is estimated that city deliveries will increase by 4 million. Rural deliveries will increase by 660,000. Business deliveries will increase by 358,000. Population will increase by 4 million.

Mail volume will continue to increase as the economy grows and the population increases.

The employment ceiling will require a fewer number of postal employees to deliver an ever-increasing volume of mail. It will impose a physically impossible task.

Postal employment: The personnel ceiling on postal employment, using the June 30, 1966 date, the estimated employment authorized by the Post Office Department Appropriation Act, 1969 (Public Law 90–350), and the personnel reduction required, are shown in the first chart set forth below.

The second chart shows the postal service changes proposed by the Postmaster General, to accomplish the personnel reduction of 83,238.

REDUCTION IN POSITIONS

	Permanent	Other [1]	Total
1969 appropriation	566,437	194,877	761,314
Public Law 90–36 limit	489,898	188,178	678,076
Reduction	76,539	6,699	83,238

[1] Based on month of June as example. Actual positions allowed vary by month.

Postal service changes required by reduction in personnel to be accomplished over a 4-year period

Service change	*Reduction in positions*
Close all rural (4th class) post offices and 50 percent of contract stations	7,410
Close 5,000 3rd class post offices	5,000
Close all window services at 1st and 2d class post offices one day a week	2,274
Eliminate all postal work on Saturday and Sunday without regard to delay in mail or extra force required for handling backlog	23,272
Schedule work force so as to gain additional 2 percent increase in clerical productivity without regard to delay in mail	8,558
City residential delivery—eliminate Saturday and one additional day	22,711
Parcel post delivery—reduce service to 5 days per week	1,112
City business delivery—eliminate Saturday service and reduce service on other days to one delivery a day	1,378
Rural delivery—reduce service to 3 days per week	1,797
City residential and rural delivery—no extension of service to new homes	3,670
Collection service—restrict Saturday service to the Sunday schedule	380
Eliminate new training programs, certain mechanization projects, management programs for service improvements, certain transportation and logistical support	5,676
Total	83,238

Another material factor in the personnel requirements of the postal service is the series of legislative actions in recent years directed to the modernization of postal personnel policies and procedures.

One of the major legislative actions which had a direct bearing on manpower levels is Public Law 89–301, enacted October 29, 1965. This law established a five-day workweek for postal employees, premium pay for Sunday and overtime pay for holiday work for substitute employees, replaced compensatory time off practices, and limited the tour of any employee on a workday to a period of 12 consecutive hours. These provisions have required the establishment of 42,940 new positions in the postal service, practically all of which were established after June 30, 1966.

Personnel ceiling flexibility: The conferees have rejected the argument that section 201 of Public Law 90–364 contains sufficient flexibility for the Executive Branch to meet the requirements of the personnel ceiling if only the Director of the Bureau of the Budget would exercise his authority under that section to reassign vacancies from one department to another.

In 1966, postal employment of 678,000 represented approximately one-fourth of the total Federal employment of 2,726,000. The continual expanding volume of mail demands more postal employees, not less. It would be a physical impossibility for the Budget Director to reassign 30,000 vacancies from other Executive agencies to meet the estimated needs of the Post Office Department during fiscal year 1969, or to make annual reassignments each year thereafter in numbers running upwards from 15,000.

The Director of the Bureau of the Budget testified that he could not see his way clear to giving any agency complete relief from the personnel ceilings, as the conferees believe is necessary in the case of the Post Office Department.

Consequently, in view of the mandatory personnel reductions to begin as of July 1, 1968, and the lack of any possibility of relief by reassignment of vacancies by the Director of the Bureau of the Budget, the Postmaster General had no alternative but to issue the orders early in July for curtailment of mail services in order to meet the personnel ceiling. These orders have now been postponed until August 3, on the basis of action taken by the Senate on July 26, 1968.

Acceptance of the conference provisions relieving the Postal Field Service from the personnel ceilings will remove any requirement for the Postmaster General to curtail mail services. It is particularly important to note that those orders for the closing of 3rd- and 4th-class post offices, which were issued solely because of the personnel ceilings, will be withdrawn upon acceptance of the conference provisions.

Also, the conferees have been assured by the Postmaster General that he will notify the Committees on Post Office and Civil Service of both the House and the Senate at least 30 days before any post office is closed hereafter.

In the judgment of the conferees, to leave the postal service to the mercy of the employment ceiling would be the ultimate in false economy.

It would irreparably damage the postal service.

It would severely hamper business and industry, and tend to undermine the economy at a time when vibrant economic growth is imperative to support the Government's fiscal reforms.

It would virtually hamstring postal management and enforce drastic curtailment of postal services.

It would relegate the American public to second-class situations in terms of availability and usefulness of their chief means of communication.

The results would be disastrous in the face of ever-rising and uncontrollable mail volume.

The chaos in the postal establishment would be equaled only by the indignation of an outraged public.

Impairment of the postal service, such as the postal ceilings, will be especially dangerous because of the extraordinary and unique function performed by the postal service.

The postal service affects more Americans individually and personally, and exerts a far broader and more direct influence in their unique cultural and social pursuits than does any other government activity.

The adoption of the conference provision removing the postal service from the personnel ceiling will alleviate these major problems that would arise upon curtailment of the postal service.

T. J. Dulski,
David N. Henderson,
Arnold Olsen,
Robert J. Corbett,
Managers on the Part of the House.

PROVING FOR CONSIDERATION OF H.R. 17126, EXTENSION OF FOOD AND AGRICULTURE ACT OF 1965

The SPEAKER pro tempore. The gentleman from Indiana [Mr. Madden] is recognized for 10 minutes.

(Mr. MADDEN asked and was given permission to revise and extend his remarks.)

Mr. MADDEN. Mr. Speaker, the pending resolution calls for a rule to bring up the so-called Food and Agriculture Act of 1965. It asks the Congress to extend the $3½ billion rural Federal aid 1 year, through 1970. This price control legislation was passed for a 4-year period and still has almost a year and a half before it is terminated on December 31, 1969. When the chairman and some of the members of the Agriculture Committee appeared before the Rules Committee, in my opinion, they could not give sufficient reason why this 90th Congress should give an extension for this rural subsidy to continue an additional year. In 1965 there was a great surplus production of agriculture products in certain categories, and as an experimental measure this so-called price control bill was given a trial. Millions of poor people through the world

today are starving and millions within our own borders are having difficulty securing sufficient food to supply their families.

Like many programs where billions are involved to distribute as a subsidy it generally develops into an operation where the wealthy and powerful recipients gradually accumulate the major share of the money.

This program has developed into a financial bonanza for a great number of corporate farms and wealthy farm owners throughout the Nation. The defeat of this extension will save about $3½ billion of the $6½ to $7 billion annual budget for agriculture and leave more money for the food stamp program, and so forth.

When this bill was before the Rules Committee about a month and a half ago the members perused the 1,244-page volume of names, addresses, and annual payments. The volume only listed the farmer recipients who received over $5,000 per year. The recipients who received under $5,000 per year were not enumerated in the volume because it would possibly require thousands of pages to list the under-$5,000 recipients.

Of the various counties listed over the Nation several southern and western counties received payments between $16 and $20 million annually. Remember, I am referring to counties, not States. A half dozen individual farm corporations received over $1 million, each, but I believe the champion recipient of all was J. G. Boswell Co., Litchfield Park, Ariz., Kings County, Calif., who received $4,091,818 from the American taxpayers in the year 1967 for its idle land. Close behind was Rancho San Antonio, Gila Bend, Ariz., Fresno County, Calif., who received $2,863,668 in the year 1967. The runner-up was Giffen Farms, Inc., of Huron, Calif., who received $2,397,073 from the American taxpayers in the year 1966 for its idle land.

In the CONGRESSIONAL RECORD of July 18, 1968, page E6642, I listed the names and addresses of 25 large-farm recipients whose individual payments run from $442,327 up to $4,091,818. I also submitted on that page of the CONGRESSIONAL RECORD where 10 farming operations received a total of $14,785,760 which is more than the total of $13,409,756 received by all farmers in 10 States—Alaska, Rhode Island, Massachusetts, New Hampshire, Connecticut, Delaware, Nevada, Vermont, Maine, and West Virginia—plus the Virgin Islands.

These 10 large operations received payments in excess of those received by all farmers in any one of 15 States—Alaska, Rhode Island, Massachusetts, New Hampshire, Connecticut, Delaware, Nevada, Vermont, Maine, West Virginia, New Jersey, Maryland, Hawaii, Utah, and Wyoming.

Twenty-five farming operations received a total of $22,766,943 which is more than the total of $17,610,650 received by all farmers in 11 States—Alaska, Rhode Island, Massachusetts, New Hampshire, Connecticut, Delaware, Nevada, Vermont, Maine, West Virginia, and New Jersey—plus the Virgin Islands.

These 25 farm operations received payments in excess of those received by all farmers in any one of 20 States—Alaska, Rhode Island, Massachusetts, New Hampshire, Connecticut, Delaware, Nevada, Vermont, Maine, West Virginia, New Jersey, Maryland, Hawaii, Utah, Wyoming, Virginia, Florida, New York, Pennsylvania, and Oregon.

I do hope that every Member of the House will get a copy of the Senate hearings, first session, 90th Congress, listing the names, addresses, and amounts of all recipients over $5,000 by reason of this farm subsidy. In 1966 the total cost to the taxpayers was $3,281,621,070. The year 1967 was approximately a duplication of the previous years' subsidy. The House of Representatives is today called upon to extend this relief bonanza for the year 1970, which, if passed by this House, will cost the American taxpayers approximately another $3½ billion during 1970.

I hope that the Members will refer to the July 22, 1968, CONGRESSIONAL RECORD, page E6743, where I got permission to include an editorial from the Chicago Tribune, entitled "A Mississippi Farmer Squawks." This editorial outlined a protest by one Roy Flowers, a wealthy Mississippi cotton and soybean grower, who was ordered to pay $50,000 in back wages to more than 200 Negro tenants, under the Fair Labor Standards Act. The editorial states that Flowers makes more than $1 million per year from his various plantation enterprises. He failed to pay minimum wages to his field workers. Some were under 16 years of age. According to the suit, the tenants were charged $70 per month for houses without inside plumbing and water, but with holes in ceilings and walls, when a "reasonable cost" would have been $5 per month.

The Department of Agriculture lists Flowers as having received $210,332 in Government subsidies for not planting crops, presumably cotton, last year. In 1966 he received $162,657 in Federal cash.

I have received many letters during the last few weeks from all over the United States protesting the extension of this subsidy to the wealthy and corporate farmers of the Nation. Some protests recommend that if legislation of this type must be passed, that the limitation to any one farm should be not more than $10,000. If the Members of Congress think that it is necessary to aid the small farmer, to reimburse him for idle land in order to curtail abundance, a limitation of this type would prevent large farm operations from buying more land, vacating the tenants as an economy move, so they could collect big checks from Uncle Sam.

In an article in Harpers magazine recently, Mr. John Fischer pointed out the following:

> When you offer a bribe for every acre taken out of cultivation, the men with the most acres naturally get the most money—in many cases hundreds of thousands of dollars every year. Typically they use their loot in two ways: (1) to buy more land from their smaller neighbors; and (2) to invest in tractors, cotton-pickers, fertilizer, weed-killer, six-row cultivators, and all the other devices of modern technology.

The larger the farm, the bigger the operation with modern equipment, and the farmer can take more acres out of production and thus get a larger annual payoff check from the taxpayer.

This reduction policy spirals at the expense of the small farmer—the man this program, enacted 3 years ago, is supposed to help. The small farmer is the one who eventually suffers. Without large Government subsidies sufficient to modernize his farm, he simply cannot compete.

This bonanza program which the House Agriculture Committee will endeavor to resell our Members this year has forced over three-quarters of a million farmers off the land and they in turn have moved in the urban areas to seek employment.

In recent weeks I have seen some of my colleagues go up the center aisle on teller votes to oppose relatively small appropriations for Headstart and other make-work and manpower training programs for our urban areas. I have also seen a number of our rural colleagues oppose increases, and in many cases supporting reductions, in several of the great educational programs and projects authorized in the last Congress. The same statement can apply to hospitalization, medicare expansion and air and water pollution programs which some of our good colleagues oppose and wish to terminate.

It is remarkable that a great number of our friends from rural areas will enthusiastically support the $3.5 billion boondoggle, 85 percent of which will be syphoned into the profit receipts of corporate and wealthy farm operators throughout the Nation.

This legislation today merely calls for the extension of price support subsidies through the year 1970. We will have a new Congress next January and there will be plenty of time to take up the matter of agriculture legislation for 1970 when the voters will have the opportunity to express themselves at the polls in the coming November presidential and congressional elections.

Defeating this extension, for 1970, will save the taxpayers approximately 3½ billion dollars. The Senate, Saturday, July 20 with 25 Members absent, passed a 4-year extension.

If this bill is passed with amendments it will go to conference and no doubt come back with a 3-year extension. Hence a rejection of the bill today might mean approximately saving of $12 billion for the taxpaying public.

The SPEAKER. The time of the gentleman from Indiana has expired.

Mr. LATTA. Mr. Speaker, I yield the gentleman 1 additional minute.

Mr. Speaker, will the gentleman yield for a question?

Mr. MADDEN. I yield to the gentleman from Ohio.

Mr. LATTA. Mr. Speaker, the gentleman has given us some very interesting figures on how much is being spent in the various counties on the farm program. I listened to the gentleman in the Rules Committee when he gave these figures. I wonder if the next time these figures come up the gentleman will give us the information on the amount of money being spent on urban renewal, on rent

supplements, on model cities, and on housing for Gary, Ind.?

Mr. MADDEN. Mr. Speaker, I will be happy to, but the amount does not compare with the $3.5 billion, I will say that.

Mr. Speaker, I saw Members walking up this aisle last week trying to cut the poverty program and the education program, and some of those Members have not voted for any of these municipal programs since I have been in Congress, but they are going to vote for this $3½ billion bill, because there are many fat farmers cats in their districts. They contact their Congressmen or send in telegrams to be sure their Congressmen keep them living high off the taxpayers.

Mr. SISK. Mr. Speaker, our experience has taught us some hard learned lessons about agriculture. Among the chief of these is that when the farmer strikes muddy financial waters, business and labor get spattered too. We cannot have a balanced and viable economy with agriculture mired in stagnation. In the past 7 years, we have been able to pull agriculture out of the mud.

The commodity programs have been the difference—

The difference between high surplus and balanced production;

The difference between depressed prices and record income;

The difference between an agricultural economy which sputtered on a weak cylinder, and an economy which is running fresh and full with increased purchasing power for farmers, more jobs for labor and greater profits for businessmen.

Farm prosperity helps labor reap a harvest of jobs. Three of every 10 jobs in private employment are related to agriculture. Six million people work to provide the supplies farmers use for production and family living. In fact, agriculture remains our Nation's biggest industry. It employs more people than public utilities, the steel industry, the automobile industry, and transportation combined. About 8 to 10 million people have jobs storing, transporting, processing, and merchandising the products of agriculture.

Farmers are big spenders and good customers for business. Farmers spend more than $42 billion a year—$30 billion for goods and services to produce crops and livestock; $12 billion a year for the same things that city people buy—food, clothing, drugs, furniture, appliances, and other products and services.

Back when the family farm was still self-sufficient, the farmer bought very few of the necessary production inputs; he grew them or built them himself. The farmer and his family provided most of the required labor.

Capital investment was neither as essential—nor as costly—as it is today. And the market for farm products consisted of many small units, both buyers and sellers, and the forces of supply and demand were able to operate in a relatively open fashion. But all this has changed. Today's farmer spends 80 percent of his total market receipts to buy production inputs, to hire labor, and to pay interest on increasingly essential capital.

Today American agriculture represents one of the largest single markets in the Nation for tires, trucks, and gasoline.

Farmers spend annually: $3.5 billion for new farm tractors and other motor vehicles, machinery and equipment—providing jobs for 120,000 employees.

Each year they buy products containing about 5 million tons of steel and 320 million pounds of rubber—enough to put tires on 6 million cars.

They use more petroleum than any other single industry—and more electricity than all the people and all the industries in Chicago, Detroit, Boston, Baltimore, Houston, and Washington, D.C., combined.

The U.S. worker feels less pinch in his paycheck from food costs than any working man in the world. The United States exports the harvest from more than than 71 million acres. Since 1960, agricultural exports for dollars have skyrocketed by 60 percent and $2 billion. The balance of agricultural trade comprises more than 50 percent of this Nation's total favorable trade balance. Without them, the problem of the outflow of dollars would take on a new dimension of seriousness. We have been able to boost agricultural exports mainly because the commodity programs in effect the past 7 years have made our products more competitive in foreign trade.

What would happen if farmers were denied farm programs? The present commodity programs have brought production more nearly into balance with demand than it has been in many years. Without the commodity programs, recent studies show, production would soar and net income would fall about one-third. Gross income would be reduced by at least 14 percent, thus sharply limiting the farmer's ability to purchase needed machinery and supplies.

Thus, business profits would shrink. So would the employed labor force. Farmers would be forced to weather conditions over which—acting alone—they have no control.

The chaotic spiral of high production and lower prices would be set in motion. And the price of this plunge would be borne by us all.

Supply and demand can be balanced only if the farm program is available and attractive to all farmers who produce significant amounts for market. Large and small producers alike are called upon to make production adjustments in line with demand.

Mr. LATTA. Mr. Speaker, I yield 3 minutes to the gentleman from Illinois [Mr. FINDLEY].

Mr. FINDLEY. Mr. Speaker, I have appreciated the comments made by the gentleman from Indiana. My purpose in asking if the gentleman would yield to me, was to ask the gentleman if, in the light of the shocking size of payments to individual recipients, the gentleman does not think the time has come for us to put some sort of limitation on the total amount any single recipient can get in the course of a year?

Mr. MADDEN. Mr. Speaker, I would be very much in favor of a limitation of $10,000 or $15,000 annually.

I believe that the small farmer is entitled to get the benefit from this program, not the people who need it the least. They are getting most of the benefits now.

Let me say, in addition, the only bad feature of the amendment the gentleman is talking about is that he will offer it, and if adopted then the bill might pass with an amendment, and then it will go over into that conference committee. There are some pretty powerful Senators over there. The bill probably will come back the day before we adjourn, and everybody will be in a hurry, and they will have a 3-year extension on this thing, minus your amendment, and it might be passed with a 3-year extension. Instead of a $3½ billion bill, it will be about a $12 billion bill when it comes back after the House-Senate conference.

Mr. FINDLEY. I am afraid that what the gentleman says makes a lot of sense.

Mr. MADDEN. My advice is to kill it dead now. Then in January I will help the gentleman to get $10,000 or $15,000 or $25,000 for the small farmer. But let us cut out these big recipients. They buy up a lot of land with this Government money, and install new machinery, and then fire the tenants and send them to the cities to get jobs. Let us bar the cooperatives and wealthy farmers and then I will go along with the gentleman in January on a $25,000 annual limit.

Mr. FINDLEY. We may not have a chance to do it in January.

Mr. MADDEN. The gentleman will be here. If I am reelected I will support a moderate figure for the small farmer.

Mr. FINDLEY. I was not speaking of the gentleman's political future, I assure him.

What impresses me is that the farmers who obviously have considerable resources, who may be worth a million dollars or a half million dollars, get the biggest payments, while the farmers who obviously have smaller resources get the smaller payments.

If this is a welfare program—I do not know how one can justify payments otherwise except in terms of income support—it looks to me as if it is exactly backwards, because the biggest resource farmers get the most out of the U.S. Treasury, and vice versa.

Mr. MADDEN. That is true. They seem to know how to approach proper people to help them get large subsidies.

Mr. FINDLEY. I would appreciate some information from anyone who has it as to how much this program will cost. I looked through the committee report and did not get any inkling as to how much the price tag is on this bill, or what it might be.

Is it open ended?

Is the sky the limit?

Two years ago the payments came to about $2.5 billion. In the current year it is somewhere over $3 billion. Will it be $5 billion next year and $7 billion the year after that? Is there any limitation on this bill, or are we confronted, at this time when belt tightening is operating in every other agency and program, with every other agency, with a bill where the sky is the limit?

The SPEAKER pro tempore. The time of the gentleman from Illinois has expired.

Mr. LATTA. Mr. Speaker, I yield such

time as he may consume to the gentleman from North Dakota [Mr. ANDREWS].

Mr. ANDREWS of North Dakota. Mr. Speaker, I rise in support of the extension of the Food and Agriculture Act of 1965, and I am sure this surprises none of my colleagues. Let me share with you an experience I had this past weekend when I was home on our farm where harvest is just beginning. I took a sample of barley to the local elevator to have a moisture test run on it. At the elevator, of course, I met a number of my neighbors who were hauling their crop in, but were not able to sell because of the fantastically low price. The price on barley last Saturday at Prosper, N. Dak., was between 65 and 70 cents a bushel. This is the lowest price I have seen in the 20 years I have been farming and compares with a price of about $1.15 at the same time last year—a drop of 45 cents. Wheat Saturday was $1.18 as compared to $1.74 last year at this time. Farmers are frantically trying to find a place to hold their crop in the hope that the price will get back to at least where it was last year, which was then only a break-even price.

Now if this were happening in the automobile industry or in the steel industry, you would be seeing newspaper headlines, there would be strikes, the Nation's attention would be drawn to the fact that something had to be done immediately to correct this great inequity. In agriculture, because it is spread among any number of small producers, the headlines never quite get published and the farmer remains low man on the economic totem pole. Yet the farmer is the biggest customer for American steel, oil, autos, and rubber, and is a significant factor in the lives of all Americans, rural and city folks alike.

Before this latest sharp price drop, the Agriculture Department was computing the parity ratio, the price received by the farmer, as at 74 percent—the lowest since the 1930's. Of course it is far lower than that now, yet even with these ridiculously low prices on the farm, the price of bread is higher than it has ever been before. The price of beer made from the barley we can hardly sell is far higher than it was when we were getting three times as much for our barley. This gap between what the farmer gets and what the consumer pays is responsible for a great number of nonfarmers complaining that the agricultural budget is too high and that the farmers are being unfairly subsidized at the expense of the rest of the taxpayers. This farm bill is not a subsidy program. Rather, it is a production control program to assure all the people of America adequate food at a reasonable price.

Many of us feel that the rumors that the program might be dropped by this Congress or might be continued by only the narrowest of margins are what are causing the commodity markets to get into their tremendous nosedive. This is just exactly what would happen if we did not have a program such as this. You would alternate between disaster prices, forcing farmers off the land, and then 3 or 4 years later when production was cut back to almost nothing because there were no farmers around to produce, the price would climb to fantastic levels, after which individuals would plow up soil that had been laying idle and the cycle would continue with prices beginning to drop again. This obviously would not be good for anyone in this Nation, consumer or farmer. This is the reason why it is imperative that we pass this bill, this extension to give time to plan ahead for our farmers and show that the Congress does not want this type of boom and bust cycle to affect agriculture. We all recognize that improvements and changes in the law are in order if this program is to be made more effective and workable, if we are to assure the Nation of an adequate supply of food and related farm products, and if the farmer who is doing this is to receive his fair and just share of the Nation's prosperity.

During consideration of this legislation before the Committee on Agriculture, I recommended both the extension and the improvement of this law, but that was some months back. Let us be frank about it—unfortunately, there just is not sufficient time left in this session to make the needed improvements. Most of us believe that a new administration next year will want to bring forth recommendations and suggestions. There is the tired old argument that this act extends for 1 more year, therefore it does not have to be renewed this year. That argument can be brought up only by those who are dismally unaware of farming and farm practices. True, the present law extends through 1969, but the 1970 crop must be planted in mid-1969 in the winter wheat section of our Nation and a farmer, before he can start planting in the middle of the year, has to make arrangements for his seed, fertilizer, financing and machinery in the early part of 1969. Now let us be practical—you know how much chance the 91st Congress has, of passing such a complex and complicated bill as a new farm bill in the first 3 months of a session. It is for this reason that the Committee on Agriculture brought out this extension bill. It is for this reason that the President has asked for the extension, and it is for this reason that a Presidential candidate, Governor Nelson Rockefeller on our side of the aisle has said that this extension is vitally important and I would like to share his telegram with you as follows:

NEW YORK, *July 26, 1968.*

Congressman MARK ANDREWS,
U.S. House of Representatives,
Washington, D.C.:

Due to the severe cost-price squeeze in agriculture and present political uncertainties, I support a one year extension of the Food and Agriculture Act of 1965. Such an extension would permit farmers to plan for the future and at the same time give the new administration—hopefully mine—an opportunity develop and win acceptance of its own farm programs. I believe important improvements can and must be made in farm programs to assure a satisfactory return for farmers and a satisfactory level of rural living equivalent to other segments of society. I am convinced that, with the help of farmers and farm leaders, we can devise new programs which will avoid the pitfalls of the present administration's misdirected and mismanaged farm policies.

NELSON ROCKEFELLER.

The Republican policy committee has endorsed it and what we need now more than anything else is an overwhelming vote by the House to show the concern of this body of Congress for the problems our farmers face, and that we in the Congress from all districts of this great Nation recognize the significant contribution the farmer makes to the prosperity and well being of all of us.

Let me sum it up briefly. First, despite some errors in the administration of the present Farm Act, it has lent a strong measure of stability to the economy of agriculture. It has made great strides toward the elimination of the gigantic costly surpluses that plagued our country for so long. Secondly, although our rural population is a small percentage of the American people, they produce the most basic commodity of all—food. Everyone—city dwellers and farmers alike—benefits greatly from a healthy agriculture. Third, if this act is not extended and is permitted to lapse, university economists have estimated that farm income will drop 30 percent, and rural America would suffer a recession unequalled since the 1930's. This recession would broaden and extend through all segments of our economy eventually. Finally, and most important probably of all, this is the best farm program we have yet been able to devise, and while in all frankness we are all looking for a better one, until we do come up with that better one, it is only common sense to continue the one we have for the alternative would be disaster. Farmers are virtually the only segment of our economy that are unable to use the tool of collective bargaining to assure themselves economic parity. Until a way of collective bargaining for farmers can be devised, Federal farm programs must be maintained for the benefit of both farmers and consumers.

(Mr. ANDREWS of North Dakota asked and was given permission to revise and extend his remarks and include extraneous matter.)

Mr. LATTA. Mr. Speaker, I yield 4 minutes to the gentleman from Tennessee [Mr. KUYKENDALL].

(Mr. KUYKENDALL asked and was given permission to revise and extend his remarks.)

Mr. KUYKENDALL. Mr. Speaker, it never ceases to amaze me, in my very short period in this Congress, how some of the older Members of this House who were part and parcel of helping to create a Frankenstein monster so loudly bemoan the monster they helped to create.

Mr. Speaker, 35 years ago when upwards of 40 percent of the people of this Nation actually lived on the farm, the politicians had a hayday in playing with what they called the farm bloc.

At that time a great many unwise and unsuccessful programs were passed as political plums for this very potent bloc of votes. This, of course, was not good government and the unbelievably complicated mess that exists in the entire farm program today had its beginning by "playing politics."

Now that the number of people actually living on the farm has sunk to around 20 percent of that figure of 35 years ago, the pendulum seems to be swinging disasterously in the other direction, and where in the 1930's exaggerated importance was

given to a bloc of people who lived on a farm now we find they are the most forgotten people in America.

Let me remind my colleagues, however, that what appears on the surface concerning the economic powers of agriculture is not the whole story by a long shot. In fact, the number of people who actually depend upon the soil directly and indirectly for their livelihood is as great a part of our economy as it has ever been.

I have before me a list of 16 of the larger employers in Memphis, Tenn. Companies like Firestone, Procter & Gamble, Continental Oil Co., Dupont, and many others who manufacture their products in my city. These 16 employers have a total number of employees of over 16,000 people and the total dependence upon agriculture by these 16,000 people is almost 60 percent. This means that well over half of the people in the large city of Memphis, Tenn., depend upon agriculture for a living even though I, as a Congressman, have absolutely no farmland in my district.

I respectfully request each of you to review, with investigation if possible, and at least in his own mind the number of employees in your district who depend to a large extent on the welfare of agriculture for their existence. And everything from chemicals to rubber, from clothing to steel, from petroleum to heavy machinery, agriculture is among the leading consumers.

I sincerely remind you, my colleagues, of this fact. It was wrong in the 1930's to look upon the farmer as a political pawn because of his great numbers. It is wrong today to ignore him as a political factor because of his small numbers. First because this is simply not the way to govern, and second because we are all fooling ourselves if we thing the impact of the industry that produces our food and fiber is anything other than one of the major industries of our entire economic system.

So I beg of you in considering the 1-year extension of H.R. 17126 please give us an opportunity to spend next year under the new national leadership, whichever party it may be, in working out sensibly long-range solutions to a problem that has been compounded for 35 years.

Mr. Speaker, I will speak further on the matter of limitation of payments during the 5-minute rule.

Mr. LATTA. Mr. Speaker, I yield 3 minutes to the gentleman from Texas [Mr. PRICE].

Mr. PRICE of Texas. Mr. Speaker, as a freshman Member here, I am amazed at some of the people who speak on subjects and who in my opinion are simply not aware of the subjects on which they speak. What I am talking about is the tremendous amounts of money that they say are going to these people who are going into large farm operations. I say that they know not what they speak about, because farming has progressed over the years. Coming from a district in Texas where we are highly mechanized, in order to stay in business, and having been in this business all my life, I think you are talking about condemning the man who is willing to take the risk of buying another section of land in order to warrant paying $10,000 or $12,000 for a large tractor or $15,000 for a big combine which will farm this land. I think you are talking about condemning that man for being willing to take that risk of borrowing the capital on which to operate.

The small farmer, as we all recall and as I remember it, is the man who lives on 80 acres or 100 acres. He could not make a living any more on that kind of acreage. The exodus of people from the farms has come about because they could not make a living with the cheap prices that exist today. If we are going to have a farm program, we should not penalize the man who is willing to take the risks of borrowing the capital and is willing to spend the rest of his life to pay off the cost of the land. If we are going to have such a program, we are simply cutting out the more efficient man who has been willing to take that risk.

Mr. MADDEN. Mr. Speaker, will the gentleman yield?

Mr. PRICE of Texas. Yes, I yield to the gentleman from Indiana.

Mr. MADDEN. Your statement is just what I spoke about in the well of the House a few moments ago. That is the big trouble. The wealthy farmer can get additional land while the small farmer cannot obtain it.

Mr. PRICE of Texas. How did they get wealthy? That is the question. They worked for it, they took the risks involved and took the chance.

Mr. MADDEN. I must have had the wrong impression about this program. I thought this program was largely intended for the benefit of the small farmer.

Mr. PRICE of Texas. Why would we want to penalize the large farmer for taking that risk?

Mr. MADDEN. I voted for this program 3 years ago because I thought it would benefit the small farmer, but as the program has expanded and grown larger it has become the tool of the large farmer and that is why some of them are receiving payments in the sum of $100,000, $500,000, and even $1 million a year.

Mr. PRICE of Texas. Does not the small farmer have the same opportunity to better himself through the purchasing of another section of land if he is willing to take the same risk.

The SPEAKER pro tempore. The time of the gentleman from Texas has expired.

Mr. LATTA. Mr. Speaker, I yield 3 minutes to the gentleman from Iowa [Mr. SCHERLE].

(Mr. SCHERLE asked and was given permission to revise and extend his remarks.)

Mr. SCHERLE. Mr. Speaker, since the time of our earliest farm programs, it has been our goal to provide a continuously adequate supply—but not a burdensome excess—of food and fiber products at stable prices fair to both producers and consumers.

The idea is that excessive supplies bring ruinous prices threatening all producers alike. And because the conduct of an individual farmer can have no effect upon total production or the resulting market price, the effectiveness of the program depends upon regulation of total production.

Regardless of the success or failure of the present program, or of the defects in its administration, its very purpose is threatened by proposals to limit payments to producers.

Why is this so? Because the operation of the program depends on production control, and a limitation on payments will have one of only three possible results:

Either production will soar because large producers, forced out of the program due to inadequate incentives, will plant in excess of program limits; or

The smaller farmer will be required to produce less and less to insure that the combined total results in appropriate production levels; or

The Government will be forced to buy up the excess production to stabilize prices.

The increased supplies will force prices down—injuring both small and large operators.

In short, payment limits will force many farms out of the voluntary programs. There is simply no reason to assume that any large producer will continue to divert acres once the economic incentive to do so has been eliminated. Instead, these farmers will maximize their production. Small operators would be severely hurt by the price pressure caused by the increased production and would be more dependent on the loan program to obtain the support price. If another buildup of Government stocks were to occur, the increase in investment in loans plus storage and handling costs could exceed the initial amounts which might be saved. The ultimate effect of the payment limitation would be greater program expenditures and costs and less income to all farmers.

Those who suggest that the payment limit will save the government money ignore the costs which would have to be incurred in an attempt to maintain program performance.

If the program is to function, adjustment of production is the key. To adjust production we must do so where production takes place. That means dealing with both the fewer big producers as well as the many little producers.

The participating farmer is being compensated in proportion to his contribution to a stated national policy. His compensation is no more a welfare payment than any business subsidy.

The real question we must ask ourselves today is—can the farm program hope to succeed in its goal of production control if it does not include the large producer?

A $10,000 limitation in payments would affect 32,398 producers.

By way of example, the $10,000 payment limit would affect farms with larger than a 390-acre corn base that diverted at the maximum of 50 percent of the base.

With respect to feed grains, a payment limitation of $10,000 per farm would force many larger operators out of the program and force others to divert a smaller percentage of eligible acres.

It has been estimated that the feed grain base would drop about 2 million

acres, and diverted acres would be reduced by 1.5 million acres. Over 3 million tons of additional feed grains would be produced on the acreage which would otherwise have been diverted, using national average projected yields.

Small operators, even if offered a greater incentive to divert, could not offset the increased production of the larger producers forced out of the program by the payment limitation.

Under the present program, farmers divert acres from surplus crop production to soil conservation uses. For this action, the program provides for a payment designed to assist in making up for the income loss which results from the agreement not to produce. The farmer thus makes a financial sacrifice because it has been determined that balanced supplies are in the national interest. The farmer, under the present program, is paid according to his individual contribution to the realization of established goals of national policy.

Commodity program payments are not welfare grants. To be effective in balancing production they must fit into the free enterprise concept that a man is rewarded in terms of the value of his contribution.

Those advocating a limitation on payments seem to be offended by the fact that there are some large producers receiving substantial incomes from the farm program.

Mr. LATTA. Mr. Speaker, I yield such time as he may consume to the gentleman from Kansas [Mr. DOLE].

(Mr. DOLE asked and was given permission to revise and extend his remarks.)

Mr. DOLE. Mr. Speaker, I urge passage of H.R. 17126, a 1-year extension of the Food and Agriculture Act of 1965, without amendment, as reported by the Committee on Agriculture. I have been a member of the Agriculture Committee for nearly 8 years, and fully recognize much needs to be done to improve farm legislation. But I will demonstrate in these remarks the merit of passing the committee bill this year, and the challenge in rural America for the next President, his Cabinet, and the Congress.

REASONS FOR EXTENSION WITHOUT AMENDMENT

I urge a 1-year extension, without amendment, for two basic reasons:

First, when the American people go to the polls this November, they will elect a new Congress and a new President. I am convinced these newly elected officials will have a mandate to improve conditions on the farm. But the President, and the Congress, will need adequate time to review and study the deeply troubling problems and challenges of low agricultural income, and widespread rural poverty.

Since the provisions of the Food and Agriculture Act of 1965 terminate with the end of crop year 1969, insufficient time will be available for the Congress to complete a thorough review of all rural problems, receive the testimony from a representative number of interested parties, and evolve adequate answers to problems that have refused solution for 35 years. Thus, to provide continuity for agriculture, a 1-year extension is justified. The farmers deserve to know what programs they will cope with through the 1970 crop, as this Congress adjourns to an uncertain political future.

Wheat farmers, especially, need the 1-year extension, for their plans for 1970 must be made in the early summer of 1969, in the case of winter wheat. Any new wheat program, in order to be fair to producers, must have at least a full year of planning time incorporated prior to implementation.

Wheat farmers are restless for change, Mr. Speaker, but the "shotgun" approach to legislative innovation cannot be tolerated. Farm operations are too sophisticated. The margin of profit is too narrow, and subect to great fluctuation. An uncertain future for the 1970 crop year would subject the next Congress—and producers—to great pressure for a "quickie" solution. Such a solution to a grave problem is unthinkable. Wheat farmers, for planning purposes, need a 1-year extension of the Food and Agriculture Act of 1965.

HOUSE WILL SERVE NOTICE OF DISSATISFACTION

Mr. Speaker, the second reason for passing H.R. 17126 as reported by our committee, is perhaps even more compelling than the first.

By limiting extension of this legislation to only 1 year, the House will serve notice it is unsatisfied with the practical results, the philosophical basis, and especially the actual administration of the Food and Agriculture Act of 1965.

The Secretary of Agriculture, Mr. Freeman, has called it landmark legislation. Let us review some successes and failures under this so-called landmark legislation.

While Government payments may deter wholesale farm bankruptcies and depression of the entire American economy, they have not deterred the flow of the unfortunate dispossessed from rural America into the cities.

Under the current Secretary of Agriculture, America has lost some 800,000 farms. Farm population is down nearly 6 million; farm debt has skyrocketed to a disastrous 17.3 percent of farm assets. During the Eisenhower years, in comparison, farm debt averaged about 9 percent of farm assets, and parity averaged 85 percent.

Parity prices are lower today than they have been since the depths of the depression in 1933. Parity ratios, with subsidies, are today below 80 percent. In 1935, for comparison, parity price ratios were 95 percent, with subsidies.

These statistics of decline are statistics of today—under the Secretary's landmark legislation. If farm legislation is extended for more than 1 year, the people will have the impression Congress is satisfied with developments on the farm. If Congress is willing to be complacent with the disastrous farm prices currently endured, and complacent with rural poverty—so widespread today—the vast majority of Americans will have been betrayed. Rural poverty takes its toll eventually in urban areas, as I will show. All Americans are diminished by low farm prices, inadequate job opportunities, and lack of business opportunity. If this legislation is extended for more than 1 year, complacency will be the diagnosis. This disease, considering the current farm cost-price squeeze, is fatal.

RURAL DEPLETION AND DEPRESSION THE REAL PROBLEM

Mr. Speaker, rural America produces much more than our food and fiber. Rural America produces our timber resources, our mineral resources, and our recreational resources to a large extent. The raw material for our unparalleled industrial production comes from that 99 percent of the land area called "home" by only 30 percent of our people.

With such crucial production, and such important tasks assigned, one would suspect the prosperity associated with America would first be enjoyed by those in the countryside. But such is not the case.

Low farm income is only one aspect of our rural depression. Techonological advances have reduced employment—and quite properly so—in agriculture and production of mineral resources. No farmer is anxious to return to handstacking of baled hay after he has used an automatic bale pickup and stacker.

RURAL JOB OPPORTUNITY NEEDED

While employment has been reduced in mining and agriculture, there has been no corresponding increase in rural job opportunity elsewhere. Many people have felt their only opportunity was in the city; their migration has contributed to the greatest urban glut and urban crisis in our history.

Remaining still behind are one in four rural families classed as "poor"—some 14 million Americans. Their facilities for education, health, housing, and job opportunity are even more degrading than the standards of the ghetto. We must act—and promptly.

ADMINISTRATION OF ACT IGNORES FARM NEEDS

I might point out farm income could be improved under existing legislation. The administration has refused, in spite of my repeated appeals, and the appeals of a depressed countryside, to take administrative actions almost guaranteed to increase farm income.

Steps that can be taken under existing legislation immediately include:

First. Require the CCC to allow no resale at less than 125 percent of the loan rate.

Second. Require the CCC to increase loan rates to full parity on feed grains, and to full parity on wheat less the domestic certificate payment.

Third. Require the CCC to absorb storage costs as it now does on cotton, rice, peanuts, and tobacco. It is only equitable to assist wheat- and feed-grain producers—using the same techniques benefiting suppliers of other commodities.

Fourth. The administration could more aggressively utilize money actually available under provisions of Public Law 480, the food-for-peace legislation.

These four actions, if taken by the administration as I have repeatedly urged, would raise farm income under the Food and Agriculture Act of 1965. We can only hope, if the present Secretary of

Agriculture continues to sacrifice farm income in favor of cheap farm prices, that his successor next January will have a more responsive and sympathetic attitude toward the well being of agriculture.

EXTENSION BUYS TIME, INSURES SMOOTH TRANSITION

Mr. Speaker, I urge passage of this legislation, for I am convinced a smooth transition into the 1970's is essential in agriculture. Only by passing this 1-year extension can we—

First, assure the smooth transition without extensive additional displacement of people; and

Second, by limiting extension to 1 year only, serve notice the present act is inadequate to the full needs of rural America.

The cost-price squeeze must be diminished. The 14 million poor Americans in rural areas must have job opportunity for a healthy rural economy. These problems must be attacked by the next administration and Congress; the problems must be solved if America is to enjoy meaningful prosperity and security for all its citizens, both rural and urban.

Our responsibility today is to pass this bill.

Mr. SISK. Mr. Speaker, I move the previous question on the resolution.

The SPEAKER pro tempore. The question is on the motion of the gentleman from California.

Mr. FINDLEY. Mr. Speaker, I make a point of order against further consideration of the motion made by the gentleman from California on the ground that the Committee Report No. 1374 does not comply with the provisions of clause 3 of rule XIII of the rules of the house, the Ramseyer rule, and on that I would like to be heard.

The SPEAKER pro tempore. The Chair must rule that we have not reached the point at which that point of order may be raised.

Mr. FINDLEY. Mr. Speaker, a parliamentary inquiry.

The SPEAKER pro tempore. The gentleman will state his parliamentary inquiry.

Mr. FINDLEY. Mr. Speaker, at what point would it be in order?

The SPEAKER pro tempore. The Chair will state that it may be raised when the motion is made to go into the Committee of the Whole House on the State of the Union.

Mr. FINDLEY. I thank the Speaker.

The previous question was ordered.

The SPEAKER pro tempore. The question is on the resolution.

The question was taken, and the Speaker pro tempore announced that the ages appeared to have it.

Mr. MATHIAS of Maryland. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 316, nays 73, not voting 43, as follows:

[Roll No. 296]

YEAS—316

Abbitt
Abernethy
Adair
Addabbo
Albert
Anderson, Tenn.
Andrews, Ala.
Andrews, N. Dak.
Annunzio
Ashbrook
Ashley
Ashmore
Aspinall
Ayres
Bates
Belcher
Bennett
Berry
Betts
Bevill
Bingham
Blatnik
Boggs
Boland
Bolling
Bow
Brademas
Brasco
Bray
Brinkley
Brock
Brooks
Brotzman
Brown, Mich.
Brown, Ohio
Broyhill, N.C.
Broyhill, Va.
Buchanan
Burke, Mass.
Burleson
Burton, Calif.
Burton, Utah
Bush
Button
Byrne, Pa.
Byrnes, Wis.
Cabell
Cahill
Carter
Casey
Chamberlain
Clark
Clausen, Don H.
Cleveland
Colmer
Conable
Conte
Culver
Cunningham
Curtis
Daddario
Daniels
Davis, Ga.
Dawson
de la Garza
Dellenback
Denney
Dent
Derwinski
Devine
Dickinson
Dole
Donohue
Dorn
Dow
Dowdy
Downing
Dulski
Duncan
Dwyer
Eckhardt
Edmondson
Edwards, Ala.
Edwards, Calif.
Edwards, La.
Eilberg
Erlenborn
Esch
Eshleman
Evans, Colo.
Everett
Fascell
Fisher
Flynt
Foley
Ford, Gerald R.
Fountain
Fraser
Fuqua
Galifianakis
Garmatz
Gathings
Gettys
Gibbons
Gonzalez
Gray
Green, Oreg.
Green, Pa.
Griffin
Griffiths
Gross
Gude
Gurney
Hagan
Haley
Hall
Halleck
Halpern
Hamilton
Hammerschmidt
Hanley
Hansen, Wash.
Harrison
Harsha
Harvey
Hathaway
Hays
Hechler, W. Va.
Helstoski
Henderson
Hicks
Holifield
Horton
Hull
Hungate
Hutchinson
Ichord
Irwin
Jarman
Joelson
Johnson, Calif.
Jonas
Jones, Ala.
Jones, Mo.
Jones, N.C.
Karth
Kastenmeier
Kazen
Kee
Keith
Kleppe
Kornegay
Kupferman
Kuykendall
Kyl
Kyros
Laird
Landrum
Langen
Latta
Leggett
Lennon
Lloyd
Long, La.
Long, Md.
McClory
McCloskey
McClure
McCulloch
McDade
McDonald, Mich.
McEwen
McFall
McMillan
MacGregor
Machen
Mahon
Mailliard
Marsh
Martin
Mathias, Calif.
Matsunaga
May
Mayne
Meeds
Meskill
Miller, Calif.
Miller, Ohio
Mills
Mink
Mize
Monagan
Montgomery
Moorhead
Morgan
Morris, N. Mex.
Morton
Mosher
Moss
Murphy, Ill.
Murphy, N.Y.
Myers
Natcher
Nedzi
Nelsen
Nichols
Nix
O'Hara, Mich.
O'Konski
Olsen
O'Neal, Ga.
O'Neill, Mass.
Passman
Patman
Patten
Perkins
Pettis
Philbin
Pickle
Poage
Podell
Poff
Pollock
Price, Tex.
Pryor
Purcell
Quie
Quillen
Randall
Reifel
Reinecke
Reuss
Riegle
Rivers
Roberts
Robison
Rogers, Colo.
Rogers, Fla.
Ronan
Rooney, N.Y.
Rooney, Pa.
Rosenthal
Rostenkowski
Roth
Roudebush
Roush
Roybal
Ruppe
St Germain
St. Onge
Sandman
Satterfield
Saylor
Scherle
Schweiker
Schwengel
Scott
Selden
Shriver
Sikes
Sisk
Skubitz
Slack
Smith, Iowa
Smith, N.Y.
Smith, Okla.
Snyder
Springer
Stafford
Stanton
Steed
Steiger, Ariz.
Steiger, Wis.
Stephens
Stubblefield
Stuckey
Sullivan
Talcott
Taylor
Teague, Tex.
Thompson, Ga.
Thompson, N.J.
Thomson, Wis.
Tiernan
Tuck
Tunney
Udall
Ullman
Van Deerlin
Vander Jagt
Vanik
Vigorito
Waldie
Walker
Wampler
Watts
Whalen
Whalley
White
Whitener
Whitten
Widnall
Wiggins
Williams, Pa.
Willis
Wilson, Bob
Winn
Wolff
Wright
Wyatt
Wydler
Wylie
Young
Zablocki
Zion
Zwach

NAYS—73

Adams
Anderson, Ill.
Arends
Bell
Biester
Broomfield
Brown, Calif.
Carey
Clancy
Clawson, Del
Cohelan
Collier
Conyers
Corbett
Delaney
Diggs
Fallon
Farbstein
Feighan
Findley
Fino
Ford, William D.
Friedel
Fulton, Pa.
Giaimo
Gilbert
Goodling
Grover
Hanna
Heckler, Mass.
Hosmer
Howard
Hunt
Jacobs
Johnson, Pa.
Kelly
King, N.Y.
Kluczynski
McCarthy
Macdonald, Mass.
Madden
Mathias, Md.
Michel
Minish
Minshall
O'Hara, Ill.
Ottinger
Pelly
Pike
Pirnie
Price, Ill.
Pucinski
Railsback
Rees
Reid, Ill.
Reid, N.Y.
Rodino
Rumsfeld
Ryan
Scheuer
Schneebeli
Shipley
Smith, Calif.
Staggers
Stratton
Taft
Teague, Calif.
Tenzer
Utt
Watkins
Wilson, Charles H.
Wyman
Yates

NOT VOTING—43

Baring
Barrett
Battin
Blackburn
Blanton
Bolton
Burke, Fla.
Cederberg
Celler
Corman
Cowger
Cramer
Davis, Wis.
Dingell
Evins, Tenn.
Flood
Frelinghuysen
Fulton, Tenn.
Gallagher
Gardner
Goodell
Gubser
Hansen, Idaho
Hardy
Hawkins
Hébert
Herlong
Holland
Karsten
King, Calif.
Kirwan
Lipscomb
Lukens
Moore
Morse, Mass.
Pepper
Rarick
Resnick
Rhodes, Ariz.
Rhodes, Pa.
Schadeberg
Waggonner
Watson

So the resolution was agreed to.

The Clerk announced the following pairs:

Mr. Kirwan with Mrs. Bolton.

Mr. Hébert with Mr. Frelinghuysen.

Mr. King of California with Mr. Morse of Massachusetts.

Mr. Evins of Tennessee with Mr. Cederberg.

Mr. Celler with Mr. Rhodes of Arizona.

Mr. Barrett with Mr. Lipscomb.

Mr. Fulton of Tennessee with Mr. Davis of Wisconsin.

Mr. Blanton with Mr. Cramer.

Mr. Dingell with Mr. Gubser.

Mr. Waggonner with Mr. Schadeberg.

Mr. Baring with Mr. Moore.

Mr. Corman with Mr. Lukens.

Mr. Flood with Mr. Battin.

Mr. Gallagher with Mr. Goodell.

Mr. Hawkins with Mr. Holland.

Mr. Rhodes of Pennsylvania with Mr. Hansen of Idaho.

Mr. Rarick with Mr. Watson.

Mr. Hardy with Mr. Burke of Florida.

Mr. Pepper with Mr. Gardner.

Mr. Herlong with Mr. Blackburn.

Mr. Resnick with Mr. Cowger.

Messrs. McDADE and WHALLEY changed their votes from "nay" to "yea."

The result of the vote was announced as above recorded.

The doors were opened.

A motion to reconsider was laid on the table.

EXTENSION OF FOOD AND AGRICULTURE ACT OF 1965

Mr. POAGE. Mr. Speaker, I move that the House resolve itself into the Com-

mittee of the Whole House on the State of the Union for the consideration of the bill (H.R. 17126) to amend the Food and Agriculture Act of 1965.

Mr. FINDLEY. Mr. Speaker, I make a point of order against the present consideration of the bill on the grounds that the Committee Report No. 1374 fails to comply with the provisions of clause 3, rule XIII, the Ramseyer rule, and that it does not correctly indicate what sections of the law are being amended by this act.

And, Mr. Speaker, I would like to be heard on this point.

The SPEAKER. The Chair will hear the gentleman on his point of order.

Mr. FINDLEY. Mr. Speaker, I would like to call to the attention of the Chair, 11 defects in the Ramseyer rule, and I refer first to a part of the committee report indicated on page 17. First I call attention to the fact that there is a series of stars right above title I, "Dairy." Stars ordinarily would mean the omission of language in the bill as set forth in the Ramseyer Act.

Second, there is no such indication in the Agriculture Act of 1965 between the term title I "Dairy" and the lines set forth above on this page.

Right below is section 103, which says that the provisions of this title shall not be effective after December 31, 1969–70. Actually, there should be printed the language of section 104 of the Agriculture Act of 1965 and yet it is not so printed, nor is a series of stars printed to indicate there is nothing in the print on page 17 to indicate the absence of section 104.

Now, Mr. Speaker, turning to page 27 right above section 404 should be printed section 403. But here again section 403 is not printed nor is there any symbol to indicate the omission of language.

Turning to page 32, right above section 505, should be printed sections 503 and 504. But here again there is no indication of this omission.

On page 33, before section 516, there should be printed sections 507, 508, 509, 510, 511, 513, 514, and 515. But none of these are printed and there is no indication of the omitted language.

On page 38, before "Title VIII—Rice", there should be sections 705 through 709, and none of these are shown.

And at the end of the committee report on page 39, section 892 should be shown.

The SPEAKER. Does the gentleman from Illinois claim that these sections are amended by the bill?

Mr. FINDLEY. Mr. Speaker, I do not claim that these sections are amended by the bill, but as I understand the Ramseyer rule it states that the language should state where the language would be set forth, or indicate by symbols where omissions in language do exist.

I would like to call the attention of the Chair to several other errors which I consider to be of even greater importance.

On page 38, the bracketed terms "[through 1969]" under "Miscellaneous" are followed by the italic term "through 1970". The bracketed language takes out the end of the quotation mark, but the italic language does not indicate where the omitted language would terminate. The close quotes should appear there, or at least at wherever point the amending language would terminate.

On page 32 at the top, the very top line, the same proposiion exists, the omission of the close quotes, which are important in order to show corresponding language basic with the changes to be made.

I have two more items.

On page 18, under section 301, subsection (e), after the italic word "through" is a series of numbers, a decimal point, and "971", and no one can tell from looking at it what that was supposed to represent.

The SPEAKER. Does the gentleman from Illinois admit that that is a typographical error?

Mr. FINDLEY. It is a very serious typographical error, I would say, to a section which is subject to this title, which will authorize an expenditure of about $1.5 billion year, so a difference as to 1971 and 1970 would certainly be substantial in terms of tax cost.

I would like to point out that the final error I see in the Ramseyer rule, on page 32, under section 505, at the end of that subsection (1) is the roman word "through" followed by "1969."

The SPEAKER. Would the gentleman from Illinois again state on what page that is?

Mr. FINDLEY. That is on page 32, at the bottom. It is section 505, subsection (1). It reads now:

(1) Amendment (7) of section 202 is amended by striking out "1964 and 1965" and substituting "the calendar years 1964 through 1969".

Now, under the bill before the House at this time is language directing that wherever the term "through 1969" appears, it is to be amended to read "through 1970."

So this perhaps is the most serious defect there is.

I realize that the Chair has established a doctrine of substantial compliance in recent years, but in both cases when the Chair ruled, first of all it was an obvious error in the language, it was very apparent to anyone reading the language what was meant. That I submit is not the case here.

The other ruling had to do with the omission of certain textual language. Now, omissions are quite replete in this committee report, but there are other examples, but I have cited these five in number which do not fall under either of the exclusions set forth in the previous rulings of the Chair under this doctrine of substantial compliance.

Therefore, Mr. Speaker, I make a point of order against further consideration of this bill.

The SPEAKER. Does the gentleman from Texas desire to be heard on the point of order?

Mr. POAGE. Mr. Speaker, I want to make a point as to what I might call a "star" point of order. I believe it is clear that one of his points of order here is to a typographical error, and there is a typographical error in one of the pages. I do not believe under the rulings of the Chair in the past that that would be fatal to any report. I believe that a point of order on the report that it fails to comply with technical compliance must have more substance than merely on the point that stars were used. We have in the State of Texas what is known as the semicolon court, and I might point out that no lawyer in the State of Texas quotes from decisions of the semicolon court, or he would be laughed out of court.

Mr. Speaker, it seems to me what we have here is another one of these semicolon courts, but is has gotten to where it does not even go to the question of punctuation, it goes to the question of whether you put some stars in there.

Now, most of the points the gentleman raised were where there was no provision in the bill relating to the sections that he says should have been identified.

Mr. Speaker, this bill is very short. This bill relates to only a few sections of the law and where it does not relate to a section of the law, they are not under the Ramseyer rule.

It seems to me we follow the Ramseyer rule in that respect.

The rule says:

A comparative print of that part of the bill—

I repeat, that part of the bill—

or joint resolution making the amendment and of the statute or part there proposed to be amended, showing by stricken-through type and italics, parallel columns, or other appropriate typographical devices the omissions and inserts proposed to be made.

Where there was no omission or insertion to be made, there is nothing shown in our report.

Where we referred to "through 1970" and did not put quotation marks around it, I am not at all sure that that is a violation of the rule. If it is a violation of the rule, I am not sure that it is not of such substance as to require a finding that there is a substantial violation of the rule.

I cite the decisions found on page 375 of the rules and precedents of the House, 90th Congress, which hold that an unsubstantial lack will not be sufficient to be considered as a failure to comply.

Therefore, Mr. Speaker, I submit that there has been a substantial compliance in every respect—except the color of the stars was not shown—and that I just frankly do not believe is adequate.

Mr. FINDLEY. Mr. Speaker, may I be heard rather briefly on the point of order?

The SPEAKER. The Chair will hear the gentleman.

Mr. FINDLEY. Mr. Speaker, I realize that the omission of language is not of as serious consequence as the other items. But I feel it would be an oversimplification to say that these are simply semicolon court points that I am raising.

Until the doctrine of substantial compliance was established just a couple of years ago, the Ramseyer rule was construed to require letter perfect presentation in every respect down to the last punctuation mark and the doctrine of substantial compliance was restricted very carefully to the question as to whether misinformation was given or as to whether simply a section of language was omitted.

Mr. Speaker, very clearly, a part of the law intended to be amended by this bill is not set forth in that manner in the committee print.

It is also very clear that some information of tremendous importance in terms of dollars and authority for farmers to plant or not to plant is set forth here.

So, Mr. Speaker, I feel the point of order is well taken.

The SPEAKER. The Chair is prepared to rule.

The gentleman from Illinois, while the rule was under consideration, made the observation indicating that he might make a point of order at this particular time. Therefore, the Chair has had an opportunity of making some study of the report, at least a sufficient study to pass upon the questions raised by the distinguished gentleman from Illinois.

There appear to be 22 pages in the committee report referring to changes in existing law.

A few years ago the Chair passed on the basic question of substantial compliance in connection with another bill. It seems to the Chair that the committee has substantially complied with the requirements of the Ramseyer rule. I have used the words "at least." If a higher test was called for, I could probably say the committee has complied with the requirements of the Ramseyer rule. In any event, it is the opinion of the Chair that the report of the committee at least shows substantial compliance with the provisions of the Ramseyer rule, and accordingly, the Chair overrules the point of order.

The question is on the motion offered by the gentleman from Texas.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 17126, with Mr. NATCHER in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from Texas [Mr. POAGE] will be recognized for 1 hour, and the gentleman from Oklahoma [Mr. BELCHER] will be recognized for 1 hour.

The Chair recognizes the gentleman from Texas.

Mr. POAGE. Mr. Chairman, I yield myself 20 minutes.

Mr. Chairman, the bill before us will extend the present farm program for 1 year. That is all it will do. It makes no change in any existing program. It commits no future administration to any policies, but it does give any new President—be he Democrat or Republican—and any new Congress, regardless of its political complexion, time enough to organize and write a farm bill before the existing programs would expire. I consider this to be of tremendous importance.

I have repeatedly pointed out that I would like to see farm legislation without any termination date—the kind where the burden of proof would rest on those who seek to change, rather than on those who seek to maintain a program, but after 6 months of discussion with interested parties, both in and out of Congress, I am convinced that our best, if not our only, chance of maintaining the assurance of a continuing program is to accept a 1-year extension of the present program. That is what this bill does and it is all that it does.

I recognize that there are those who are fearful that the bill, if passed, will become more than a 1-year program. Indeed, just within the last few days, my good friend, the ranking minority member of our committee, has been so sincerely and seriously disturbed about this possibility that he has withdrawn his support of even a 1-year bill. I do not question his sincerity. I do not criticize his decision. I know his determination to act as he believes to be best, but I do challenge his judgment.

The other body has indeed passed a 4-year bill. Actually, an amendment to reduce this time limit lost by a tie vote and a proposal to write a 1-year limitation in the bill would have carried in that body by a change of only seven votes. I think it is clear that there is considerable sentiment in that body for the 1-year provision which is contained in the House bill and that we could rather confidently expect an acceptance of this term in conference.

There are those who are reluctant to support this bill because they fear that somewhere in its course it may be amended so as to place a limit on the payments that can be made to any one farmer. Those who fear this possibility understand that the real genius of this farm program rests upon its ability to encourage an approach to a balance between supply and demand. They recognize, as some of our colleagues do not, that the payments which are made to farmers for retiring land from production are not "assistance" payments but rather that they are payments for property taken for public use. We remove certain acres from production in order that the public may have the benefit of a better balance between supply and demand. The owner of these acres suffers a financial loss. These payments reimburse him—at least in part—for that loss.

I cannot but feel that those who would render the program ineffective by making it impossible to remove enough land from production to achieve any effective results are unwittingly helping to bring about a return of the vast, expensive and completely unnecessary surpluses of a few years ago. I recognize that their motives are the very best but the results would be just as disastrous to the farm program as it would be to the slum clearance program were we to say that we would limit payments to $5,000 for real estate bought from any one property owner.

But let us get back to the basic problem. Why do we want a farm program of any type or of any length? There are those who point, I fear with some degree of satisfaction, to the unhappy fact that farm prices are lower today for most commodities than they were 20 years ago. Unquestionably this is true. Unquestionably agriculture is in bad shape. I fear it could not stand the shock of an abrupt cessation of the Government program.

There are those who point to the fact that farming operations continue to concentrate in fewer and fewer hands; that the small farmers become fewer in number and the large farmers become larger in their operations. There is no question but what the same trend which has wiped out the corner grocery store, the community drugstore, and the local doctor's office has been at work in rural as well as in urban areas. The trend toward bigness, toward mechanization, toward increased efficiency has influenced agriculture just as it has all other business activities.

There are those who criticize our farm programs because they say that the best educated, the most ambitious farm boys and girls are moving to our cities where they can enjoy greater opportunities. Unfortunately, this is true, but on the other hand, there are those who are critical because they say that agriculture has increased its efficiency so rapidly that millions of our least skilled and least competent workers have left the farm to add to the problems of our cities.

Regretfully, I must recognize the truth of these charges, but why did these people leave? The highly educated and the unskilled both left in the hope of improving their economic status. If we recognize that this migration is bad for both rural and urban areas, we should be willing to strike at the cause of the migration. The cause is not hard to find.

Corn which is now harvested with a $20,000 harvester is selling for less than it brought when it was harvested with a $150 rowbinder. A farmer can no more make a profit selling wheat for what it brought before World War I than could the Ford Motor Co. were it to try to sell its 1969 model for the price of a Ford of 1915.

The statistics of the Department of Agriculture show that a great many of our farmowners are getting only $3 and $4 a day for their labor. I said per day not per hour. And yet they are expected to buy production machinery and pay living costs based on an industrial wage scale of nearly $3 per hour. It just cannot be done without some kind of equilization.

Frankly, the present farm program does increase farm income. Some part of it—a much smaller part of it than many people had supposed—is in the form of subsidy, but the subsidies granted to agriculture are but one segment of the vast system of subsidies imbedded in our economic structure. If it were possible to remove every subsidy enjoyed by industry, business, and labor in this country, I would feel that the farmer should receive no subsidy. If he could buy in a completely free market, he should be required to sell in a completely free market without any Government aid, but he does not buy in such a market. He buys in a completely protected or administered market—one in which the Government subsidizes many costs and through legislation makes it possible for both business and labor to greatly increase almost all other costs.

But again the critics say that if agri-

culture is in such a desperate shape, why not eliminate all Government help and see if the industry cannot stand on its own feet. This suggestion very naturally appeals to many people who have not thought the matter through but it arises from exactly the same reasoning that prompts the suggestion that since everybody in the hospital is sick, that we better burn down our hospitals because we would like to see everybody well. Agriculture is the sick man of our economy. He has been getting some injections of blood from the farm program. They have not been enough to restore him to health. Without them or some other help agriculture, as we know it today, would surely die.

During the 3 years 1966 through 1968—while the Agriculture Act of 1965 has been in effect, an estimated total of 281,000 farms will have gone out of business. This averages about 94,000 per year.

By way of comparison, during the decade from 1950 through 1960, this country saw about 159,000 farms go out of business each year.

Although part of this decline was undoubtedly due to the smaller total number of farms this act has surely served to slow the tide.

What if there had been no farm program in the years 1961 through 1967? What if we had had a so-called free market without price supports, diversion payments, or other governmental help?

According to the projection of the Economic Research Service farmers from 1961 through 1967 would have realized 36 percent less net income than they actually received.

The free market would have resulted in substantially higher production and lower prices. For example, 21 percent more wheat would have been produced and wheat prices would have averaged 45 percent lower. Feed grain output would have been up 17 percent and prices would have been down 34 percent. Cotton production would have increased 9 percent and prices would have averaged 35 percent lower.

Of course, I realize that even at these prices someone would continue in the business of producing food but it would not be the 3½ million farm families that we now have. It might well be 1,000 corporations—possibly less. Certainly, long before the number of corporate producers approached that of the automobile industry of America, these producers would be able to exercise a monopolistic type of control over the market which our present free farmers cannot exercise. Clearly this kind of control would be disastrous to both city and country.

All our farm programs do and all they have tried to do has been to bring about a rough balance between supply and demand. That is why we pay farmers, large and small, to retire unneeded acres from production. We have never sought to create a condition of scarcity and as long as we have millions of independent farm families, we never will. On the contrary, our farm programs have always been deliberately planned to secure the production of more food and fiber than we could foresee that our people might need.

That these programs have been at least modestly successful from every standpoint is attested by the fact that the American people have for years eaten more and better food for a smaller part of their disposable income than have the people in any nation at any time in the history of the world. Actually, the American consumer spends on the average just a little less than 18 percent of the family's disposable income in the grocery store, less percentagewise than consumers spend in any other country in the world. The farmer gets less than one-third of that 18 percent. In the Soviet Union 40 or 50 percent of the family's income goes to the purchase of food. In the Far East this may run as high as 75 or 80 percent.

American consumers should think well before they kill the goose that lays the golden egg or that assures the most nutritious diet in the world.

The American farmer is feeding the American public for a smaller share of total consumer spending today than in 1965, before the Agriculture Act of that year went into effect. The act of 1965 cannot be charged with raising the cost of living for the American family for without the act prices would have been far higher because they would have been dictated by a small number of producers.

Nor do I believe that it is possible to maintain permanent prosperity for our industries, for our laboring people, and for our business institutions with the income of agriculture unduly depressed. Agriculture is still the largest purchaser of steel, the largest consumer of gasoline, the largest market for automobiles in the United States. In fact, agriculture currently spends more than $34 billion annually for the goods and services to produce its crops and livestock. As you take away the buying power of agriculture you take away wages as well as profits in these basic industries. I submit that we cannot lightly dismiss the importance of this market. Nor can we ignore the dependence of our cities on our agricultural production.

Not the least important facet of the picture is the relationship of agriculture to the balance of trade in this country. In 1967 the harvest from about 1 out of every 4 acres of our agricultural production went overseas from a total of 71 million acres of farm products exported. The 1965 act made this possible by moving these commodities at or near world prices. At the same time farmers were assured incomes above those of their foreign competitors. While supplementing farm income we reduced the amounts spent for export subsidies.

Last year we exported $6.4 billion worth of agricultural products. Agriculture's net annual contribution to the U.S. balance of payments has averaged $1 billion for the past 4 years. This did more to give us a favorable balance of trade than will the new tax bill. Can we afford to jeopardize these dollar earnings by failing to extend this program?

If the Congress fails to act on an extension of a basic farm program this year, many American farmers may wonder if the 1969 crop will not be their last crop? Wheat is particularly affected. Its growers and suppliers must know during early 1969, when they harvest their last crop under the existing legislation, what the future holds. By April 15, 1969, under earlier law to which we would revert, the Secretary must proclaim marketing quotas. If quotas were proclaimed, a referendum must be held by August 1. Experience indicates that there would be no possibility of meeting this deadline.

Many producers would have invested their labor, money and time in a speculation as to whether there would or would not be a program. The soil they plan to plant may well not be enough or may be too much. The supplies of seed and fertilizer may be too little or too large. Not only will farmers be seriously jeopardized but the suppliers of the equipment, gasoline, seed, fertilizer and pesticides will be affected.

For all of the uncertainty, a reversion to the earlier programs will have some predictable characteristics. It will invite a return to large surpluses, to more Government loans, and to lower farm prices.

With the return of the era of millions of bales of cotton in Government stocks instead of 700,000 as at present, of billions of bushels of wheat in storage at Federal expense instead of less than 90 million as at present, this Congress will have, through its failure to extend the 1965 act, returned us to the most costly agriculture program our country has ever known.

Every one of you can point out defects in our present agriculture program. I can too. But very few indeed can point to an effective method of improving these programs in the remaining days of this session, and if you have some plan which you feel is absolutely perfect, just remember that before it can become law that you have got to convince a majority of this Congress that it is as perfect as you think it is. After 6 months' efforts, 35 members of the Agriculture Committee decided that the one and only thing on which there seemed to be pretty general agreement was that we needed another year in which to give any new administration an opportunity to try to work out a generally acceptable plan. That is what the committee bill provides. I hope you will give us this opportunity.

Mr. Chairman, that those who care to do so may check on the specific items in this bill, I attach herewith an outline of each provision.

H.R. 17126 simply extends the various parts of the Food and Agriculture Act of 1965 for 1 additional year. Unless extended, the 1965 act will officially expire on December 31, 1969, Actually, there would be no program for wheat or other grain planted in the fall of 1969. Nor would it be possible to announce any programs for 1970 in time for the farmer to prepare either his land or his credit. This bill would make the date of expiration December 31, 1970.

The Food and Agriculture Act of 1965 contains several major provisions which are extended by this bill:

DAIRY (TITLE I)

The class I dairymen's base plan extended by this bill removes the necessity which existed before the 1965 act of maintaining maximum production to

preserve individual participation in the market for milk for fluid consumption. By the 1965 act, each producer was assigned a fluid milk base on which he receives a higher price for milk consumed in fluid form. He receives a lower price for milk produced in excess of his base. Penalties against the dumping of milk and the disrupting of markets were established. All of these will be extended 1 year by this bill. Without this extension of these provisions, dairy farmers will resume the old uneconomic production in order to maintain history. As a result, the milk surplus would climb even higher. This bill does not contain the changes in the fluid milk base plan that some producers feel are needed. I personally feel that some desirable changes have been suggested but I would hope that they might be handled in separate legislation.

WOOL (TITLE II)

In wool, the bill extends the present wool legislation fixing the support level for wool at a level of 62 cents per pound increased by the same percentage as the percentage changes in the parity index.

Without this legislation, authority for incentive payments would expire. A price support program would be the only means of supporting wool or mohair prices. When wool prices were supported at above-world market levels in earlier years, U.S. production backed up in Government-owned inventories while U.S. consumption was filled increasingly by foreign wool and synthetic fibers. The payment method of the 1954 and 1965 acts has proved a practical method of providing income assistance to domestic producers while at the same time making domestic wool compete effectively with synthetics and imported wool.

FEED GRAINS (TITLE III)

The bill extends price support loans, purchases, and in-kind payments which were provided to program participants by the 1965 act. Price support and loan levels would continue to be set by the Secretary at 65 to 90 percent of parity for feed grains. By continuing to divert acres from production of feed grains to conservation, participants could still receive payments-in-kind to maintain income. The payments, as in the past would be based on a percentage of price support payments computed on normal per-acre yields on the number of acres diverted.

If this bill is not enacted, it would be necessary, after 1969, to return to the program of the 1950's. That legislation provides that prices be supported between 50 and 90 percent of parity, "but at such levels as will result in not increasing Commodity Credit Corporation stock." This would provide a support of 75 to 80 cents per bushel for corn, with no protection against a renewed surplus buildup. There would be no production adjustment program. Acreages planted to feed grains could be expected to return to 1959 and 1960 levels which produced crops well in excess of market requirements.

If this bill does not become law and feed grain production goes far in excess of market requirements, we can expect livestock prices and incomes to decline as well, due to the rapid expansion of the numbers of animals on feed. Generally, a 10-percent drop in feed prices would be expected to result in a 1.5-percent rise in total livestock production which would in turn likely cause about a 5- to 6-percent drop in livestock prices.

COTTON (TITLE IV)

The one-price-cotton program established by the 1965 act is extended by this bill. It continues, first, the 16-million-acre national allotment and the 65-percent domestic allotment; second, the requirement of a reduction of up to 12.5 percent of farm acreage allotment for program participation; third, the option for the producer to stay out of the program and plant and sell cotton for export at the world market price; fourth, the loans to cooperators at not to exceed 90 percent of the estimated average world market price; fifth, the payments to cooperators on the projected yield within the domestic allotment actually planted; sixth, payments to the farmer for the required diversion and release of the remainder of their acreage allotment to be reapportioned within the county or elsewhere within the State; seventh, transfer of acreage allotments; eighth, assignment of direct payments, and ninth, exchanges of cotton and rice allotments, all as provided in the 1965 act.

If legislation such as this bill is not enacted, after 1969 cotton producers would return to the provisions of the 1958 act. Marketing quotas would still have to be proclaimed. If those quotas were approved, farmers complying with acreage allotments could then obtain loans between 65 and 90 percent of parity. We would return to two price cotton if exports were to be maintained. No diversion or price support payments would be authorized. If quotas were rejected, price support loans would be 50 percent of parity. It is impossible to see how we could avoid the worst kind of confusion, and surely most if not all of the crop would surely be planted before anyone could know what the program would be.

Without this bill the approval of quotas would raise domestic cotton market prices—not income to farmers—several cents per pound. Cotton would lose still more markets to synthetics, exports would shrink and surpluses would pile up.

WHEAT (TITLE V).

In extending the wheat program this bill provides for price supports, acreage allotments and marketing certificates that stabilize farm prices and still assure adequate supplies for domestic and foreign markets. Through the certificate payments a return at or near 100 percent of parity is provided the producer on the share of the crop used for domestic food. Price support for all wheat through loans at a level based on competitive world prices and the feeding value of wheat compared to feed grains would be continued by the bill. The Secretary would continue to have the discretion to make diversion payments if additional voluntary diversion were needed in the future to balance production and utilization.

Without this bill, wheat after 1969 would return to a mandatory program. Marketing quotas would be proclaimed and a vote for the 1970 crop year would be held in May or June of 1969 but not later than August 1 of next year. If quotas were turned down, as they were in 1963, farmers complying with allotments would be eligible for loans at 50 percent of parity or around $1.30 per bushel. There would be no certificate payment.

Without this bill, if quotas were approved, price support, meaning loans plus certificates, would be around $2 per bushel on the domestic food share of the crop. The certificate would be financed entirely by processor payments.

CROPLAND ADJUSTMENT (TITLE VI)

The Secretary would retain authority to contract for conversion of unneeded cropland into water storage facilities, vegetative cover, or for soil, water, wildlife, or water conservation uses as in the 1965 act. The same latitude is continued for the Secretary to reduce the participation required under locally adverse economic conditions, to make a lump-sum payment, and to pay additional increments to those providng free public access for hunting, fishing, and trapping.

If this bill is not passed, after 1969 all authority for the cropland adjustment program lapses. As contracts on land diverted to conservation uses under earlier programs terminate, the landholder cannot be offered an economic alternative to returning those acres to unneeded production of crops in surplus.

MISCELLANEOUS (TITLE VII)

The farmers' certification of compliance, the leases of tobacco allotments, the exemption of boiled peanuts and all miscellaneous provisions of the Food and Agriculture Act of 1965, as amended, are extended by the bill.

RICE (TITLE VIII)

Section 801 would be extended by this bill to continue to provide an alternative acreage diversion program for rice effective only when the national acreage allotment for the years 1966 through 1970 is less than the national acreage allotment for rice in 1965.

Mr. NELSEN. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield to the gentleman from Minnesota.

Mr. NELSEN. I thank the gentleman for yielding.

I am sure the gentleman in the well would agree with me that a little dialog would be of some benefit relative to the release of commodities by the Commodity Credit Corporation. I believe at one time the economic advisers interfered——

The CHAIRMAN. The time of the gentleman from Texas has again expired.

Mr. BELCHER. Mr. Chairman, I yield 1 minute to the gentleman from Minnesota.

Mr. NELSEN. I thank the gentleman for yielding.

Mr. Chairman, I believe some dialog would be good, and that perhaps a record needs to be written. We had some interference, as I mentioned, by economic advisers, as to the handling of surplus commodities or held by the Commodity Credit Corporation. At one time 48 million bushels of corn were dumped, and

there was some disturbing background as to the reason for this price-breaking action. It was feared that the price of corn might rise too high, so the sale of this corn was made to the large terminals. The country elevators were denied the chance to buy this corn for their local farm people. A great deal of justified protest developed. I am sure that the gentleman who just spoke in the well would agree with me that there is need to have some dialog to prevent a repetition of this practice in the future.

Mr. POAGE. If the gentleman will yield, I believe the gentleman better have that dialog with the gentleman from Oklahoma because he is nearer to the corn country than I am. I do not live in corn country.

Mr. NELSEN. But the gentleman is interested in corn, is he not?

Mr. POAGE. I believe the gentleman had better have a dialog with someone from the corn country.

The CHAIRMAN. The time of the gentleman from Minnesota has expired.

Mr. BELCHER. Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. TEAGUE].

Mr. TEAGUE of California. Mr. Chairman, first I would like to correct a statement which I am sure the chairman inadvertently made. Knowing him, I am positive it was not intentional, but I understand the gentleman to say that 35 members of the House Committee on Agriculture were recommending a 1-year extension of the act of 1965.

Mr. POAGE. If the gentleman will yield, I want to beg the gentleman's pardon, because I believe the vote was 28 to 5.

Mr. TEAGUE of California. Yes. I wanted to——

Mr. POAGE. But I still believe it is perfectly fair to say that there are 35 Members who did not have any better answer than the one we gave.

Mr. TEAGUE of California. Well, I have, I believe, some better answers, but I am not here at this moment to explain them. I hope to be able to do that next year when this proposal is defeated, and we have a chance to get into a revision of our agricultural programs.

Mr. Chairman, I rise to speak against enactment of this bad legislation.

I have been a member of the House Agriculture Committee for many years and have seen many programs of this general type designed to aid farmers enacted. These programs have been costly and if they had done the job the costs could have been overlooked. The fact is, however, they have not done the job as is evidenced by the current depressed conditions of agricultural producers of this great Nation.

I want the record to show that as a member of the House Agriculture Committee I voted against extending this act. I want briefly to state the reasons why I thought my vote was justified in the committee and why I will use all my influence here today to defeat this legislation.

In the first place, the current act does not expire until December 31, 1969, or at the end of the 1969 crops—more than 18 months from now. In January 1969, there will be a new President and a new Congress. They will want—and are entitled to—an opportunity to participate in decisions affecting future Government farm programs.

It seems to me that action now to extend the Food and Agriculture Act of 1965 would indicate a shocking lack of confidence in the new Congress to be elected in November.

With Congress having passed a 10-percent tax increase and a requirement that the President reduce budgeted expenditures $6 billion in the next fiscal year, it is highly inappropriate to extend the 1965 act one more year at a probable cost of more than $3 billion per year. This makes the act of 1965 the most costly farm program mistake in history. It is costing taxpayers nearly $9 million each day. Extension of this costly scheme would soak up approximately one-third of the recent increase in taxes with little if any benefit to farmers.

The act of 1965 has failed to accomplish any of its stated objectives.

The farm parity ratio stood at 81 when the act became effective. Since then it has dropped steadily until now, when we are only halfway through the third year of the 4-year program—it stands at 73. Even the adjusted parity ratio—which includes direct payments to farmers—is down 8 points. On both an adjusted and an unadjusted basis the parity ratio is the lowest it has been since the depression year of 1934. Extending the act now for another year would have the serious effect of locking farmers into this unsatisfactory situation until December 31, 1970. I do not believe this House wants to assume that responsibility.

The official record shows that the act of 1965 has failed to adjust production to demand. Despite drastic cuts in acreage ordered by Secretary of Agriculture Orville Freeman for this year, current U.S. Department of Agriculture forecasts indicate that the 1968 harvest may be the largets on record for wheat, corn, and soybeans. Wheat prices are the lowest since 1942.

In spite of the lower prices farmers are suffering now which were brought about by the act of 1965, the program has failed to reduce or even to stabilize the food costs to consumers. The cost of living is at a record high. Why should consumers continue to pay their current Federal taxes—let alone the 10-percent increase the Congress has just voted—to be used by the U.S. Treasury to pay out $3.5 billion in payments to farmers each year and on top of this still pay higher prices for food and fiber. This just does not add up and people back home are beginning to rebel against such expenditures.

I urge the House to reject this bill and help cast a vote for sanity in the farm program field. In 1969 at the beginning of the new Congress with a new President and a new Secretary of Agriculture we surely can come up with a more effective and less costly program than this one.

Mr. BELCHER. Mr. Chairman, I yield 5 minutes to the gentlewoman from Washington [Mrs. MAY].

(Mrs. MAY asked and was given permission to revise and extend her remarks.)

Mrs. MAY. Mr. Chairman, it is important that this legislation to extend the 1965 Food and Agriculture Act for 1 more year, be approved. It is important not only to U.S. farmers, but to consumers as well, for it is only through the maintenance of economic stability in U.S. agriculture that American consumers can continue to purchase an abundance and variety of food at the lowest percentage of income cost in the world.

My support of this legislation does not, however, constitute a blanket stamp of approval on the current farm programs. I can certainly agree with the remarks of my good friend and colleague, the gentleman from California [Mr. TEAGUE] in his analyses of how poorly this program has worked. And also can agree as the imperfect way in which it has been administered. Even a superficial review of the present farm situation in this country shows a desperate need for improvement of agricultural prices and income.

As a matter of fact, if the remarks made by the gentleman from Indiana [Mr. MADDEN], during debate on the rule, about the millions of dollars going to farmers to pay them for putting useless, nonproductive land out of production are true and—if he has the facts to prove that they are—then he is indicting his own Secretary of Agriculture for gross mismanagement—even corrupt mismanagement, of this program. He should certainly bring his information before our committee for investigation. However, I do support this bill of simple extension because I believe it is vital that U.S. farmers know for more than 1 year in advance just what Federal agricultural programs will be in effect so they can plan their operations. Wheat producers in the Pacific Northwest begin preliminary planning for a crop far in advance of planting. In winter wheat areas around the country, actual field preparation for the 1969 crop is taking place now.

A 1-year extension of the farm programs would provide this necessary leadtime for farmers while also allowing time for a new President, a new Secretary of Agriculture, and a new Congress to work out an approach reflecting the many changes and improvements in our farm programs which farmers, their organizations, Congress, and the executive branch consider necessary to improve our agricultural economy.

This is not the time to amend the programs or make any basic or fundamental changes in their operations. Hasty or ill considered changes now could do much harm. Six months from now, at the beginning of the next Congress, there will be time for a thorough review and reconsideration of the current farm programs, but what is needed now is simple 1 year extension to allow farmers and agri-industry to plan their operations.

In closing, may I say to the chairman of our committee, the gentleman from Texas [Mr. POAGE], that I did make a pledge to support this 1-year extension and to vote against all amendments. I intend to keep that pledge.

Mr. JONES of Missouri. Mr. Chairman will the gentlewoman yield?

Mrs. MAY. I yield to the gentleman from Missouri.

Mr. JONES of Missouri. I was going to ask the gentleman from California the question that I shall ask the gentlewoman from Washington. The fact is that farm prices have been low in spite of this law and not because of the law. Would the gentlewoman agree with me on that?

Mrs. MAY. No. I am sure the gentleman knows that we have never been able to work out a satisfactory answer in our committee to that question. Especially when the Secretary of Agriculture has used the program to depress prices. However, it seems to me that if we could answer that question, we might be on our way to a new approach.

Mr. JONES of Missouri. But I think the gentlewoman by her support of this bill would indicate that it is better to have the present law than not to have any?

Mrs. MAY. Only for the next crop year in order to give the promised leadtime for farmers to plan and the new administration to plan. That is what I mean.

Mr. BELCHER. Mr. Chairman, I yield 5 minutes to the gentleman from Pennsylvania [Mr. GOODLING].

(Mr. GOODLING asked and was given permission to revise and extend his remarks.)

Mr. GOODLING. Mr. Chairman, recently we read of a circus tent which collapsed. Today we witnessed cave-ins on the floor of this House. Some Members folded like accordions.

As a preface to my remarks, let me say that I have been associated with agriculture all my life. Since 1923 I have been a dirt farmer operating my own farm. I can also state that I am either too stupid or too independent to ask the overworked American taxpayer to subsidize my farm operation.

Mr. Chairman, I can cite at least 3 billion and as many as 12 billion reasons why this farm bill should not be passed.

A 1-year extension of the Farm Act of 1965 will cost the taxpayers of this country some $3 billion, and the 4-year extension as approved by the other body carries at least a $12 billion price tag.

Maybe, just maybe, the expenditure of these terrific amounts of money would be justified if it could be shown that farmers generally were benefiting from the programs included in this bill. The fact is, however, that they are not benefiting.

The parity ratio now stands at 73. It averaged only 74 last year. Even with Government payments included it only averaged 79, a distressingly low level—a level, in fact, as low as was found in those dark days of the depression in the 1930's.

Pennsylvania farmers, like most farmers throughout the Nation, have been the victims of the low market price philosophy that this legislation embraces.

Yet Pennsylvania farmers do not begin to share equally in the tremendous outlays of money that this bill calls for. For example:

In 1967 all the farmers in the State of Pennsylvania received a total of $3,885,734 for participation in the wheat program.

In 1967 the J. G. Boswell Co. of Kings County, Calif., received $4,091,818 in farm subsidy payments.

Something is haywire, Mr. Chairman, when one giant corporate farm in California receives more in Government subsidies than do all the farmers in the State of Pennsylvania.

The fact is, of course, that the programs established under the laws that this bill seeks to extend are geared to the benefit of the large super-colossal corporate farming giants of the South and the West.

One study presented to the President's Commission on Rural Poverty showed that 1 percent of the farmers in this Nation receive 21 percent of the cotton payments, 12 percent of the wheat payments, and 9 percent of the feed grain payments.

In cotton last year the amount of the Government payments was nearly equal to the market value of the cotton crop. Cotton subsidies of $943 million nearly matched the 1967 crop value of $1,027,000,000.

During the hearings I pointed out to Secretary Freeman that if we had a price support program for all other crops similar to what we have for cotton, it would cost the taxpayers of this country over $42 billion a year.

When I say these programs are primarily benefiting the largest growers in the West and the South, I mean it. Here are some of the figures that the Appropriations Committee of the other body recently printed as part of its hearings:

In 1967, the State of Pennsylvania received a grand total of $21.2 million in payments under all farm programs. This figure includes conservation and land retirement payments as well as crop subsidies. By comparison, farmers in the State of Texas received $457,205,685.

In all of the Northeast, Pennsylvania's $21.2 million was tops, with New York second at $20.2 million.

The leading farm subsidy States after Texas were Kansas at $211.3 million, Mississippi at $146.9 million, Iowa at $142.8 million, Nebraska at $133 million, and North Dakota at $130.2 million.

It seems incredible to me, Mr. Chairman, that Members from the Northeast can continue to support these costly, ineffective programs which are of no benefit whatsoever to our farmers or our taxpayers.

Mr. Chairman, many Members of the House will recall that I have been opposed to the Agricultural Act of 1965 from the beginning. I have taken this position because the information available to me indicates that this act has failed in every respect. It has failed to increase farm income, it has failed to keep down food costs, and it has succeeded in further draining the Federal Treasury.

Here is a program that by all sound business principles has failed rather miserably, yet today we are being asked to vote more of the same.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

Mr. BELCHER. Mr. Chairman, I yield the gentleman 3 additional miutes.

Mr. DENT. Mr. Chairman, will the gentleman yield?

Mr. GOODLING. I yield to the gentleman from Pennsylvania [Mr. DENT].

Mr. DENT. Mr. Chairman, as a fellow Pennsylvanian, I want to join the gentleman in the statement he is making.

Recently our State has been propagandized by a flood of false information given out by the Secretary or the Ambassador we sent to Geneva on the matter of trade. He has given out facts, which, while they appear to be factual on the face, have not been gone into in depth to show that the loss to the farmer in the export-import balance is so great that to expose it would defeat this and any other legislation dealing with farm subsidy in any of our foreign exports.

We are supposed to—and the chairman made a statement to this effect—export $6,500,000,000 worth of farm products. He failed to tell that out of the $6,500,000,000 there are approximately $4 billion that are subsidized in one phase or another by the American taxpayer.

Anybody can sell if he buys retail and sells wholesale. That is what we are doing. We import $4,500,000,000 worth of products. When we import, we import in volume from two and a half to three times as much in products as we would produce in this country for the same number of dollars. When we buy watermelons from Mexico—and we are selling watermelons for 65 cents as the farm price of watermelons in the United States—we bring in watermelons from Mexico for less than 20 cents each.

This makes it a better than 3-to-1 ratio in volume. It is in volume that the farm products count, and not the dollars of exchange value.

So I join the gentleman from Pennsylvania in his statement here today.

The only single recipient of moneys under the wheat program I've heard of is an institution which receives a farm subsidy, because it found it could buy bread for the institution cheaper than it could produce it from it own wheat.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

Mr. BELCHER. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. DENT. Mr. Chairman, will the gentleman yield?

Mr. GOODLING. I yield to the gentleman frm Pennsylvania.

Mr. DENT. They found out that by not planting wheat in the field, by not grinding the wheat and by not making bread of it, they could receive enough money to buy all the bread needed for its daily uses.

There is something wrong with that kind of situation. I have listened to debates for years about working men receiving more for loafing than they could earn if they worked, under relief programs, but when there are institutions able to take care of themselves receiving more for not planting than what they received when they planted, it goes far beyond wheatever crime there might have been committeed against the body politic by an individual in need receiving relief perhaps in a greater amount than he could have earned in a low-wage job.

I thank the gentleman.

Mr. GOODLING. I thank the gentleman for his contribution.

Mr. PELLY. Mr. Chairman, will the gentleman yield?

Mr. GOODLING. I yield to the gentleman from Washington.

Mr. PELLY. The gentleman from Pennsylvania [Mr. DENT] has brought to my mind a problem my farmers have. My farmers happen to be farmers of the sea, fishermen. Eighty percent of the fish in this country are brought in from imports, but my farmers get no help.

I have difficulty in supporting a program to extend aid for the farmers who are on the land when there is no assistance for the farmers from the sea, my fishermen.

I thank the gentleman for yielding.

Mr. BELCHER. Mr. Chairman, I yield 5 minutes to the gentleman from Minnesota [Mr. ZWACH].

(Mr. ZWACH asked and was given permission to revise and extend his remarks.)

Mr. ZWACH. Mr. Chairman, it is with some concern that I listen to the discussion of this problem.

We are talking about a lot of blessings for America, and not all bad points. In fact, American agriculture has been so marvelous that it has freed 94 out of every 100 of us and of our constituents to help build America better.

For 5 percent of our income, paid to the producers of food in America, we have the finest and most nutritious food, and we have a guaranteed assurance of food.

So we are a little spoiled as consumers. Sometimes we need to look a little at the rest of the world.

But there is another thing which is true. I should like to have the fine gentleman from Indiana listen to this. For 20 years the producers of food in America have not had any increase in income.

While the wonderful steelworkers in the wonderful town of Gary have had increase after increase after increase, and although farm tractors cost several times as much as they did 20 years ago, the income to the producer is still where it was. So the farm producers are in deep trouble.

The reason for the farm program—the reason why I am supporting a 1-year extension—is that the farm factory is too large. It is too large. In some way we have to shrink it. So the Government has entered into programs and has agreed to contracts, and has agreed to rent and to provide conservation practices, which are good practices for the future. We are going to need this land in the future. We have a program to retire it for a period of time, until we need it.

That is what this is all about. That is the reason why I support this program. It is because it is something like representative government—it is the worst except for its alternatives.

Now, Mr. Chairman, I would like to make another statement, and I would like the gentleman from Indiana [Mr. MADDEN] especially to hear this.

We hear too much about big payments. Most of this money goes for the retirement of some productive capacity on the little farms of America. In my own State of Minnesota, for example, Minnesota farmers received in 1967 $97 million. Of this total, only 2 percent, $2.7 million, went to those who earned more than $5,000 in payments. Only 2 percent of that amount. In my Sixth Congressional District, comprising 19 counties with 27,000 farms, 81 percent of them participate in the program, but there were only 50 of those farms out of that total number that received a payment above $10,000. There were only 247 farms that had a payment above $5,000. So this is a payment to the family farmer for the retirement of production.

Mr. SMITH of Iowa. Mr. Chairman, will the gentleman yield?

Mr. ZWACH. I am glad to yield to the gentleman from Iowa.

Mr. SMITH of Iowa. Mr. Chairman, I think this is a good place to point out that for farmers earning less than $1,000 a year 45 percent of their income was from these Government payments, but farmers making more than $20,000 a year received only 3 percent of their income from Government payments. So to say that this is a program that helps the big farmer more than the little farmer is just not true. He only receives more payments when he contributes more.

Mr. ZWACH. I thank the gentleman for that statement.

In conclusion, Mr. Chairman, I would say that I am convinced that for the purposes of an orderly consideration—and I have amendments to this bill, but I agreed in committee not to offer any—but for an orderly procedure and consideration of this basic matter, for you and your constituents, this is most important. Let us not give away the wonderful American system that we have where the masses of our poor people own the land. Let us extend this program for 1 year.

Mr. HALL. Mr. Chairman, will the gentleman yield?

Mr. ZWACH. I yield to the gentleman from Missouri.

Mr. HALL. Mr. Chairman, I commend the Committee on Agriculture for its prudent judgment in extending the Food and Agriculture Act for a period of 1 year only. This will allow the new Congress and a new administration to consider alternatives to the present farm program, when both take office next year.

As the sponsor of an alternative solution to an omnibus farm bill, which emphasizes soil and water restoration, and which would offer American farmers the option of a "second market" to offset inadequate commodity prices; I had hoped that such a program might receive consideration this year. I am indebted to the chairman and to his committee for the opportunity that was given to me to explain this concept in open hearings. My testimony and the testimony of Mr. E. M. "Gene" Poirot, of Golden City, Miss., whose book, "Our Margin of Life," establishes the basis for the "second market" concept, are seen on page 324 of the printed committee hearings. Further explanation of the bill was placed in the CONGRESSIONAL RECORD of June 12, 1967, on page H7027 to H7032. I hope it will be read and reviewed by those individuals and farm organizations who are looking for new, and yet practical ideas, in the realm of farm policy.

I regret that the Department of Agriculture failed to submit its twice requested report to the committee on H.R. 10742, though I believe it had adequate time to do so, and it would have been helpful to know their criticisms, if any, so that we could move forward in developing a more beneficial farm program and policy. Yet, I recognize that in the absence of any departmental views it would have been almost impossible for the committee to adopt this new program without any idea as to how it might be administered, and without the various cost estimates that are a necessary prerequisite for sound legislation. So I hope that the testimony and discussions in these hearings will afford a "takeoff point," for further consideration of a new farm program by the administration which takes office next January.

Mr. Chairman, that new approaches are needed are self-evident. There has been a relentless decline in the number of farm families, and family farms. Farms have dropped 20 percent, and farm families 30 percent in the last 7 years. Yet the expenditures of Secretary Freeman's Department increased from $5 to $8 billion. We can be thankful that farmers are not as disposed as some of their city brethen, to demonstrations and civil disobedience when things are going badly. In spite of a continuing and even escalating cost-price squeeze, they continue to do what they know best, produce food and fiber, and they do it better than the farmers of any other nation on earth. They deserve a better break and I hope the program I have advocated or at least a version thereof, will be given serious consideration by the next President and his Secretary of Agriculture. It has had a beginning in fact, by prior recognition of Congress, the committee, and the Department of Agriculture; in title IV of the existing law that the bill under consideration extends for 1 year.

(Mr. HALL asked and was given permission to revise and extend his remarks.)

Mr. BELCHER. Mr. Chairman, I yield 5 minutes to the gentleman from Iowa [Mr. MAYNE].

Mr. MAYNE. Mr. Chairman, I rise in support of this bill to extend the Food and Agriculture Act of 1965 for 1 additional year. Passage of this bill in its present form will insure that the present feed grain program will remain in full force and effect not only through the remaining 5 months of this year but also all of next year, 1969, and all of the following year, 1970.

Mr. Chairman, I am proud and happy to have been one of the members of the Committee on Agriculture who worked hard in a good faith, bipartisan effort to bring the bill out of the committee in its present form providing for a simple additional 1-year extension with no amendments.

Heaven knows many members of the committee wanted to offer amendments. Heaven knows the 1965 act is not so

perfect that it cannot be improved or should be continued forever or for a long period of years without any changes whatsoever.

But those in both parties who were willing to put the farmers' needs ahead of partisan politics, those of us who did not want to see the farm problem made into a political football in this election year, those members of the committee joined together in a good-faith effort to obtain committee approval of a 1-year extension which would not be so long as to destroy all chance of its passage by the House and yet long enough to provide sufficient time for an orderly consideration of the matter in the next Congress. An orderly consideration of the act by a new President and a new Congress next year and if necessary in the early part of 1970 at a time when the atmosphere will be more conducive to making helpful improvements in the program on the merits and there would be less temptation to play politics than in the closing months of an election year. And so we persuaded enough of those on the committee who were opposed to any extension at all to come along so that this 1-year extension was reported out with only five dissenting votes.

Certainly the farmers of this country are entitled to much fairer treatment than has been accorded them under this bill. Anyone who advocates freezing and locking this program in as is, without any improvements is willing to continue shortchanging the American farmer. Are we willing to tie our hands for a long period of years and submit to the continuation of an act under which the farmers' prices have steadily fallen and the cost of everything he purchases has steadily risen? Back when the Food and Agriculture Act of 1965 was passed in 1965 the farmers of the United States were receiving an average of 80 percent of parity for their crops. Today, after this program has been in effect 3½ years they are receiving only 73 percent of parity, 7 percent less. The price of corn in Iowa has fallen to about a dollar per bushel under this program, the lowest in many years and it threatens to go much lower in the fall when the present crop is in under this program.

It is natural that farmers and Congressmen who represent farmers are anxious to see improvements in the program and to offer amendments to the present act. For example, one of the most unfair aspects of the present feed grain program is the arbitrary determination of the feed grain base. Farmers who had acres out of production during the base period because they were utilizing soil conservation and crop rotation practices at that particular time have been penalized and discriminated against under the feed grain program ever since. It has been impossible for them to comply with the program since its inception because their base was so low in the beginning. There has been a slavish reliance on crop history during the base period to the exclusion of everything else in the administration of the program. As a result there are identical farms side by side with an identical number of acres and identical productivity. Yet if one farmer was practicing soil conservation in the national interest during the base period he is precluded from the program, whereas his neighbor who was tilling every square foot of his acres during the base period is able to participate and get the benefit of the program.

Certainly this is one of the abuses which must be corrected if we get into consideration of an extension of more than 1 year. Another unfortunate feature of the present act is the vast discretion which it gives the Secretary of Agriculture. The farmers of the Midwest have not forgotten how the present Secretary of Agriculture abused this discretion by dumping vast quantities of grain with the deliberate purpose of breaking the farmers' market price. He succeeded in depressing grain prices by these tactics, succeeding in making prices go down and they have been going down ever since. If we are going to get into a consideration of an extension of longer than 1 year, certainly many Members will want to make very sure that no future Secretary of Agriculture, regardless of party affiliation, whether he be Democrat or Republican, will be able to dump Government stocks at prices far below parity to depress prices.

We have not forgotten, and neither have our constituents, that after the present Secretary of Agriculture had succeeded in his dumping tactics he expressed delight that farm prices had gone down, and said that he hoped he could look forward to them going down even more.

Now, I have mentioned just two of the abuses which should be corrected in any long-term extension of the present act. I know that many other Members will want to offer other amendments if we are to abandon the simple 1-year extension which is provided for in the committee bill. If we do abandon the committee bill and get into amendments, I predict, my colleagues, that this will be opening a Pandora's box, the result of which no Member of this House can predict, and that it will very likely lead to more and more amendments, some of which could well weaken rather than improve this program, and which could very well jeopardize the passage of any extension of this long-considered legislation whatsoever. I therefore earnestly hope that the committee bill providing for a 1-year extension will pass the House in its present form.

The CHAIRMAN. The time of the gentleman from Iowa has again expired.

(Mr. MAYNE asked and was given permission to revise and extend his remarks.)

Mr. POAGE. Mr. Chairman, I yield such time as he may consume to the gentleman from Texas [Mr. FISHER].

(Mr. FISHER asked and was given permission to revise and extend his remarks.)

Mr. FISHER. Mr. Chairman, the bill now before us includes an extension of the National Wool Act of 1954. This wool program has proven its worth in its 14 years of operation. It has proven to be much more sound than previous wool programs, including the Government purchase program in the 1940's, through which a stockpile of wool was built up, hanging like a cloud over our market and proving to be the most detrimental.

Under the National Wool Act, wool moves freely in the open market, selling at the best price possible. An incentive payment is made to growers when the market price falls below an incentive price level which is automatically established by a parity index formula.

In 1954, the Tariff Commission, following an investigation, recommended to the administration an increase in the tariff duty on raw wool imported into this country. When the administration stated that it could not raise this tariff, due to our friendly relations with Australia and other countries sending wool here, the National Wool Act was evolved and tariff duties were maintained at existing levels rather than being increased. The incentive payments made under the Wool Act are tied to and limited to 70 percent of the tariff duties collected on wool and wool manufactures.

Furthermore, growers have voted to contribute a portion of this payment for a promotion program to increase demand for their products, wool and lamb. Currently, they are contributing 1½ cents per pound of wool sold to this worthwhile promotion program. A mohair program is also included in the National Wool Act and I am proud to say that approximately 95 percent of the Nation's mohair is produced in my State of Texas. Mohair growers are also contributing to a promotion program to increase market outlets for their fine product.

Another important and very sound feature of the National Wool Act is the operation of the program in such a manner that a grower has an incentive to improve the quality of his wool and thereby receive the best price possible on the open market which in turn is reflected in the incentive payment he receives under the program.

The National Wool Act of 1954 has worked well. I highly recommend that it be extended.

Mr. POAGE. Mr. Chairman, I yield 6 minutes to the gentleman from Mississippi [Mr. MONTGOMERY].

(Mr. MONTGOMERY asked and was given permission to revise and extend his remarks.)

Mr. MONTGOMERY. Mr. Chairman, I rise in support of the extension of the 1965 General Farm Act. I will mainly limit my remarks to that section of the bill pertaining to cotton.

The cotton industry is an extremely important segment of our Nation's economy. An estimated 1,300,000 people live on farms that grow cotton. An additional 7,000,000 indivduals are represented by direct handlers and suppliers and by their dependents. In a normal year, the value of the cotton crop, including payments, ranges between $2 and $2½ billion. The total investment in the production and processing of cotton in the United States is estimated at more than $24 billion, with over $11 billion, represented by farm real estate.

In my State of Mississippi, cotton is even more important. The number of people living on cotton farms amounts to 233,000 individuals. The value of the cotton crop in 1967, even with the small-

est crop since the turn of the century, was almost one-third more than the value of all other crops combined. Anything that affects cotton also affects all other segments of our economy.

The cotton industry today faces a supply situation that is vastly different from the situation that prevailed when the Agricultural Act of 1965 was enacted. From a record carryover existing at that time, cotton supplies have been reduced to a manageable level. In fact, some of the qualities of cotton are in very short supply. The diversion features of the current cotton law, combined with bad weather, have accomplished this reduction in a 2-year period when it had originally been estimated that 4 years would be required to achieve a manageable supply balance. In this connection, I quote from a recent letter I received from Secretary of Agriculture Freeman:

> We have used these programs to work Commodity Credit Corporation inventories from their peak of $6.148 billion in October 1960 down to $896 million as of last May 31st.

The cotton section of the Agricultural Act of 1965 was primarily designed to reduce the surplus, while at the same time cushioning the impact of the supply adjustment for farmers.

Regardless of the initial producer opposition to the current cotton program, the majority of cotton farmers would like nothing better than to have the program extended at this time.

Mr. Chairman, I am strongly opposed to any maximum dollar limitation on farmer participation in any farm program. Such limits would wreck farm programs and would bankrupt farmers who produce the high percentages of the crop. The productive capacity of a large segment of American agriculture would be virtually destroyed. Actually, consumers of the Nation would be the losers in the long run.

Farmers affected under voluntary programs—wheat and feed grains—would pass up the program and increase their production in an effort to reduce per unit costs. The result would be a further buildup of excess supplies. Lower and lower prices for wheat, corn, barley and grain sorghums would hold producers in a vise-tightening squeeze with rigid and rising costs.

As a secondary effect, cheap feed would stimulate increases in livestock numbers—particularly cattle and hogs. This coupled with feeding to heavier weights would upset the uneasy balance that has pivoted around current adjustment programs for grains. Chicken and egg producers would face the same volatile push to increase production with perhaps some holdback reflecting the contractural structure of parts of the poultry industry.

Cotton farmers, caught by payment ceilings, would have to change to other enterprises. Cotton has a mandatory program. The penalty is 50 percent of parity—more than 22 cents per pound—If a grower exceeds the established acreage allotment and marketing quota for the farm. The producer hit by limitations could not afford to leave the program—other than to stop growing cotton. Few could afford to stay with a high-risk crop like cotton with Commodity Credit Corporation loans at 90 percent of world prices.

Several million of highly productive acres with a long growing season would be pulled out of cotton and used to produce soybeans, vegetables, fruits, and still more grains. The impact would further lower prices for all.

Any substantial lowering of the present prices farmers receive would greatly disrupt the efficient agriculture we now have.

In 1967 Americans spent only 17.7 percent of their disposable income for food. At the farm gate the cost is only 5 cents out of each dollar of disposable income, the lowest ever in this country, and by far the lowest in the world when variety, quality, and nutritional values are considered.

Are we now to destroy the main sources of our abundance? It has been demonstrated over the past 35 years that farmers cannot gain solely by increasing production. Farmers in this country, according to USDA, can produce 10 to 12 percent more than could be sold in commercial markets at current prices. About 48 million acres are diverted this year under wheat, feed grains, cotton, and cropland adjustment programs. Limit payments—and the programs will fall apart.

The costs of low and unstable farm income and low and erratic prices go much beyond the farm. Today, cash costs for production items—seed, repairs, fertilizers, machinery, and chemicals—use up 80 percent of cash receipts to farmers. These must be bought and they must be paid for, or harsh terms of bankruptcy drive another and another family toward off-farm jobs or unemployment.

Mr. Chairman, I would like to conclude by urging action to remove the cloud of uncertainty that exists today with regard to the kind of program that cotton will have over the next several years. I believe that action by the Congress would help restore confidence in cotton and would permit farmers and other segments of the industry to move ahead in making investments that are necessary for efficient production.

Mr. POAGE. Mr. Chairman, I yield such time as he may consume to the gentleman from North Carolina [Mr. FOUNTAIN].

(Mr. FOUNTAIN asked and was given permission to revise and extend his remarks.)

Mr. FOUNTAIN. Mr. Chairman, I rise in support of H.R. 17126—designed to extend the Food and Agriculture Act of 1965. In fact, I hope we can extend the act for a longer period. This legislation is vital not only to the farmers of our country but also to the consumers wherever they may live. Basically, it is essential for the maintenance of farm income and the assurance of an adequate and controllable supply of agricultural commodities.

The critics of our farm programs are many and they are loud. But I wonder if they have stopped to really analyze those programs and what they mean to all of us.

Particular aspects of particular programs could be argued from here to doomsday. The overall program and the approach we have taken, however, are easily explainable and should be just as easily understood.

First of all, we have the capacity to produce far more on our farms than we can consume.

Most of us here can remember the days—I know I certainly can—not too many years ago, when every farmer was trying to plant every square foot of land available to him.

We also know what happened. The farmer already was in a depression long before October of 1929, because no one recognized what was happening or cared enough to try to do anything about it. In fact, this very situation, as much as any other single factor, helped bring on the great depression.

Farmers cannot control their production as a manufacturer can. In addition to normal problems of supply and demand, and the problem of maintaining a balance between the two, they have to contend with nature in all its forms: wind, rain, snow, hurricanes, tornadoes, hail, and insects.

These are problems largely beyond their control although they are making headway with some of them.

Experience has already taught us that with uncontrolled production, we will again have chaos in the marketplace. Yes, the price of food would fall, but only temporarily; and we would face the nightmare of uncontrolled surpluses and the staggering costs of storage.

How long does anyone feel the family farmer, or the small farmer as we call him, could exist under such circumstances? How long would it be before giant, new corporate farm complexes would own or control enough of our farm production capacity to control all our food supply and what we pay for it?

Is there any doubt that the American housewife would pay and pay dearly each time she went to buy groceries for her family? And I do not mean just the housewife in rural areas. I mean the housewife everywhere in this big country of ours, from the one who shops at the country grocery to those who buy at suburban supermarkets and ghetto neighborhood shops.

Mr. Chairman, the farmer today is caught in a vicious squeeze of rising costs far outstripping the prices he gets for his products. High interest rates are hurting him as much as any sector of American business.

The farmer—the family farmer, the small farmer—has his problems today, and has had for several years. Passage of this legislation will not eliminate the problems overnight. Elimination of the farm programs, however, would be disastrous to the individual farmer and he would soon be eliminated also.

I just mentioned the 1920's. We have ample evidence that continued ignoring of recessionary forces at work in the agricultural economy is only a harbinger of bad economic times ahead for all. We saw that happen, and that should be both a lesson and a warning to us.

Mr. Chairman, if this legislation can be termed a subsidy to anyone, to any group, I think it more properly could be

called a subsidy to the consumer. Since we are all consumers, I find it difficult to consider this "class legislation" for any other group.

It is not a giveaway to the farmer as some have described it. It is an attempt to assure him of enough income to justify his investment in time, money, and labor, and to enable him to produce efficiently and profitably adequate food and fiber at a price the consumer is able and willing to pay.

Mr. Chairman, the extension of this legislation also includes an extension of the one-price cotton program which has helped to save our textile industry in this country and the jobs of thousands of our people.

I urge its passage for the good of all Americans, regardless of their place of residence, their occupation, or their income.

Mr. BELCHER. Mr. Chairman, I yield such time as he may consume to the gentleman from Idaho [Mr. McClure].

(Mr. McCLURE asked and was given permission to revise and extend his remarks.)

Mr. McCLURE. Mr. Chairman, there are a number of problems confronting this country which absolutely must be solved if we are to successfully meet the challenges of this modern world in which we live. For some of these problems there appear to be solutions if we would just face them squarely and honestly. Others seem to be without any immediate answer and will require a long period of adjustment despite all of our best efforts. But few, if any, present the dilemma faced by our farmers today.

Never before in the history of the world have we seen such an abundance of food as we have in this country. Our farmers are the most efficient in the world and produce more from the land, and at lower cost, than has ever before been dreamed possible. Never before have so few people met the demands for food and fiber for so many, and never before have any people paid such a small part of their income to buy food for their families. But in spite of this Nation's overflowing pantry, there is trouble in our farm communities. The people who produce this great abundance are in severe financial straits.

The cause of this condition is well known and no argument is needed, even in Washington, to reveal the cost-price squeeze as the culprit. It is not so easy to get agreement on the various factors which contribute to the increased costs the farmer must pay for everything he buys or that go into the prices ultimately paid by the consumer for farm produce. But if it is difficult to get agreement on these details, it has proved impossible to get substantial agreement on the cure.

Various farm programs have been tried over the past 30 years and none has been successful. The present program has been aided by short grain crops in foreign countries and greatly hurt by bad administration. Its supporters point to its promise and compare it to the alternatives that have been tried. Its opponents can point to the fact that farm prices are at a depression-day low with no relief in sight, at least under the unsympathetic eye of a Secretary of Agriculture more concerned about social welfare problems in the city than financial problems on the farm. The Agriculture Committee has not been able to propose anything different and has asked that the present program, which will expire at the end of 1969, be extended through 1970.

I firmly believe that the farmer must, in fairness, have some advance notice of changes in the program. He must be able to plan his operations for at least 1 year in advance of the current year. Whether there is a change of administration next year or not, it is not reasonable to expect that a new farm program can be prepared and submitted before the crops are in next spring. It seems reasonable to me that we should now let the farmer make plans for his operations for next year and the year following. He faces enough gambles in rain, hail, drought, insects, and disease without adding the uncertainty of Government programs to his problems.

This would then give time for the committee and Congress to determine whether more effective administration of, or a change in, the program is more desirable. Most of all, we should not be content with the present situation in which the farmer suffers first and we all suffer eventually.

Mr. BELCHER. Mr. Chairman, I yield 10 minutes to the gentleman from North Dakota [Mr. Kleppe].

(Mr. KLEPPE asked and was given permission to revise and extend his remarks.)

Mr. KLEPPE. Mr. Chairman, I have previously indicated my support for something more than the provisions of H.R. 17126. However, my remarks are directed in support of this piece of legislation.

Mr. Chairman, legislation to extend the Food and Agriculture Act of 1965 comes before us at a time when farm operating costs are at an alltime high and farm prices are at their lowest level since the depression-ridden 1930's. A few prices are at the lowest level since the depression-ridden 1930's. It is obvious to me that my predecessors here in the well have covered this program and everything about this legislation very well. So I would just like to add some additional remarks, if I may.

This depression-ridden situation is reflected in the parity ratio which now stands at an anemic 73. I want to invite your attention to the following grain prices posted by the Mandan, N. Dak., Farmers Union Grain Association for July 26, 1968: Wheat, No. 1 heavy, $1.26; wheat, No. 1, $1.24; wheat, No. 2, $1.22; wheat, No. 3, $1.20; Durum, $1.53; barley, $0.60 to $0.65; flax, $2.68; oats, $0.47; and rye, $0.67.

Mr. Chairman, these are ruinous prices. There is not a farmer in this country, no matter how efficient he may be, who can recover his production costs marketing grain at these "fire sale" prices.

If you translate today's grain prices into terms of pre-World War II dollars, the impact of present disastrously low farm prices becomes even more apparent.

The 1968 dollar is worth only 40 cents compared with the 1939 dollars. This means that farmers are getting 49 cents a bushel for wheat, two bits for barley, and 19 cents for oats, measured in terms of the 100-cent dollar of 1939.

This explains also why total farm debt has more than doubled in the last 8 years, from $24.9 billion in 1960 to over $50 billion today. Farmers are being forced to use credit as a substitute for income.

The only thing that has kept many farmers in business is the constant appreciation in the market value of their land, which has been running at a rate of about 6 percent a year. But how long will farmland valuations continue to rise? How long will they even maintain present levels, in the face of a commodity price structure which does not even meet cost of production?

It was a somewhat similar set of circumstances which put American agriculture, and the total economy of rural America, through the wringer in the 1920's. All that is needed today to pull the rug completely out from under the farmer is a sudden termination of Federal agricultural programs. And I say this because in my district 81 percent of all the farmers have a gross income of less than $15,000 a year. This gives you a little idea of the impact on the small farmer in my district. And this is another reason why my major concern for this legislation. The day may come when agriculture can return to complete dependence upon the free market, but that time is not now.

Although I have been critical of the present farm program on several counts, much of this was directed toward the administration of the act itself. Today's farm prices and income are evidence enough that the program has not solved the farm problem, but no one can say with assurance that the situation would not have been much worse without it.

North Dakota farmers are now receiving wheat certificate payments on their 1968 crop which will total about $100 million—and this is not a small piece of change in North Dakota. With the free market price for wheat now below the $1.25 support level, I know it would be impossible for many North Dakota wheat farmers to stay in business for another year without those certificate payments. Frankly, a great many would go bankrupt.

I firmly believe that an overwhelming majority of the people engaged in farming today want to continue. They will stay unless economic conditions force them to leave. I think it is clearly in the national interest to help them remain in agriculture. Even from a cold, budgetary point of view, it is far less costly to help our farm families to stay in agriculture than to push them off the land and into the overcrowded cities where so many have wound up on public welfare.

I believe that a farm is still the best place in America to raise a family. I believe it is in the Nation's own best interest to help preserve this way of life for 12 million farm people. This will cost some money. But it is still as sound an investment as the Government will ever make in America's future.

In a little more than a year, farmers will be seeding such 1970 crops as winter wheat and rye. They are entitled to know what kind of program they will be operating under, before making costly commitments for machinery, fertilizer, feed, and land. That is why it is so important to get an extension of the farm program now. I strongly urge my colleagues to support the legislation before us today—H.R. 17126, because it would be a calamity for American agriculture if extension of the 1965 Farm Act gets lost in the legislative shuffle.

For the RECORD, I ask to have included in my remarks the following telegram which I received this morning from Richard M. Nixon:

This is to let you know that I support the position of the House Republican Policy Committee endorsing a one-year extension of the farm bill.

Mr. KYL. Mr. Chairman, will the gentleman yield?

Mr. KLEPPE. I yield to the gentleman from Iowa.

Mr. KYL. Mr. Chairman, the gentleman is making a statement which clears away a great deal of confusion. A moment ago I drank a glass of milk in the House restaurant and paid 15 cents for it. If the House sells 100 pounds of milk, that is $30 for the 100 pounds, but the farmer who raised the cows and fed and milked the cows got only about $5 instead of $30 for that milk.

Mr. KLEPPE. Mr. Chairman, I thank the gentleman from Iowa for his contribution.

Let me add in this regard, all of us are consumers. It is very easy for us to be consumer oriented. When we consider this Farm Act and the extension of it, I like to think about the importance of our producers. I am sure Members will understand that, when I represent the district I do. The producer is an important ingredient in this society of ours, and I do believe extension of this program is in the national interest.

Mr. POAGE. Mr. Chairman, I yield 5 minutes to the gentleman from Arkansas [Mr. GATHINGS].

Mr. GATHINGS. Mr. Chairman, during the course of the hearings on this bill which lasted for many days in the months of March, April, and May there appeared quite a number of witnesses representing various segments of the cotton industry. They urged the extension of the act. It was a united front on the part of cotton farmers and the industry generally, all appearing in behalf of the bill.

Among the organizations who testified for the cotton provisions of the legislation included the National Cotton Council, Plains Cotton Growers, Inc., Mid-Continent Farmers Association, National Association of Farmer Elected Committeemen, Missouri Cotton Producers Association, National Farmers Organization, the National Grange, Agricultural Council of Arkansas, National Farmers Union, Louisiana Cotton Producers Association, Texas Association of Cotton Producer Organizations, Western Cotton Growers Association of California, New York Cotton Exchange, Delta Council and Southern Cotton Growers, Inc.

The act's purpose was to stabilize prices, to maintain farm income, provide for adequate supplies of agricultural commodities at competitive prices, to reduce surpluses, lower Government costs, and promote foreign trade. These goals have been generally fulfilled. The act is a success.

During the years 1966 and 1967, cotton farmers suffered extreme calamities which, due to excessive rainfall in the spring, cold weather during the summer growing season and early freezes resulted in yields for the 2 years that were only a small percentage of normal production. Without the farm program during these years vast numbers of cotton farmers would have been compelled to quit farming, and forced into bankruptcy. The cotton program has proved to be effective and practical.

It has eliminated burdensome storage costs. When the legislation was approved in 1965 our warehouses were bulging with surplus cotton. The excess stocks had reached a point that was near a record high level. The carryover of cotton on August 1, 1966, was 16,600,000 bales. A most significant turnaround in supply occurred as 1 year later the stocks had dwindled down to 12.4 million bales. At the commencement of the new fiscal year on August 1, 1968, there is no surplus of cotton in this country. The adverse weather conditions and short crops in 1966 and 1967 aided in this most miraculous accomplishment. There has been a sharp decline in Government costs for the program. During the first year of operation under the 1965 act, the 1966 crop net cost for the cotton program was less than half the expenditures under the 1965 program. The one-price system for cotton has eliminated the export subsidy or equalization fee which formerly had been paid by the Government. The amount of cotton going into the Commodity Credit Corporation loan has significantly declined.

The 1968 upland cotton program has been changed in order to encourage the production of a larger percentage of medium and longer staples and also to keep cotton competitive with synthetic fibers and with cotton produced in foreign countries. The diversion for farmers who cooperate with the Government program has been reduced from 12.5 percent of the effective allotment.

The cotton industry and more particularly the cotton growers proposed to the Congress some 2 or 3 years ago a program of promotion and research. The legislation was approved and it is working effectively. The Secretary of Agriculture has played an important role in this program. The vote by the farmers in the referendum was overwhelmingly in favor of participating in this effort.

Earlier cotton interests urged the Congress to approve a $10 million crash cotton research program. Under the recommendations that were made by and through the National Cotton Council and other cotton interests the legislation was enacted. Research was greatly needed to find manner and means of reducing the cost of producing cotton. It was felt that with the fulfillment of this crash program several cents a pound reduction in cotton production costs could be realized. The elimination of the boll weevil and armyworm together offer fertile field to reduce production costs. Many other areas offer great promise as well. Only one third of the funds have been made available for this research effort. It is hoped that adequate funds to carry out this program will be made available by Congress at a faster rate.

Skip row planting should be continued. It aids in the elimination of boll rot which increases quality. This plan of planting aids efficiency and reduces risk.

The competitive one-price system has worked well. It has moved cotton into domestic and export channels. I urge the approval of this legislation.

Mr. BELCHER. Mr. Chairman, I yield 3 minutes to the gentleman from Indiana [Mr. MYERS].

(Mr. MYERS asked and was given permission to revise and extend his remarks.)

Mr. MYERS. Mr. Chairman, there has been much said this afternoon about this bill, possibly a lot more than it really deserves.

I reluctantly have agreed to go along with the 1-year extension. I say "reluctantly" because I am not very well satisfied, as I am sure every farmer in this country is not very well satisfied, with 73 percent of parity. To ask for anything more than 1 year—which I understand will be an amendment to be offered—would be the same as asking for a perpetuation for that longer term of something like 73 percent or a lesser percent of parity.

There have been some objections this afternoon, one of which says that the bill does not expire until December of 1969. This is something we all know. But many times here I have heard those of the legal profession say when they are discussing an issue or a particular point that this is something every lawyer in this House will know. Let me say it is possible we might not have to renew this this year, but it is something that every farmer knows, that it is not quite as simple as a lot of people think it is to farm today. It is a lot more involved than just going out in the spring of the year and plowing and discing and planting and reaping a harvest and hoping to make a profit. There is a matter of rotation of crops, finances, and also the matter of locating farms today. This is becoming quite an acute problem. As a farmer myself and as an operator of a country bank, I am somewhat familiar with all of these problems, because I have helped people to make out financial statements for the last 15 years. I know that today most farmers make a profit only on the depreciation of their assets. There is no profit in farming today as such.

Mr. Chairman, one of the better statements that was made here today was made by the distinguished gentleman from Missouri [Mr. JONES]. He said it is not that 73 percent parity has been caused by these programs but it has gone to that despite the programs. This is very true. I am not satisfied with these programs, but I would say that extending

this for a year gives a new administration just a little bit more working room to go the extra year.

Often we have heard it said here that this is not adequate but it is only buying time. Well, that is what we are saying here about the continuation of this program for 1 year. I shall support the 1-year extension, but I shall not support any more than a 1-year extension.

My colleague and good friend from Indiana who has left here now makes a charge about the big recipients of funds. This is only half the story. It is easy to look at the statistics and many times we have done that here and just looked at the statistics, but if you look at the large farmer with thousands of acres, you wonder what would happen if we withdrew the big payments. I do not like these big payments, either, but there is a corporation farmer who really does not need it and who gets a large sum of money and there is the poor little guy who has to work two shifts some place and come home to farm who is more deserving of it. However, what would happen if we did not make these large payments to the big farmers?

The CHAIRMAN. The time of the gentleman has expired.

Mr. BELCHER. Mr. Chairman, I yield the gentleman 1 additional minute.

Mr. MYERS. Well, they would put all of their large acreage, the large tracts of land that they have bought, into soybeans and cotton or whatever it might be in order to turn a profit on their investment. Then what would happen to the small farmer if this should occur? It would drive down his prices and he would be driven out of business. I do not know what the answer to this is, but I do know that this will give us another year to find a solution to the problem.

Mr. Chairman, I think it is fair that we should continue this for another year. It would only be logical and sensible for this House to continue the program, whatever its thoughts may be about the program. It will give a new administration an opportunity to look at a basic industry in this country, and farming is certainly one of our basic industries. It affects every industry in the country. If the farmer is not making a profit, our country is in sad shape and our society will be in bad shape. That is the issue this year. Can we afford to let this industry go downhill continually or will we buy another year of time?

Mr. BELCHER. Mr. Chairman, I yield such time as he may consume to the distinguished gentleman from Minnesota [Mr. LANGEN].

(Mr. LANGEN asked and was given permission to revise and extend his remarks.)

Mr. LANGEN. Mr. Chairman, I do not have any objection to the extension of the 1965 Food and Agriculture Act for 1 year. A reasonable case can be made for a 1-year extension, in that time is needed to thoroughly review and remodel these programs so that they might serve the cause of American agriculture and our national economy more substantially than they have during recent years.

However, I think it is most imperative that the House and the Congress be fully cognizant of the results of these programs during the period of time that they have been in operation. It is imperative that we properly evaluate what the effect of such extension will have on agricultural prices for an additional year. It would be most unfair to mislead rural America into believing that the mere extension of this act for 1 year will provide a remedy for the price problems that they have experienced during recent years. The Food and Agriculture Act of 1965 extended the wheat and feed grain program for a 4-year period, and it is most discouraging to note what has happened to farm prices under this program since 1963 and earlier. There has been an almost continuous decline in farm prices all during this period by any comparison that one would want to make.

First, the average parity ratio of all commodities has dropped from 79 percent in 1961 to about 74 percent now. This drop becomes even more significant when related to individual commodities.

In 1962 the average market price for wheat received by farmers was $2.04 a bushel. Today it is less than $1.24, which is a drop of more than 40 percent. This, of course, has come about primarily because the wheat program provided for the substantial reduction in the commodity credit loan rates. In 1962 this loan rate was at $2, and for the last 3 years has been at $1.25. Now, even when we add the additional provisions of the program, which provide for wheat certificates, diversion and direct payments, the blend price received by the farmers today amounts to about $1.70 per bushel. This is more than a 15 percent reduction from the actul market price in 1963.

The same is true in the feed grains. In each of the feed grains involved—corn, barley, oats, grain sorghums—somewhat similar experiences have resulted. The market prices are down substantially. A recent article from one of the local papers in my district, the Fergus Falls Journal, carried the following headline on July 23 of this year: "Barley Price Down 38 Cents from 1967." The article went on to relate as follows:

> In comparison to last year at this time, wheat is down 35 cents, oats is 8 cents lower, and barley 38 cents down.

It is difficult to imagine how prices could be much worse with a drop in the prices of this proportion—which is as high as 40 percent in the barley prices in just 1 year—with the cost of operations still going up because of inflation which I shall refer to later.

In order to accomplish this most detrimental price reduction to wheat and freed grain farmers throughout this country, the total cost of these programs has been $5.352 billion for the wheat program for the years 1963, 1964, 1965, 1966, 1967; and $7.745 billion for the feed grains program for the years 1961, 1962, 1963, 1964, 1965, 1966, 1967; or a total cost of over $13 billion for those years. Not only have the wheat and feed grains farmers throughout the country suffered substantial loss in per bushel income under the provisions of these programs, but the taxpayers and the consumers have also been subjected to a Government expenditure burden that is almost unbelievable.

It is difficult to establish any kind of logic for the expenditures of such sums which have missed their target so badly that the result has been one of detriment to not only American agriculture and rural communities, but taxpayers and consumers as well. It is ironic to note that in the statement made to the House Committee on Agriculture by the Secretary on April 6, 1965, in support of this legislation, some of the goals claimed for the programs were as follows:

> This legislation seeks to carry forward goals which this administration has consistently worked to achieve in agriculture . . .
>
> To strengthen farm income . . .
>
> To reduce the cost of farm commodity programs in order to free more public resources for the war on poverty, for education, for housing, and for the many other programs designed to help people in rural areas and urban areas.
>
> To maintain food costs at fair and stable levels . . .
>
> Encourage greater use of the marketplace to bring a fair return to farmers . . .
>
> Enable small farmers with the capacity and desire for growth to acquire the resources they need for an adequate size family farm operation . . .
>
> . . . the general health of the farm economy, while it requires much further improvement, has been significantly improved compared with 1960 . . .

Let us look at each of these six points briefly:

Farm income has gone down, the cost of the commodity program has gone up, food prices have gone up, there has been a drastic drop in the return to farmers from the marketplace, small farmers have had to leave their farms by the hundreds of thousands, and the general health of the farm economy has deteriorated substantially—all revealed by the statistics that I quoted earlier relative to wheat and feed grain prices.

A word or two with regard to the effects of these prices on the general health of the farm economy. On January 1, 1961, farm mortgages were at a level of about $26.2 billion; at the end of 1967 they had increased to $49.9 billion—an increase of $23.7 billion, or 90 percent. Not only is the total agricultural farm unit mortgaged and indebted to this greater amount, but with the increased interest rates applied to the expanded indebtedness, the interest burden has increased by more than $1-billion-350-million per year since 1960. This is an increase in the interest paid per farm each year of more than $441.

It is difficult to understand how the wheat and feed grains farmers that are left around the country have been able to sustain under these most adverse results of this program. They have also been compelled to operate under the continuing inflation that has been prevalent in all sections of our economy—which means that their cost of production has also been substantially higher. The cost index of the essential items that they must buy in order to continue operation—which includes the equipment, repairs, fuel, and essential operation elements—have increased by more than 9.6 percent since 1963.

I doubt very much that anyone would buy stock in a company whose ledger would read like the agricultural ledger of

this country for the past 5 years. It would most surely be a bad investment.

It is well that the Congress is cognizant of these facts as we contemplate extending these programs for another year, for it is obvious that if American agriculture is to survive at all some improvement has to be made.

It is for these reasons that I recently introduced legislation which would provide for substantial increases in the loan rates and available prices to farmers for wheat and feed grains. It also contains provisions which would accomplish this with a substantial reduction in the cost of such a program to the Government. While this proposal comes at a time too late for final consideration during this session, certainly there is ample evidence that new approaches to the price problems of wheat and feed grains must be made before too much time elapses.

Therefore, to me, it would seem to be sheer folly to extend this program for anything more than 1 year. It is not possible or feasible to attempt to amend or change the provisions of the program that is before us on the floor today so as to correct these price inequities. Such amendments should be carefully considered by the committee, even though many of them might be rather glaringly obvious, such as the sale of commodity credit stocks at prices that can accomplish nothing but sustaining the low levels that are prevalent now or even reducing them further.

Present crop estimates, both in this country and around the world, indicate that surpluses are building up again, thereby leaving the same detrimental combination that prevailed at the beginning of these programs. If this extension is recommended by the Congress for 1 year, then it should become our prime purpose to thoroughly study, review, and recommend for passage by the Congress legislation that will give some hope that future grain prices available to farmers would be substantially improved. It is only on that basis that I can sanction the 1-year extension.

Mr. POAGE. Mr. Chairman, may I inquire of the Chair how much time we have remaining on this side?

The CHAIRMAN. The Chair will advise the gentleman from Texas that he has 24 minutes remaining.

Mr. POAGE. Mr. Chairman, I yield back 9 minutes of that time.

The CHAIRMAN. The gentleman from Texas [Mr. POAGE] has 15 minutes remaining.

Mr. ST GERMAIN. Mr. Chairman, I must confess that I find it more than a little difficult to discuss the legislation before us with anything like commonsense.

As I understand our position, we are considering at this moment a bill—a $3.5 billion bill—to extend for 1 year a law which does not expire until the last day of December 1969.

The haste being displayed here puzzles me as much as the general situation.

The puzzle revolves around the question of why we are seeking to extend a bill that has yet another 18 months to go?

The puzzle becomes all the more a maze when we know that the bill being extended—and incidentally, I voted against the original legislation in 1965—is costing the taxpayers from $3 to $3.5 billion a year to make payments to farmers who produce feed, grains, wheat, and cotton.

Only recently, we here struggled with a tax increase bill which also pledged a $6 billion reduction in expenditures. Today, we propose to chew up for still another year more than half the $6 billion we said a week ago should be sliced from Federal expenditures.

Mr. Chairman, I was not convinced 4 years ago that this big spending bill would work for farmers or for consumers, and now, 4 years later, I am convinced I was correct.

I said—and I repeat now—this kind of legislation is antitaxpayer.

Four years ago, the proponents of the legislation said it would help farm income, stabilize consumer prices for food, and save the Government money.

In the light of our experience with this legislation, especially the tremendous expenditures involved, I say the law has not even come near to accomplishment of one single objective.

The parity index of farm income is equal to its lowest point in many years, and our consumers are paying more for food than they did 4 years ago.

I am opposed to extension of this legislation on all counts.

I know it does no good at all for the consumers of my district; I know it costs them a lot of money as taxpayers; and I know, too, that the farmers of my own district are being forced to pay higher prices for livestock feed as the results of the ramifications of the bill enacted in 1965.

Mr. Chairman, nearly two-thirds of the farm economy is free of Government control and meddling. Nearly all of the agriculture of my district is contained within that two-thirds.

I suggest we give the remaining one-third of the agricultural economy the opportunity to see how the other two-thirds live. It seems a reasonably happy world, given the will to work, to produce, and to be imaginative.

Mr. CAREY. Mr. Chairman, I cannot refrain from comment on this legislation.

In the first place, we are seeking, by this legislation, to extend for 1 year a farm act that does not expire until December of 1969.

Second, even if the basic farm act of 1965 were to expire tomorrow, I still would be compelled to vote against any continuation at all of this kind of legislation.

I well remember that back in 1965 we were told the act of that year would, first, keep food prices steady; second, lower Government costs for farm programs, and third, help farmers.

Here we are, 3 years later, and we find that none, none, of these objectives has been accomplished.

We all know about food costs, so I will not labor that point. As for Government costs for farm programs, as I examine the figures, I see that we are spending from three to three and a half billion dollars a year to make the Government payments under these programs. I will not belabor that point, either.

As for helping farmers, the fact is that wheat prices, for example, are at the lowest point in 26 years. That is an odd way to help farmers.

I come to still another point. During the last several weeks there has been published, by a Senate subcommittee, a list of payments made to farmers under the provisions of the 1965 act. In this thick book, one can find payments in the millions to some farmers; scores of payments are for more than $100,000 to individuals.

While I might favor a program to help family farmers, Mr. Chairman I cannot in good conscience vote for extension of legislation that, in fact, makes rich men richer. I have absolutely no objection to rich men, but I have that old-fashioned feeling a man should make his own big money—not be handed it by the Government.

Is it not ironic that at a time when poor people are marching, and some are rioting, we are refusing funds for our tremendous urban problems while at the same time voting money to pay a relatively few individuals billions of dollars?

I find the irony impossible to accept.

Not too many weeks ago this body voted a tax increase on rich, medium, and poor. Today, we are voting on a bill that could result in the expenditure, in any one year, of just about half the sum we are raising by the increase in taxes. I find that, too, unacceptable.

Mr. Chairman, I intend to oppose this legislation because I do not believe it is well considered and further, because it is, in my view, totally unnecessary.

Mr. DELANEY. Mr. Chairman, every Member and every citizen knows that our country is facing a fiscal crisis because we have allowed our expenditures to far exceed our income. This situation has become intolerable, and it is imperative that we cut back stringently on nonessential spending.

Under any circumstances it would be distressing, but at a time of grave fiscal crisis it is incredible that we should even consider continuation of the Food and Agriculture Act of 1965 to subsidize owners of vacant land.

I was shocked to see the broad scope of this agrarian giveaway project which was detailed in an astonishing report released last May by the Senate Committee on Appropriations. This document lists over 200,000 individuals and their addresses who received more than $5,000 each in direct subsidy payments from the U.S. Treasury simply because they did not plant crops. In 1966 and 1967 the taxpayers of this Nation donated over $7 billion for this relief program conducted solely for the benefit of special privileged gentlemen farmers.

A check of the report available to all Members shows that in 1967 23,505 Texas landowners received a total of $292,834,466, followed by California where 3,751 wealthy farmers received $93,609,336. This is an average payment of $12,458 and $24,955 respectively to each of the donees in these States. Five operators—three from the State of California—received more than $1 million each.

Fifteen operators weer paid between

$500,000 and $1,000,000. Five of these were California landowners and five were in Hawaii. Arizona, Arkansas, Florida, Mississippi, and Montana each had one operator in this exclusive group.

Of the 388 operators who were paid between $100,000 and $500,000, 111 were from California, while Mississippi had 83, Arizona 62, and Texas 53.

One thousand two hundred and ninety landowners were paid between $50,000 and $100,000 for doing absolutely nothing to their land. Of these, 286 were in Mississippi, 226 in Texas, 207 in California, 155 in Arizona, and 136 in Arkansas.

The people of the State of New York are burdened with the highest State and local taxes in the Nation. Additionally, along with other Federal taxpayers, our lower- and middle-income wage earners are shouldering a heavy tax burden in order to support our fighting men in Vietnam, to revitalize our cities and rid them of crime, to educate our youth, to care for the sick, and many other critical programs.

We do not raise crops in my district, but we do raise taxpayers. These hardworking people will not tolerate having their taxes harvested to pay astronomical sums to wealthy landowners.

Mr. Chairman, this legislation is not helping our small family farmers. It is paying a totally unwarranted subsidy to those who need no Federal assistance whatsoever, while many worthy farm and urban programs are faced with cutbacks. Continuation of this program will further escalate our grave fiscal crisis. It will defeat our efforts to get our fiscal house in order. It is nothing short of highway robbery of our taxpayers for the support of wealthy, special interest farmers. We must not mortgage the Nation's future by continuing these exorbitant payments to wealthy landowners for producing nothing.

I strongly urge defeat of this legislation.

Mr. BELCHER. Mr. Chairman, may I inquire of the Chair how much time we have remaining on this side?

The CHAIRMAN. The Chair will advise the gentleman from Oklahoma that the gentleman has 16 minutes remaining.

Mr. BELCHER. Mr. Chairman, I yield back 1 minute of that time.

The CHAIRMAN. The gentleman from Oklahoma [Mr. BELCHER] has 15 minutes remaining.

Mr. POAGE. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. NATCHER, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 17126) to amend the Food and Agriculture Act of 1965, had come to no resolution thereon.

GENERAL LEAVE TO EXTEND

Mr. POAGE. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the bill H.R. 17126.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

ANNOUNCEMENT OF FURTHER LEGISLATIVE PROGRAM

(Mr. ALBERT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ALBERT. Mr. Speaker, I take this time only to advise the Members of the House that I have been advised by the gentleman from Texas [Mr. BROOKS] that on tomorrow H.R. 18040, to amend the Federal Property and Administrative Services Act of 1949, and S. 2060, to amend section 503(f) of the Federal Property and Administrative Services Act of 1949 will be called up under a unanimous-consent request.

Mr. GROSS. Mr. Speaker, would the distinguished majority leader yield for a question?

Mr. ALBERT. I shall be glad to yield to the distinguished gentleman from Iowa.

Mr. GROSS. Is it proposed to bring up the conference report which was filed this afternoon on the bill with respect to the Post Office Department? Would it be expected to call up that conference report tomorrow?

Mr. ALBERT. The conference report will probably be called up after we have finished the agriculture bill. This, as I understand it, is contemplated at this time.

A RACIST AT NEW YORK UNIVERSITY

(Mr. PODELL asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PODELL. Mr. Speaker, the appointment by New York University of John F. Hatchett as director of the newly established Martin Luther King, Jr., Afro-American Student Center is an affront to commonsense and decency and a desecration of the memory of the martyred Nobel Laureate.

John F. Hatchett is a notorious black racist and anti-Semite. He is the author of an article in the November–December 1967 issue of the African-American Teachers Forum in which he asserted that Negro children were being mentally poisoned by Jewish educators and black Anglo-Saxons. In violation of regulations of the New York City Board of Education, he escorted a class of schoolchildren to a memorial to Malcolm X where the eulogies consisted principally of exhortations to kill whitey. For that infraction, he was dismissed by the board of education from his teaching position.

The article which John F. Hatchett published in the African-American Teachers Forum was widely condemned last winter by the Protestant Council of New York City, by the Catholic Interracial Council and by the American Jewish Congress as black nazism. Under the circumstances, it is hard to believe Dr. Allan M. Carter, chancellor of the university, or the university authorities were unaware of Mr. Hatchett's anti-Semitic views nor of his expressed hatred for the white community. Indeed, it is hard to believe that the university authorities were unaware of the fact that Mr. Hatchett's expressed public views and conduct were diametrically opposed to the views of Dr. Martin Luther King and his faith in the brotherhood of man. The appointment of John F. Hatchett as director of the Martin Luther King, Jr., Afro-American Student Center makes just about as much sense as an appointment of Adolph Hitler as director of the New York University Deutsche Verein.

Equally incredible is the public support given to the appointment by the American Civil Liberties Union. A spokesman for the American Civil Liberties Union asserted that "a man's right to employment must be based on his professional performance and not on his private thoughts, words, beliefs, and associations." There was in fact nothing private about Mr. Hatchett's escorting a class of pupils to the Malcom X Memorial meeting in violation of board of education regulations. Nor was there anything private about Mr. Hatchett's publication of his anti-Semitic views.

Clearly, the views of the American Civil Liberties Union strips the concept of civil liberties naked of all meaning and relevance. A person who is a narcotics addict or a chronic alcoholic suffers a private affliction and is entitled to reasonable opportunity for employment. However, no imperative of civil liberties mandates the appointment of a person so afflicted to a police force. Nor is it likely that the American Civil Liberties Union will appoint George C. Wallace as the director of its Alabama chapter.

Dr. Allan M. Cartter, the chancellor of New York University, said that university officials would reexamine Mr. Hatchett's appointment in the light of additional information. The appointment of Mr. Hatchett should be promptly rescinded, lest his presence on the university campus pollute the atmosphere of academic freedom with the lethal poisons of racism.

VIETNAM

(Mr. ROONEY of Pennsylvania asked and was given permission to address the House for 1 minute, to revise and extend his remarks, and to include extraneous matter.)

Mr. ROONEY of Pennsylvania. Mr. Speaker, our involvement in Vietnam is, and has been for many months, a dominant issue in the politics of our Nation and in the hearts of every American. Many times, those who speak most vociferously on the war have the least understanding of its meaning in terms of personal commitment and personal sacrifice.

Today, I would like to share with you an article which appeared in the Morning Call, Allentown, Pa., which, I feel, represents an American family at its best and a father who truly understands the meaning of freedom. Reverend Ehrhart maintains a perfect balance of understanding in his mission to teach

love and his realization that we sometimes are forced to accept a necessary involvement in war. This balance should act as an inspiration and a guideline for all of us.

The article referred to, follows:

MINISTER USES PULPIT AS FORUM TO AIR HIS VIEWS ON VIETNAM

(By Len Kucinski)

The Rev. John H. Ehrhart of Perkasie considers himself neither a hawk nor a dove in his feelings on the war in Vietnam.

However, he has strongly expressed his support of the administration's policy on the controversial war. Recently, after much deliberation, he used his pulpit at St. Stephen's United Church of Christ to maintain his position and support of the war.

It had been difficult for him to discuss the issue of war as a clergyman. "For we are trained to teach love, not hate and kill." He and Mrs. Ehrhart have prayed the war would end, and he has never declared the war is right.

"The price of freedom is always high," he told his congregation. "If we pay with indifference, flagrant violations of law, we will cheat ourselves and our descendants of the heritage we have come to respect and love."

HAD TO SPEAK

Rev. Ehrhart does not believe the pulpit should be used as a sounding board for his personal opinion, but he felt he just had to speak. He was tired of being on the defensive.

Rev. Ehrhart apologized to his parishioners for discussing a personal matter at such great lengths and asked their prayers in forgiveness. An apology was not necessary, the congregation understood. Parishioners paused on the church steps to express their compliments over the sermon—more compliments than he had received over any single previous sermon.

They understood his feelings and his need to express them.

He was entitled to them and he and his wife had paid a great price for that right.

This week his son, Marine Corps Lt. John N. Ehrhart left for Vietnam where he will join Rev. and Mrs. Ehrhart's other two sons, Sgt. William D. Ehrhart, USMC, and Lt. Robert C. Ehrhart, USAF.

There are no immediate statistics available on how many families have three sons in Vietnam, but without a doubt the Ehrharts are among a comparative few.

Rev. Ehrhart said he had always made a sincere effort to keep the war out of his sermons because it was "difficult to look objectively at the issue when one is so deeply emotionally involved."

"I'm simply tired of being on the defense over three sons in Vietnam," he told his congregation. "It disturbs me—the attitude of many people. The church comes out in opposition to Vietnam. I heard a young man say recently he hopes to go from 1A to 4F until he's past the draft age. At a recent conference in New England, another member of the clergy made the statement all men in the war are stupid or brainwashed. Twenty other ministers seemed to agree."

Then he asked, "Could it just not be possible there still are some who feel there is an obligation to our country if one wants all the privileges and benefits."

The pastor said the decisions of his sons were their own. "They have always showed good judgment in their lives. We respect their judgment. We would feel more comfortable if they were all at home, but we realize we are not the only parents with sons in Vietnam. They all would like to see their sons safely at home."

Rev. Ehrhart has not influenced the judgment of his sons, but he makes it clear their involvement has not influenced his judgment. He also makes it clear time could make his personal judgment inaccurate.

"It may well be we shall stand at God's awful judgment for giving support to our actions today," he said, but it just might also be the kind of heroism displayed today in the stinking jungles, and in broken cities where every pajama-clad figure may carry with him the hidden instruments of chaos and murder—it just may be this kind of heroism may pass in somber review long after the embittered nonsense of our days has become a shabby footnote to a time we wish to forget."

FOURTH SON AT HOME

The Ehrharts' three sons—they have a fourth at home, Tommy, 13—were all outstanding students. John, who left this week, is a Drexel graduate and received his master's degree at M.I.T. He completed Officer Candidate School in November and was sent to an advanced engineering course before receiving his orders for Vietnam.

Robert graduated Phi Beta Kappa from Gettysburg College last year and was student commander of the ROTC unit there. He arrived in Vietnam in January and is attached to a radar outfit at the Dong Ha air strip.

William, the youngest of the three sons, has the longest length of service because he decided to go to college after his military obligation is complete. He enlisted in the Marines in May, 1966, and left for active duty after graduating in June from Pennridge High School where he was an honor student and commencement speaker.

He has recently returned to Vietnam for his second tour of duty. During his first—Feb., 1967 to March, 1968—he received the Purple Heart after receiving shrapnel wounds in the leg. He also received a "Certificate of Commendation" for service with the men of the 1st Division.

William and Robert met in Vietnam during their first tour.

The Ehrharts said they were proud of their sons serving our country.

MOORE BLANKINSHIP

(Mr. EVERETT asked and was given permission to address the House for 1 minute, to revise and extend his remarks, and to include extraneous matter.)

Mr. EVERETT. Mr. Speaker, of course, I know that all of us have outstanding citizens in our respective districts that we are proud of. I have a very close personal friend, the Honorable Moore Blankinship of Milan, Tenn., who has been my friend for a quarter of a century and has given me encouragement and very sound advice not only on business matters but other matters as well.

An article appeared in the Tenne-Scene, published and written by Bob Parkins, an excellent writer of Milan, Tenn., relative to the outstanding career of Mr. Blankinship. The article follows:

MILAN'S PROGRESS STANDS AS A MONUMENT TO MOORE BLANKINSHIP'S SELFLESS DEDICATION

(By Bob Parkins)

Perhaps no man in the annals of time has had so much to do with the destiny and growth of a town than an elderly Milan banker, unbeknown to many, because he always remained in the background.

Moore Blankinship has probably compiled more active years of banking than anyone around, and he has also probably met as much satisfaction in life.

But despite his succeses, he attributes the big turning point of his life to two spankings in the first grade. "Mrs. Minnie Moore gave me my first spanking in school," he said, "and, somehow, my daddy heard about it by the time I got home from school. When he asked me about it, I told him I did get one, but it didn't hurt.

"That night, he gave me a licking that I still remember—made a lasting impression."

From that point on, Mr. Blankinship said he paid more attention to things worthwhile, and began to look at life with a purpose. "That whipping set me on the right road," he said.

And truly his life has been one of purpose and dedication. He is now in his 66th year in banking: He presently serves as chairman of the board at Milan Banking Company, and is on duty every day the bank is open for business.

Born in Milan, he remembers himself as a freckled-face boy who lost his dad when he was only eight years old. "Being an only child, I had to work afternoons to help make a living for myself and my mother," he said.

He delivered papers before school, and picked up extra cash by delivering notes to courting couples for 10 cents a piece. Since there were no telephones. Later, he gave up his paper route and became a "chamber maid" to the town's only dentist, Dr. Hugh Fink. "It was my job to keep his office space spic and span," he explained.

His next big job came when one of the largest firms on Main Street hired him to keep all the furnishings clean. The firm handled furniture, implements, buggies and wagons, and even included a funeral parlor, he said. Toward the end of his high school days, he had graduated to bookkeeper.

In 1902, he was graduated from Milan High School. He remembers when Main Street was dirt and boys his age spent a lot of time playing marbles in the dust and mud. "We played with Negro children then, just like they were one of us," he said. "Negro families lived all over town, but later they chose to segregate themselves into one part of town."

Mr. Blankinship finished high school at age 16 by skipping two grades, which was customary in those days to students with high aptitude and good grades. And after high school he received many job offers and worked in the old Southern Pacific Hotel for a month before taking his first job at Milan Banking Company in 1902 as clerk.

"I thought that old hotel was the most beautiful thing I ever knew," he said. "Built in 1878, it had gas lights, a big windmill for its water supply, and at least a dozen trains would stop there daily for their passengers to dine.

"Times were hard when I entered the bank at \$5 per week, but it wasn't too long until I was making a man's wage of \$40 per month."

He remained in Milan and at the bank until age 30 when he was chosen as one of 40 applicants across the state for the job of bank examiner. The late Fred Collins, his boss, advised Mr. Blankinship to take the job, and he did. He kept the job for 2½ years and had a chance to move into a position at a city bank but declined. Instead, he returned to the Milan bank as assistant cashier to replace Mr. Collins.

"There was too much envy and jealousy in the big city banks for me," he said. "And Milan was my town; these were my people."

But Mr. Blankinship found that Milan was a slow town. "I knew we couldn't depend on agriculture forever," he said. In 1922, he was instrumental in getting the town's first Chamber of Commerce organized, served as director for 40 years, later as president for two terms, and held every office in the organization.

While president of the chamber in 1955, Mr. Blankinship realized one of his greatest achievements, which he feels had an effect upon industries locating in Milan later. A two-mile stretch of U.S. 45E through downtown Milan was widened to four lanes. "But

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

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CONTENTS

HIGHLIGHTS: House passed farm bill. House received conference reports on grain inspection and dairy indemnity bills. Senate passed foreign aid authorization bill. Reps. Findley and Randall introduced and discussed bills to combat rural poverty.

HOUSE

1. FARM PROGRAM. Passed with amendment HR 17126 ~~S. 3590 (with language of H. R. 17126, a similar bill, passed earlier with amendments~~ by a vote of 213-176 (pp. H7932-3)), to extend the farm program for 1 year (pp. H7896-933).
   Agreed to a Meeds amendment to permit computation of bases for milk marketing orders on a more flexible pattern. pp. H7924-27
   Rejected the following amendments:
   By Rep. Smith, Iowa, to provide a 4-year extension of the farm program. pp. H7904-931
   Several amendments to place limitations on subsidy payments (pp. H7907-22, H7922-4, H7927-8
   By Rep. Latta to provide that the level of price support made available to wheat and feed grain cooperators shall not be less than 100 per cent of the parity price thereof. pp. H7928-9
   Pursuant to a motion by Rep. Conte adopted by a vote of 230-160 the bill was recommitted and reported back with an amendment providing that "beginning with the 1970 crop years, payments aggregating more than $20,000 under all programs which are provided for or extended under the provisions of titles II through V of this Act may not be made to any producer. For the purposes of this section, payments include wool incentive payments, wheat marketing certificates, price support and diversion payments, and the dollar value (as determined by the Secretary of Agriculture) of any payments-in-kind made to a producer, but do not include the amount of any price support loan made to a producer," and providing that "Section 402 of such Act is further amended by repealing, effective with the 1970 crop of upland cotton, section 103(d)(12) of the Agricultural Act of 1949, as amended" (pp. H7931-32).

2. EDUCATION. Concurred in the Senate amendment to H. R. 16729, the higher education bill (pp. H7890-3). This bill will now be sent to the President.

3. INFORMATION. Passed without amendment S. 2060, to amend the Federal Property and Administrative Services Act of 1949 to extend for 5 years the authorization for allocations and grants for the collection and publication of documentary sources significant to the history of the U. S. (p. H7894). This bill will now be sent to the President.

4. VETERANS BENEFITS. Agreed to the Senate amendment, with an amendment, to H. R. 1093, to amend and clarify the reemployment provisions of the Universal Military Training and Service Act. p. H7895

5. HEALTH. Disagreed to the Senate amendment to H. R. 15758, to amend the Public Health Service Act to extend and improve the provisions relating to regional medical programs, to extend the authorization of grants for health of migratory agricultural workers, and to provide for specialized facilities for alcoholics and narcotic addicts. Conferees were appointed. p. H7940

6. FLOOD CONTROL. Agreed to the conference report on S. 3710, the omnibus rivers and harbors and flood control bill. pp. H7943-7

the water if that is what we have to do—in order to stop them from confiscating such vessels, and imprisoning their crews.

We are getting down to the end of the road in this business of piracy. I thought we had had a stomach full over in North Korea, but apparently not. Now we come along, and propose to subsidize insurance and subsidize payments to these governments for acts of piracy on the high seas.

I do not like it, but I do not know of any other remedy until somehow or other we can clean out the State Department and get some people over there who are interested in protecting Americans in their legitimate use of the high seas.

Mr. DINGELL. If the gentleman will yield further, I am well aware that the gentleman is a member of the Committee on Foreign Affairs, and I believe this bill will afford the gentleman a tool so he can get at the bottom of this matter.

I hope very sincerely that he will review this matter with great care with the State Department, and determine how these funds will have to be administered. I believe the State Department will utilize the whole provisions in this bill and the gentleman will have an opportunity to see what the State Department is doing with regard to protecting these fishermen. And I believe this would be a very valuable service. As I say, I believe this tool affords the gentleman the tool with which to accomplish his purpose.

Mr. GROSS. The gentleman has mentioned the Committee on Foreign Affairs, and I am a member of it. The committee spends most of its time devising ways of getting rid of the taxpayers' money through the giveaway programs around the world. The Committee on Foreign Affairs ought to be holding hearings and investigating a dozen matters of importance to the American people that I can almost give you out of mind right now. This we ought to be doing, and are not doing, I regret to say.

Mr. FEIGHAN. Mr. Speaker, will the gentleman yield?

Mr. DINGELL. I will be happy to yield to the gentleman from Ohio, but I do not have control of the time.

Mr. GROSS. I will be glad to yield to the gentleman from Ohio.

Mr. FEIGHAN. Mr. Speaker, I would like to make inquiry as to whether or not this bill in essence does not provide money which is going to be used to pay the ransom for the return of these ships.

Mr. GROSS. I would suggest that the gentleman address his question to the gentleman from Michigan.

Mr. DINGELL. Of course the answer to the question asked by the gentleman from Ohio is No, it does not. This simply compensates the American fishermen in part under the insurance program for his loss, and also there are certain specified amounts set out in the bill, including the cost of fines, seizures, loss of gear, and other losses that are reimbursable. The whole question is as to whether we are going to protect our commercial fishing industry—and I might add that I do not have any in my district. The bill is quite important.

Mr. FEIGHAN. If the gentleman will yield further, are we not providing the wherewithal by which these people may in essence ransom the ship?

Mr. DINGELL. No, what we are actually doing is authorizing a method to handle these matters that I have mentioned, covered by this bill, so that these costs will be recouped in foreign aid to the nations concerned.

My good friend, the gentleman from Iowa, has expressed quite some concern about some of these programs in foreign aid, and he will have a chance to discuss them when the foreign aid bill comes up.

Mr. HAYS. Mr. Speaker, I reserve the right to object since that is the order of the day around here.

I have heard the gentleman from Iowa make certain statements that the Committee on Foreign Affairs ought to be holding hearings right now on things that he says are wrong with the State Department.

As chairman of the State Department Subcommittee, I will invite the gentleman to come over any time he wants to and testify. But he had better have his facts because I am going to ask a few questions.

I am a little tired of people making statements around here about how rotten the State Department is and how many things are wrong with it. I am sure there are things wrong with it and I am sure there always will be because it cannot be perfect. But if the gentleman knows anything of any national import or even of any importance at all wrong with it, you come in and I will set up a hearing for you tomorrow.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. HAYS. I am glad to yield to the gentleman.

Mr. GROSS. For an opener let us have a hearing as to why the Secretary of State refuses to extradite a labor goon to Canada who was convicted in that country for a criminal act and sentenced to 5 years.

Mr. HAYS. I do not know that that is a very overriding matter. You only want to substitute your judgment for that of the Secretary. But you are talking about so many things that are wrong with the State Department.

Mr. GROSS. Oh, you want to pick and choose?

Mr. HAYS. Why do you not get to be Secretary of State? You are just questioning his judgment and that is not anything that is wrong with the State Department.

If the Republicans win the election, I hope they pick you for Secretary of State.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

Mr. HAYS. Mr. Speaker, I object.

UNIVERSAL MILITARY TRAINING AND SERVICE ACT

Mr. PRICE of Illinois. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 1093) to amend and clarify the reemployment provisions of the Universal Military Training and Service Act, and for other purposes, with an amendment of the Senate thereto, and consider the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment, as follows:

Page 4, after line 7, insert:

"SEC. 2. Section 3551 of title 5, United States Code, is amended by striking out ', to be restored to the position held when ordered to duty.' and by substituting in lieu thereof the following: 'within the time limits specified in section 9(g) of the Military Selective Service Act of 1967 (50 U.S.C. App. 459(g)), to be restored to the position held by him when ordered to duty. However, a Reserve or member of the National Guard who leaves a position for which the salary is disbursed by the Secretary of the Senate or the Clerk of the House of Representatives is entitled on release from active duty to be restored only under the provisions of section 459(g) of title 50, appendix, United States Code.' "

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

MOTION OFFERED BY MR. PRICE OF ILLINOIS

Mr. PRICE of Illinois. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. PRICE of Illinois moves to concur in the amendment of the Senate with an amendment as follows: On page 4, line 18, delete "459(g)" and substitute "459".

The motion was agreed to.

A motion to reconsider was laid on the table.

CORRECTION OF VOTE

Mr. THOMPSON of New Jersey. Mr. Speaker, on rollcall No. 287 I am recorded as not voting. I was present and voted "yea." I ask unanimous consent that the permanent RECORD and Journal be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

AGAINST TEAGUE AMENDMENT TO FOOD STAMP BILL

(Mr. ECKHARDT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ECKHARDT. Mr. Speaker, because of the limitation on debate on the Teague amendment to the food stamp bill (H.R. 18249), I was not able to speak against it, though I was on my feet at the time of limitation of debate. I voted against it, but there was no way to get a separate vote on this very repressive amendment since it became merged with the Sullivan substitute, which I supported.

I cannot, however, let my opposition to this amendment remain unspoken. The amendment establishes governmental policy to starve a child to make his father cross a picket line. It also, unjustly and discriminatorily, creates an express discrimination against unionists on strike and students. All persons should be treated alike under the Federal guidelines and State administration, which together, afford adequate machinery to prevent abuse.

The amendment was a gratuitous slap at the working man and the student.

EXTENSION OF FOOD AND AGRICULTURE ACT OF 1965

Mr. POAGE. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 17126) to amend the Food and Agriculture Act of 1965.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill H.R. 17126, with Mr. NATCHER in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee rose on yesterday, the gentleman from Texas [Mr. POAGE] had 15 minutes remaining and the gentleman from Oklahoma [Mr. BELCHER] had 15 minutes remaining.

The Chair now recognizes the gentleman from Texas.

Mr. POAGE. Mr. Chairman, I yield 5 minutes to the gentleman from Washington [Mr. FOLEY].

(Mr. FOLEY asked and was given permission to revise and extend his remarks.)

Mr. FOLEY. Mr. Chairman, I rise in support of H.R. 17126, a bill to extend for 1 year the Food and Agriculture Act of 1965.

I was a member of the Committee on Agriculture and Forestry when this original legislation, the Food and Agriculture Act of 1965, was enacted by the 89th Congress. It was our effort at that time to write a basic farm bill which would correct many of the problems which had plagued the farm program over the years, and to bring some measure of security and stability to farm programs that had been subjected to legislative revision every year or two.

We did not succeed perfectly. No committee succeeds in such an effort with absolute perfection. But I do think that it can be said that in the Food and Agriculture Act of 1965, the extension of which we consider today, has met with greater acceptance in areas of agriculture as diverse as feed grains, dairy, wheat, cotton, and rice, than any previous legislation in our history.

Any Member in this Chamber who has any doubt about the fact that the American agricultural community supports this basic legislation could consult any farm organization in this country, save one. Farmers support these programs through their organizations and by their participation which, in my State, approaches 98 percent in wheat, for example.

I have heard Members stand in the well and state that there are 100,000 farmers leaving the farms and going to the cities each year, or that the prices of farm commodities have dropped in some instances, or that parity has not been achieved in other instances. The fact is that agriculture does have its problems, but not because of this legislation. Indeed, without it, the problems of agriculture would be vastly greater, as everyone familiar with the agricultural and rural scene knows very well.

Some of my friends may be concerned that this program does not serve the interests of those in urban areas. What we contend is that these programs support consumers fully as much as they support the agricultural economy. Without these programs, without some control over the tremendous capacity of the United States to produce agriculture products, we would see an immediate and quick depression in agricultural areas all over the United States. Such a result would inevitably be the death of many existing farm operations, and the development of larger and larger corporate farms.

It is just inevitable that this process, which exists to some extent today, would be immensely accelerated by the failure of this legislation. The ultimate consequence of increased prices would force the consumer to pay more, not less, in the marketplace than he pays today.

The cost of wheat that goes into a loaf of bread is so fractional that I could say with certainty that if we gave away wheat, it would not substantially reduce the price of the bread to the consumer. But we do have it in our power, by defeating this legislation, to encourage, if not to precipitate, an agricultural depression, which would have dangerous impact on the national economy as a whole.

So it is in the interest of the entire economy—rural, industrial, and urban—of the country to support this measure. I want also to say something about the proposals that undoubtedly will be made to limit payments. I have the greatest respect for the capacity and ability of some of the Members who have offered the limitation measures before. I think they know very much what they are about. Many of them are enemies of the program, and its present character. They know once these limitations are enacted, the program will be killed. They know that we cannot hope to limit production if we have payment limitations which drive the larger producers out of the program.

The CHAIRMAN. The time of the gentleman from Washington has expired.

Mr. POAGE. Mr. Chairman, I yield the gentleman from Washington 2 additional minutes.

Mr. FOLEY. So, Mr. Chairman, I especially urge those of my colleagues who come from the urban areas not to be deceived by the suggestions that payment limitations are reasonable and proper. They have no relevance to anything but slow death of this legislation. A payment limitation of $10,000 or $15,000 or $20,000 would inevitably kill the program as it exists. They would be better advised to vote against the bill than to vote for a payment limitation.

Mr. PATTEN. Mr. Chairman, will the gentleman yield?

Mr. FOLEY. I yield to the gentleman from New Jersey.

Mr. PATTEN. Mr. Chairman, I want my colleague from Washington to know that he has to say it better than he is saying it in order to satisfy the people in my district. When some people are getting $100,000 and $250,000, I cannot tell my people what the gentleman just said in order to solve their problem.

Mr. FOLEY. Mr. Chairman, it is always interesting to me that Members complain about $100,000 payments and then urge a limitation of $10,000 or $15,000.

The other body proposed a limitation of $75,000—which I personally would oppose as against the philosophy and theory of the program—but it makes more sense—than the proposals to go from a $100,000 or a $200,000 payment down to a limitation of $10,000 or $20,000.

These payments represent a contract payment for taking land out of production. When we condemn land for public purposes or we condemn land for Government construction, we do not say that no single owner of property will be paid more than $10,000 or $20,000. Government contracts with industry do not limit the payments any one corporation or business may receive.

The fact of the matter is that this program is designed to limit production by paying the producers who voluntarily accept limitations on production. If we exclude the producers who produce more than a certain amount of production, we are not going to keep the program in operation.

If it fails those who will suffer are small farmers those connected directly with the agricultural economy and paradoxically the urban consumer.

The CHAIRMAN. The time of the gentleman from Washington has expired.

Mr. POAGE. Mr. Chairman, I yield the gentleman 1 additional minute.

Mr. FARBSTEIN. Mr. Chairman, will the gentleman yield?

Mr. FOLEY. I yield to the gentleman from New York.

Mr. FARBSTEIN. Will the gentleman please explain to me how he figures the consumers will benefit as a result of this scheme?

Mr. FOLEY. The consumers benefit because, unfortunately, the price of American farm products is below a parity level which would give farmers a reasonable return on their investment. To some extent the slack is taken up by this program.

At the same time the consumer in this country pays the lowest proportion of his income for food of any consumer in the Western World.

If this program fails, we are going to have a massive depression in the farm area, which will result temporarily in a very sharp drop of farm prices. But this will not be passed on to the consumer. The reorganization of farm agriculture to a larger corporate basis will be quick and brutal, resulting in a far more easily administered market. Increased prices in the marketplace will be inevitable. The consumer will pay more to a larger, more centralized, and far better organized corporate agriculture. To me that is not an attractive prospect.

Mr. HUNGATE. Mr. Chairman, will the gentleman yield?

Mr. FOLEY. I yield to the gentleman from Missouri.

Mr. HUNGATE. Mr. Chairman, I associate myself with the remarks made by the gentleman in the well and commend the gentleman for his outstanding statement on this difficult problem.

(Mr. HUNGATE asked and was given permission to revise and extend his remarks.)

Mr. HUNGATE. Mr. Chairman, this legislation was developed as a result of trial and error over the years, starting with the original farm action programs during the dark depression days of the early thirties, and extending through drought, war, and peace, and numerous other emergencies. Each new program took into account the experiences gained under previous programs, and so this 1965 law had an outstanding advantage: It provided a 4-year program for planning by farmers instead of an authorization which had to be renewed and revised every 1 or 2 years.

Largely because of this 4-year authorization, the law has offered some measure of security, price stability, and flexibility, while at the same time affording freedom of decision by the individual family farmer. It has enabled many of such farmers to remain on the land.

The job which our farmers carry out with such casual excellence that we sometimes take the results for granted has provided for abundant production of food and fiber for our own people at the lowest cost to them in the world. It has insured ample supplies of farm products for world export, including donations to needy and underdeveloped countries.

No one has been able to charge that this country lacks food in any amount that we could possibly require.

But, if farmers are to continue providing abundantly for all the Nation's needs, we on our part must insure that they are able to plan and operate their production plants with at least a small amount of assurance.

That is why I urge the extension of this legislation now.

I need only remind you of past experience. The act of 1965 was developed after long and extensive hearings, and it was not actually enacted into law until November 3 of that year.

The legislation as now in effect covers the crops through 1969, but the planting of next year's wheat crop starts in some sections as early as July. So the major part of the 1969 wheat crop will be planted during the fall of 1968—this year. And the 1970 wheat crop will go into the ground during the summer and fall of 1969.

If extension of the 1965 act were delayed until the next session of Congress, time would be short in which to pass such legislation and for farmers to adjust their cropping plans. A 4-year extension is needed to provide adequate planning. It is the same length of time we afford other necessary programs. Most farmers need financing and most of it cannot be done on a 1-year basis. Do not penalize our most productive minority. Agriculture is the Nation's basic industry. And farm programs are the basic foundation on which to build a sound farm economy.

Let us meet our responsibility by providing effective assistance to farmers in working toward a stable and prosperous agriculture and Nation. And let us do it now.

Mr. GROSS. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count.

Fifty-five Members are present, not a quorum. The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 298]

Baring	Gardner	Miller, Calif.
Battin	Garmatz	Morse, Mass.
Blackburn	Goodell	Pike
Blanton	Hansen, Idaho	Rarick
Bolton	Hawkins	Resnick
Burke, Fla.	Hébert	Rhodes, Ariz.
Cramer	Herlong	Rhodes, Pa.
Davis, Wis.	Holland	Schweiker
Dole	Irwin	Springer
Evins, Tenn.	Jarman	Teague, Calif.
Fallon	Karsten	Waggonner
Flood	Kirwan	Watson
Frelinghuysen	Lipscomb	Wright
Fulton, Tenn.	Lukens	

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. NATCHER, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill H.R. 17126, and finding itself without a quorum, he had directed the roll to be called, when 391 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

The CHAIRMAN. The Chair recognizes the gentleman from Oklahoma [Mr. BELCHER].

Mr. BELCHER. Mr. Chairman, I yield myself 10 minutes.

Mr. Chairman, I find myself in a rather peculiar situation today. The President of the United States is against my position. The Secretary of Agriculture is against my position. The chairman of the House Committee on Agriculture is against my position. The majority leadership is against my position. And the minority leadership is against my position.

Mr. ABERNETHY. Mr. Chairman, will the gentleman yield?

Mr. BELCHER. I yield to the gentleman from Mississippi.

Mr. ABERNETHY. Under those conditions, would the gentleman insist on making his speech?

Mr. BELCHER. I just want to make my position clear. I supported the 1-year extension. At the beginning of this year the chairman and I had several conversations concerning the fact of whether or not there would be any farm legislation this year. I tried to convince the chairman and I tried to convince the Secretary of Agriculture that, in view of the fact that this was an election year, it would be a poor time to try to do anything about a farm bill.

Later on the chairman decided that we had to do something. The chairman favors making the present program permanent. I was against the program in its inception and I am still against the present program. However, I discussed the subject with the chairman and suggested to him that it might be possible to get an agreement on a 1-year extension on the present bill. I would favor a 1-year extension of the present bill because I think it would give a little running room before we have to bring out a new bill.

So we proceeded on that idea. The other body passed a 4-year extension. I have been assured by the other body that they will accept nothing less than a 4-year extension. I am not going to suport and pass out a 1-year bill here knowing that a bill much longer than that will come back to the House from the conference. I know that the chairman has stated, and I know honestly that he will try to maintain the position of the House. But the chairman is going to be under the pressure of the majority leadership, the Secretary of Agriculture, and the President of the United States.

I have loved, cherished, and respected my chairman for 18 years. I have enjoyed working with him. I have enjoyed working with him in the past 2 years. He is a man of his word.

But the thing that surprised me was before we went to the Rules Committee with the food stamp plan, the Speaker assured the chairman that the farm bill would come up first. With that assurance, the chairman of the committee decided we could go to the Rules Committe and get a rule on the food stamp plan. We did that. But the food stamp plan came up first. I do not know where the signals got crossed.

What surprised me more than ever, the chairman introduced a bill suggested by the Secretary of Agriculture which provided $20 million additional authorization for this coming year.

The Secretary of Agriculture then appeared before the committee, without any notice whatsoever to the chairman of the committee, and advocated the Sullivan bill. That almost knocked the chairman off his chair. He got rather irked about it, and he was not happy about it, so he proceeded to get the Committee on Agriculture to disregard the Sullivan bill and pass out the chairman's bill, which came out almost unanimously. The chairman then came to the floor with the food stamp plan and did not raise a little finger and never opened his mouth to defend the Poage bill against the Sullivan bill.

I have known Texans all my life. Texans do not surrender. Ever since the day of the Alamo, one of the characteristics of the Texan is that he will fight all over the lot but never surrender. So when the chairman, the gentleman from Texas, surrendered, I know he had tremendous pressure. I know he is going to have the same pressure when he gets into conference with this 1-year bill. I do not know whether he will surrender this time, but I am not going to take a chance on it. I am not going to throw away the only weapon I have to prevent fastening on the farmers for 4 or 5 more years this present farm program.

Do Members know that in the last 8 years the Department of Agriculture has spent $63.5 billion, and do Members know that is more money than has been spent from the time when Pilgrims landed on Plymouth Rock to the day when Secretary Freeman was sworn in?

That is almost $8 billion a year, and for that much money a year I think we ought to get more than $1.15 per bushel for wheat.

When the chairman says to me, "I would like to see this program continued forever, permanently," I just cannot understand why a program that costs $8 billion should be continued when the farmer, according to his own statement, is in the worst shape he has been in in 20 long years. Yet the chairman says he would like to just to continue to give the farmer the very same thing.

I do not know whether I will be chairman of the committee next year, or whether the present chairman will continue, and I do not particularly care. I would just as soon work with the gentleman from Texas as chairman and me as ranking minority member or vice versa, because the gentleman from Texas is the type of man I like to work with.

I am trying to protect the gentleman from being put on that kind of spot in conference. He cannot protect himself but I am going to try to protect him.

I insisted that the Secretary of Agriculture should apologize publicly to the chairman for changing signals, and the Secretary of Agriculture did apologize to the chairman publicly.

If the farmers are leaving the farms—as they are—at the rate of 5 million farmers in the last 8 years, and they are being starved out at the rate of 600,000 or 700,000 a year under this particular farm program, then I think it is fine that we passed the food stamp program yesterday, because the gentlewoman from Missouri in the future is going to have many more farmers to feed if we keep this farm bill.

We have spent $63.5 billion, and the farmer is in the worst condition he has been in during the past 20 years. Wheat is selling at $1.15 a bushel. If that is all the future we can offer the farmer, we destroy the last hope he has.

I believe that hope to a man lots of times is worth as much as money. When a man has no hope for the future, what incentive is there for a farmer to struggle on?

I do not know, if I become chairman of the committee, whether we can get any better program than this. I do not believe we will get a worse one, because I do not believe this Congress will give us more than $8 billion a year continuously. I just do not believe that wheat will get much lower than $1.15 a bushel, which is the price this morning in my congressional district.

The CHAIRMAN. The gentleman has consumed 10 minutes.

Mr. BELCHER. Mr. Chairman, I yield myself 5 additional minutes.

I have said many times that I do not accept the responsibilty for any single Member's vote. I am just trying to give the facts. I believe the Members are entitled to the facts.

The gentleman from Indiana [Mr. MADDEN] said the other day in the Rules Committee, "I did not know that those farm bills were going to cost so much money."

I know these farm programs are the most complicated things in the world. There are very few Members of this House who really understand the farm bills. They are completely complicated.

I know the gentlemen on the other side merely walk into the Chamber and they vote for the Secretary of Agriculture. Well, I want to give them the facts this time, because in the coming campaign there may be some "eager beaver" in their districts who will give their constituents the facts, and I believe the Members ought to know those facts before their constituents find them out.

I am terribly sorry that the gentleman from Indiana got so badly trapped on these figures.

I want to say that this will not hurt me, regardless of whether a 1-year bill or a 5-year bill is passed. Members should understand that whatever it is extended, it will be 1 more year than what it is extended. If we pass a 4-year bill, that will mean 5 years from December 31 before the Committee on Agriculture has to do anything about it. That will run through about three congressional elections and two presidential elections, and I will not have to face those headaches that we are bound to have to face.

So, personally, it would probably be a great favor, and I probably would live longer, if this bill were passed to take the monkey right out of my lap.

Mr. JONES of Missouri. Mr. Chairman, will the gentleman yield?

Mr. BELCHER. I yield to the gentleman from Missouri.

Mr. JONES of Missouri. I heard the gentleman a minute ago mention the possibility that he might be chairman of the committee come January. Would he not have an opportunity at that time to change anything that this Congress had done?

Mr. BELCHER. The gentleman has served 20 years on this Committee on Agriculture and he has never seen a farm bill changed yet before the expiration of it.

Mr. JONES of Missouri. I disagree with the gentleman.

Mr. BELCHER. We cannot even pass a farm bill 30 minutes before the expiration of a farm act.

Mr. JONES of Missouri. Mr. Chairman, will the gentleman yield for another question?

Mr. BELCHER. Yes; but do not ask me those foolish questions.

Mr. JONES of Missouri. I will try to keep from asking embarrassing questions. I will try to do that.

Mr. BELCHER. I do not care how embarrassing it is; just make it sensible.

Mr. JONES of Missouri. All right. Does the gentleman recall on the day that this bill was reported from the Committee on Agriculture whether or not there was an agreement entered into that some of us thought was binding, and which I thought the gentleman from Oklahoma was a party to?

Mr. BELCHER. Yes, sir; we had an agreement that we would extend the agricultural program for 1 year, but absolutely knowing that there is no possible chance to do that, I am not going now to throw away the only weapon on earth and let the majority go over there and bring back whatever type of bill they want.

Mr. JONES of Missouri. Did you not have the same information that day that you have now?

Mr. BELCHER. No, sir. At that time the information from the other body was that they would not even pass a farm bill this year. Since then they have passed a 4-year bill and since then I have been assured by the other body that they will not concede a single minute of that 4 years. Now, I am not just that foolish that I am going to surrender the only weapon I have. If you want a 1-year bill, the best way on earth to get it is to stop this bill here today and then we will negotiate with the Senate. We cannot negotiate with the Senate if we send this bill over there and it goes to conference.

Mr. ARENDS. Mr. Chairman, will the gentleman yield?

Mr. BELCHER. I yield to the gentleman.

Mr. ARENDS. From what the chairman said I was under the impression that if the House passed a 1-year bill he would let the conferees emphatically know this is exactly what the House wanted, but apparently from what you say an agreement has already been made that the conferees will accept a 3- or 4-year bill.

Mr. BELCHER. No, sir. I do not say that.

Mr. ARENDS. Let me ask you this question: Have our conferees made a statement to the effect that they will rigorously support the House position of 1-year extension and no more if such extension is voted.

Mr. BELCHER. The conferees, as far as I know, have said that they will try to maintain the House version. I have gone to conference for years when we tried to maintain the House version, and not one time have we been able to do it. I also know that I consider the chairman of this committee, one of the greatest authorities in the entire Congress on agricultural legislation. I think the chairman is one of the finest experts in the country.

Mr. POAGE. Mr. Chairman, I yield myself the remainder of the time.

Mr. ARENDS. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield to the gentleman from Illinois.

Mr. ARENDS. In yesterday's statement the gentleman from Texas said—and I really appreciate his clarifying his position:

> The other body has indeed passed a 4-year bill. Actually, an amendment to reduce this time limit lost by a tie vote and a proposal to write a 1-year limitation in the bill would have carried in that body by a change of only seven votes. I think it is clear that there is considerable sentiment in that body for the 1-year provision which is contained in the House bill and that we could rather confidently expect an acceptance of this term in conference.

Is it the gentleman's position that his position is for a 1-year bill when he goes to conference?

Mr. POAGE. The chairman is saying that he is going to carry out the will of this House in whatever it votes. I am going to stand with that position clear to the end. If this House will vote 1 year, as I think they will, then I am going to

vote for 1 year. I am going to support 1 year right on through.

Of course, if this House votes otherwise, I will follow the wishes of the House.

Mr. BELCHER. Mr. Chairman, will the gentleman yield?

Mr. POAGE. Yes. I yield to the gentleman.

Mr. BELCHER. I would say to the chairman that if he would fail to come back with a bill—unless he can come back with a 1-year bill I think then that possibly we can get a 1-year bill, but my understanding is——

Mr. POAGE. I think I have said enough on this. I frankly feel that when my veracity is challenged, as it seems it has been today, I think I have said all that I care to say to the gentleman from Illinois. My intention is to do the best I can and to honestly represent the will of this House. I doubt that my reaction is very different from that of most Members whose integrity has been questioned. It is indeed rather disconcerting to have one's friend of many years ask you to take warm blood and write out a pledge here on the floor. I think I have made my position as plain as could be expected of an honest man. If you think I am dishonest, I want you to vote against me, because I do not want you to vote for it if you think I am dishonest.

Mr. BELCHER. I do not say that the chairman is dishonest. I just want to know how long you are going to stay put, but you do not say that you will stay put if it means killing the bill.

Mr. POAGE. I said I was going to continue to represent the expressed will of the House all the way through. Now, that is as far as I am going. I believe that that is all my friend would want when he thinks this through. Now, I could get on my knees right here, and cross my heart, but I do not believe my friend from Oklahoma would really want me to do that.

Mr. Chairman, I do not yield any further.

Mr. JONES of Missouri. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I will yield to the gentleman in just a moment, but I do think there are some other things which ought to be said.

Mr. JONES of Missouri. I want to say this, because at the time we made the agreement in the committee all of us who voted for that bill to come out said we would support a 1-year bill without any amendments, and the gentleman from Oklahoma was a party to that agreement. But since he has made the statement which he has made here today that he does not intend to abide by the statement he made that day, I consider myself released from my commitment to stand by a 1-year bill and I am going as far as I can in my effort to extend the bill as long as I can. I was prepared to vote for a 1-year bill, but since the statement has been made by the gentleman from Oklahoma, I do not know that I will do that.

Mr. POAGE. I was a party to that agreement and I am standing by the agreement I made regardless of how many others might feel they are justified in changing their position.

Mr. ABERNETHY. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield to the gentleman from Mississippi.

Mr. ABERNETHY. The gentleman has just expressed my sentiments. I made the same agreement and I am standing by it.

Mr. MONTGOMERY. I, too, am going to stand by my commitment.

Mr. POAGE. I am standing by it, and I think the Committee will stand by it. I hope we will not all have to testify to that fact.

Mr. Chairman, I believe it is entirely clear that this Committee is going to stand by what we agreed upon. I think this Committee is going to stand by it all the way through. I think the majority of the House is going to vote for a 1-year program. I think we will come up with a 1-year bill.

However, Mr. Chairman, the important thing is do we want a bill at all and why do we want a bill?

I think it is much more important than arguing about who is going to stand by something. It is my opinion that all of us are honorable ladies and gentlemen. I am not questioning the veracity of anyone. I am simply suggesting that we need a farm bill very desperately. Why do we need it? Because the farmers are the poorest paid group in our economy. They are the only substantial group which has received no increase—and I said no increase—in their selling prices and wages.

Mr. Chairman, farm prices today are lower on all of the major commodities of this land than they were a generation ago. This includes wheat, cotton, and corn. All are selling for less than they did a generation ago. Farmers are having to buy in an administered market where they have to pay more for everything used in their operations and receive less for their wages and profits. I am not criticizing anyone, but if you are going to buy in an administered or protected market, you must have an opportunity to sell in such a market.

It is clear that at this moment farmers must sell in a protective market where he must buy the necessities with which to operate.

Mr. Chairman, the farmer must have the opportunity to sell in the same kind of market in which you sell your wages and your production of your manufactured products.

Mr. Chairman, the farmer must have the same opportunity. If he were given an opportunity to buy in a completely free market, then I would say he should not have any kind of Government assistance or subsidy.

Mr. Chairman, about 6 percent of our population lives on the farms today. Yet 40 percent of the poverty of America is in the rural areas—40 percent of the total number of these people are earning less than $3,000 a year and are located in the rural areas, and yet they constitute only 6 percent of our population. Does not this indicate to the members of the Committee that there is something desperately wrong? The gentleman from Oklahoma, the ranking member on the committee, has just gotten through saying that the program has not made the farmers rich, and it certainly has not. But, Mr. Chairman, the hospitals of America are full of sick people, are they not?

Should we burn down our hospitals? Everybody in them is sick, we want the people to be well. Why maintain these institutions which have by this standard failed so completely?

But the farm program has helped. It has not made all farmers well, but it has made them a whole lot better off than they were. And if we start today to cut off the blood transfusions that farmers are receiving under the present program we are jeopardizing the whole lifestream of agriculture.

Mr. ANDERSON of Illinois. Mr. Chairman, I rise in opposition to the measure before us today that proposes to extend the Agriculture Act of 1965 even though the program is not due to expire until the end of next year, almost a year and a half away.

I take the position I do because of my deep and abiding concern for the future of farming operations not only in my own congressional district but throughout our entire Nation as well.

My mail from the farming community in the 16th Congressional District of Illinois reflects a keen disappointment with the present farm program.

By all of the yardsticks by which one would measure the success of a program, the present Johnson administration-bred farm program has been a failure. Parity is the lowest it has been in three decades. Real farm income is down while farm costs are up. The cost-price squeeze is severe. In my own State of Illinois, net realized income per farm reflecting today's farm price levels dropped by about 20 percent last year. This is a fantastic setback when one considers how important one year's operations are to the next. I find that many current prices lend little encouragement to farmers that this situation is likely to improve in the near future. Just this afternoon I conferred with one of the farmers in my district who discribed his discouragement over the lowest corn and wheat prices in many, many years.

Our Nation's farmers have been treated like second-class citizens for too long by the present administration whose record over the years has clearly shown it being involved in actions repeatedly unfavorable or outright detrimental to the farmer. This administration, with the assent of the President and the sitting Secretary of Agriculture, has deliberately engaged in price depressing actions. The Secretary, I think, has rightfully been accused of engaging in dumping CCC stocks at crucial times which adversely affected farm prices. The administration, from the President on down, has engaged in trade manipulations that heaped insult on top of injury insofar as our farmers are concerned and many a family farm operator had his back pushed unfairly to the wall as a result.

So I cannot help now but wonder about this gratuitous response on the part of this administration to commit so prematurely the farm economy to more of

the same kind of program so full of farm failures and shortcomings. I cannot help but wonder about the sincerity of this administration's Johnny-come-lately concern for the welfare of our farmers.

Indeed, I question the motivation of this administration in the light of its sad farm record.

I consider what this administration ploy of extending the present disastrous farm program is nothing more than another attempt to keep farmers locked up in economic stagnation while other sectors of our national economy advance by leaps and bounds. Therefore, I think it would be ill advised to pass this extension at this time. I look upon the proposal as an affront not only to our Nation's farmers but as an affront as well to the new administration and the new Congress that will be elected in November.

I think a new Congress and a new administration that will be elected in November and which will be given a public mandate, should have the opportunity to apply new and fresh insights in writing a farm program to achieve the end result that our farmers will begin to share to a better and greater extent in our national rate of economic growth.

Mr. SKUBITZ. Mr. Chairman, several days ago, I received a letter from the Secretary of Agriculture labeling the legislation we seek to extend today as "landmark" legislation. There is not any question, Mr. Chairman, that it will stand out as a monument to remind the American farmer that because of it and the manner in which it has been administered parity prices are lower than they have been since the depth of the depression in 1933 that the farm debt now is 17.3 percent of the farm assets. The farm price for wheat in 1968 was $1.24 per bushel—down 25 cents from a year ago. The economic plight of the small farmer has been so desperate that many cry out that we abandon the whole program. I can understand their reasoning—I cannot agree with their conclusion.

The past 5 years will go down as the worst 5 years in the history of agriculture. While the economy of this country has flourished—the earnings of labor increased and manufacturers profits have skyrocketed, the farmer has gone deeper into debt, received less for his products and a smaller percentage of the consumer dollar. Small farmers are earning $3 and $4 a day yet we pass a minimum wage law requiring that they pay at least $1.50 per hour. While the farmers receive less for their wheat than they received 30 years ago, the machinery they buy has skyrocketed in price. If the recent wage increase for steel workers is an indication, they will pay more next year and the year to follow.

Mr. Chairman, we cannot have a healthy economy without a healthy and prosperous agriculture. Take away the purchasing price of agriculture and you also endanger the wages of the city worker who produces what agriculture buys and agriculture now spends upwards of $35 billion annually.

Mr. Chairman, I have been one of the group who has been critical of this administration, its agricultural policies and the manner in which it has administered the farm program. I have looked forward to the day when we could develop a farm program that would give agriculture a fair price for its product—that would return to the farmer his control over his own operations. I do not think, however, that it would be wise to let this program expire. Neither do I think that it makes sense to continue it for another 4 years and then give this body an opportunity to duck its responsibilities for 4 more years.

In my opinion a 1-year extension of the act is justified. In November, the people of this country will elect a new President and a new Congress. However, the new Congress will not convene until January 1969. We all know that it will take until the middle of March for it to really get down to business.

In wheat particularly we need a 1-year extension. The 1969 winter wheat crop will be planted very shortly. The 1970 crop will be planted a year from now. If the act is not extended now, wheat farmers will not be able to plan on the nature of the program that will affect them in 1970.

Existing law requires a referendum to be held on the 1970 crop by the summer of 1969. It seems unlikely to me that the new Congress and the new administration will be able to organize and propose improved farm legislation by early summer of next year. I therefore urge that a 1-year bill be approved.

Mr. MATSUNAGA. Mr. Chairman, I rise in support of H.R. 17126, which would extend through 1970 the Food and Agriculture Act of 1965.

I was greatly impressed yesterday with the lucid and forthright statement on this legislation made by the Agriculture Committee's distinguished chairman, the gentleman from Texas [Mr. POAGE], with whom I had the privilege of working on that committee during the 88th and 89th Congresses.

It is clear that we are called upon at this time, not to judge the merits or demerits of the Food and Agriculture Act of 1965, but merely to provide the Nation's farmers a 1-year extension of the present program. The measure on the floor is definitely not designed in any way to preempt the task of forging an improved farm program. That task is left to a future administration and to a future Congress.

Whether we are for or against this legislation, it can be said that we are all seeking a common goal—a stable and productive farm economy that brings to our farmers a fair share of the farm income. Today, we are not being asked to find the pathways which lead to that goal. We are merely being asked not to prejudice a future opportunity for the Nation's farmers to reach that goal.

It is a matter of common knowledge that farm operations require careful planning. Months before the first shoots of a new crop appear, the soil must be carefully prepared for planting. Months before the crop is harvested, the farmer is concerned with marketing problems. The proposal espoused by some that we ought to let the present farm program expire in 1969 so as not to step on the toes of a future Congress, is a neat sidestep of the underlying issue. There is no doubt that a future Congress will undertake, as it must, the task of improving upon our farm program. But what are we, in this Congress, going to do about our responsibility of providing the Nation's farmers the assurance of relatively stable prices for their products until that future Congress can act?

The 1-year extension provided in H.R. 17126 would give needed stability to our farm economy during the interim period. It would also provide sufficient time for that oft referred to future Congress to present a carefully considered program instead of a proposal hastily conceived because of the exigencies of the situation.

Mr. Chairman, I strongly urge a favorable vote for H.R. 17126.

Mr. THOMPSON of New Jersey. Mr. Chairman, we need a 4-year extension of the Food and Agriculture Act of 1965. And we need it now. The current act expires with the 1969 crops.

Long-range planning is as vital to success in agriculture as it is in any other business.

Farmers need to know just as soon as possible what kind of programs they will have for their 1970 crops, and thereafter.

Opponents of farm programs would have us believe that it is unfair to incoming Congressmen for this session to act now on the extension of the 1965 Farm Act. I say it would be grossly unfair to the farmers of our Nation, and equally unfair to our friends in the cities, if we delay this important decision.

Opponents of farm programs will not be any more in favor of an extension after next January 20 than they are today. They have already testified that they want to do away with the grain programs—and after that they say they will look at other farm programs.

I say, let us look at the facts, now, in 1968.

The facts are that a study made by Iowa State University for the National Advisory Commission on Food and Fiber concluded that in the absence of farm programs, net farm income would drop between 20 and 40 percent in the first 5 years, and that the same low prices would persist for at least another 5 to 10 years.

The facts are that recent farm programs have enabled us to work off the burdensom surpluses of a decade ago and to achieve a reasonable balance between supply and demand.

The facts are that farm programs have brought farm income up and kept it up. In 1966 they brought American farmers the second highest net farm income on record. Last year they kept farm income from dropping as much as it could have with the worldwide overproduction of grains in 1967.

The facts are that farm programs make it possible for farmers to subsidize the consumers of America with high quality, low cost foods. Last year American consumers spent only 18 percent of their disposable income on food—the lowest of any nation in the world, and the lowest it has ever been in this country.

The facts are that the 1965 Food and Agriculture Act authorizes basic programs for cotton, wheat, feed grains, and wool. It also provides a program to allow milk producers in a Federal milk

marketing order area to establish bases and maintain them without having to overproduce; and a standby diversion program for rice if it is needed. The act also authorizes the cropland adjustment program which allows the long-term retirement of cropland not needed currently for the production of crops likely to be in surplus.

The facts are that farmers in many areas will be planning and budgeting in January, long before the new Congress is seated and organized. They will be arranging for the purchases of land, machinery, fertilizers, and other production inputs required for planting and harvesting the 1970 crops. What the farmers plan to do will depend on their price and income prospects. Without a program, income prospects will not be good.

The facts are that failure to act now could have serious repercussions in other segments of our economy. Farmers provide raw materials for an estimated 10 million workers who process, transport, manufacture, or sell farm products. It is estimated that three out of every 10 jobs in America are related to agriculture. Farmers themselves represent about a $40 billion customer for goods and services from our cities and factories.

These are the facts. Extension of the Farm Act is in the public interest. Let us face the facts and act now.

Mr. SHRIVER. Mr. Chairman, this bill before us, H.R. 17126, provides for a 1-year extension of the 1965 Agriculture Act. I support this legislation because it is based on the sound premise that farmers are entitled to know now what their programs will be so that they can make knowledgeable decisions for a reasonable time into the future.

Our action now in extending this farm legislation for 1 year would give a new administration and a new Congress time enough to write a farm bill before the existing programs would expire.

The present law expires on December 31, 1969, but some farm management decisions would have to be made early in 1969 by farmers in my district. For example, farmers are entitled to know what kind of program they will be operating under, before making costly commitments for machinery, fertilizer, feed, and land. That is why it is so important to get a 1-year extension of the program now.

The 1-year extension gives farmers time to make their plans for 1970 crops in an orderly and reasonable manner. It also gives the next administration and Congress time to legislate in an orderly and reasonable manner.

Mr. Chairman, I want to emphasize that my support of this legislation does not constitute a blanket stamp of approval on the current farm programs. There is a desperate need for improvement of agricultural prices and income. There is a need for better management within the Department of Agriculture of our farm programs.

A 1-year extension gives the necessary leadtime to all concerned with the eventual strengthening and improvement of American agriculture.

Mr. MONAGAN. Mr. Chairman, I strongly oppose any extension of the time of authorization under the Agriculture Act of 1965. I opposed the extension of the act in 1965 and I oppose it today.

I am opposed to this act on its merits in any event but even if it were to pass I am opposed to any long extension as has been proposed by some Members.

Who can say what events may take place in the 3- or 4-year periods which have been suggested. At the pace that life moves today many basic changes can take place which would alter our attitude toward this legislation and toward the farm problem generally.

It is clear that this problem requires constant review. Every day brings about mechanical and scientific advances in agricultural practice which modify the whole farm situation. In addition, the population pattern of the country continues to change rapidly. As in every other nation in the world, the farm population, especially farm labor, is moving to the urban areas. This, too, brings changes in the complexion of the problem.

With all these variables, therefore, we are shirking our responsibility if we surrender for any substantial period of time the supervisory responsibilitty over Federal programs that is imposed upon Members of Congress by law. Nor is this any moderate amount that we are discussing. Although it is not readily apparent from an examination of the report, the fact is that this bill carries a price tage of some $3 billion for a 1-year extension. That we should scrutinize with care such an authorization in any year goes without saying, but it is quite obvious that a quizzical examination is particularly called for in a year when we are slashing other Government programs and reducing Government expenditures. I have long felt that the farm program was a prime target for economizers and I feel so with particular keenness today.

My basic objection to this farm legislation lies in the fact that it is a bag of contradictions. It is a conglomeration of conflicting ideas that have been accumulated over the years. It seeks varying and sometimes contradictory objectives. It fails to do many of the jobs which it purports to do.

It encompasses the wealthy, powerful, and corporate entities which hardly can be called farmers but are industries in themselves. It covers the middle class individual enterpreneur and it encompasses the marginal and even parttime dweller on the land who is either a candidate for the poverty program because of his limited resources or, is in fact, primarily an industrial worker. Other fields have a farmer part time.

Yesterday, the gentleman from Pennsylvania [Mr. GOODLING] gave certain statistics about the disparity between the amounts received by farmers in Pennsylvania under Federal farm programs, and those received by certain large corporate enterprises. It is educational to make a similar comparison with respect to Connecticut farmers.

In 1966, payments to the three Connecticut payees that received more than $5,000 each totaled only $21,045 and in 1967, four such payees received only $27,631. By contrast, a single payee, the Salyer Land Co. in Kings County, Calif., collected $1,014,860 in 1966 and in 1967, another single payee, South Lake Farms in the same county got $1.3 million.

Under this program, the rich are getting richer, the corporations are getting bigger, and the payments to them are becoming astronomical. Gaining affluence is not bad in itself, but how any one can justify sandbagging the Federal taxpayer to support some of these corporate giants exceeds the limits of my understanding.

These entities rely on intensive cultivation and broad mechanization and they really need no Federal programs except that of the income tax collector.

The middle group is relatively prosperous and can subsist without Federal subsidy. The third group should not be considered to be farmers at all and where distressed should be included in poverty or welfare programs or vocational and educational programs directed toward the underprivileged in the community.

My objection, therefore, is that this program is not doing its job, that it is abnormally expensive, that it gives benefits to elements of our society who do not need them, that this is done at the expense of the overburdened taxpayer, and that the whole rationale of the program which was appropriate to other times, and other economic periods, is no longer relevant to the economy of today.

In view of these factors, therefore, I intend to vote against this bill in the hope that a defeat would bring about a more reasonable and less expensive legislative solution of our farm problem.

Mr. GRIFFIN. Mr. Chairman, the Government has been lashed by various newspaper writers and by representatives of the Poor People's March for allegedly subsidizing big well-to-do farmers instead of the poor and for holding down farm production while people are hungry. Laced through these charges are allegations that the Government and plantation owners are teamed up to drive the tenant off the land and otherwise to deny him his rights.

Unfortunately, many who should know better have given credence and circulation to some of these irrational appeals.

Without going into detail, let me examine a few facts that should help clear away the fog and permit us to consider the farm program legislation factually.

First, the point about hunger. There are hungry people in America, as we all know, but there is no shortage of food. There is abundance, and in relation to consumer income, it is the cheapest it has ever been. Surplus production has never helped feed poor people, and it will not help now. Deny farmers the farm program, and you sentence them to poverty, but you do not thereby relieve the poverty that now exists. We must not, in the name of charity, make our agriculture weak and unable to meet our future needs.

Second, what about the farm people who are being driven off the land? One would think—to judge by much that has

recently appeared in print—that we should try to preserve the old plantation system with sharecroppers working for their "furnish" with 20 acres and a mule.

The truth is that farm population has been going down for decades. Productivity per man and per hour continues to go up. This is true not only among commodities to which the farm program applies but also among nonprogram commodities such as chickens and beef cattle. This is a good thing—not bad—when the people who leave farming do so because of better opportunities elsewhere. This is the way of civilization—first, people developing agriculture to free themselves from the necessity of hunting, then improving their agriculture to free more people from the need to produce food and fiber, free to devote their time to other pursuits.

The farm program has moderated the movement of people out of agriculture by helping maintain and increase farm income—preventing depression, which not only drives people out of farming but piles them up in rural slums and cuts down both jobs and wages. Not only does the farm program give people a better chance and a longer time to choose whether they want to stay on the land—it prohibits by force of law the reduction in number of tenants on participating farms. The landowner can change tenants but he cannot reduce the number in order to gain farm program benefits for himself. Obviously, this regulation would not work perfectly under the best of circumstances, but there is a record of enforcement in cases that have been appealed above the county level, and I am satisfied that the Department of Agriculture is making a strong effort to protect the rights of tenants as the law provides.

A third charge—although it could be classed as part of the one I was just discussing—goes like this: When you take land out of production, you drive people off the land. There is less need for tenants and wage hands, so they have to leave.

That is, the farm program hurts poor farm people by taking land out of production.

This is like blaming aspirin for your headache. Let us not blame the medicine—blame the disorder.

Should we keep on piling surplus upon surplus in order to make work for unemployed and underemployed people? I think not.

It would be more sensible and it would be less expensive to create jobs in other sectors of our economy that would help meet some of our country's real needs.

The fact is that farm program payments to landowners and tenants help them maintain their income while they are holdling some of their land out of production and spending money to keep this land in soil-conserving uses. The production adjustment which payments help finance aids market prices, which are as important to small farmers as well as to those better off. Furthermore, some of the payment money is directly for soil conservation practices—not for taking land out of production—and this does not increase the farmer's income; it merely pays back part of the farmer's cost of doing conservation work in the public interest.

One additional charge is frequently heard. In various forms, it boils down to this: You are giving relief to the wrong people. You are subsidizing the rich and neglecting the poor.

This is like saying that social security is relief and should go only to the poor. It is like saying that interest on Government bonds is relief and should be cut off until the poor are no longer poor.

The fact is that farm program payments are not relief. They are not welfare payments. They are not based on the farmer's individual need.

We say to the farmer: Surplus production is against the national interest; we want you to help prevent surplus. Give up the use of some of your cotton land and some of your grainland. Keep that diverted land under soil-conserving cover crops and do not harvest anything from that land. Keep the weeds down. Do these things, and we the public will pay you for these services. If enough farmers join together to do these things, you will probably get better prices in addition to the payments, but in any case you will have the payments and therefore can afford to take the chance on smaller production.

That is our compact with the farmer. Without the payment or other major incentive such as a high price-support loan, farmers cannot afford to do what the Nation wants them to do. Some farmers feel they cannot afford it even with the payments, and do not participate in the program. No farmer considers his payment to be relief or "something for nothing."

How, in the name of commonsense, can payments of the kind I have described be classed as relief, or dole, or welfare?

As I have indicated, there are other farm program payments. One is the kind which helps the farmer bear the out-of-pocket costs of conservation practices. Generally these cover about 50 percent of the cost.

And there are incentive payments to help meet the objectives of the Sugar Act and the Wool Act. Some of the largest payments are made under the Sugar Act. Without these payments or some equal incentive, we could not have a domestic sugar industry. Other countries can deliver sugar here cheaper than we can produce it. But our national policy is not to depend on other countries for all of our sugar but rather to divide up our domestic market among foreign producers and among U.S. producers. As to wool, we do not explicitly divide up the market, but we do, as a matter of policy, offer incentives to keep U.S. producers in business supplying a share of our needs.

You cannot fairly class the sugar and wool payments as relief, any more than you can reasonably categorize conservation or acreage diversion payments as relief.

So much for the irrational charges that the farm program is antipoor people.

Mr. Chairman, I would prefer that we did not have Government props under agriculture; that a free market could prevail. However, that utopian condition is impossible in view of Government assistance given to labor, commerce, and industry. Economic complexities in our changing society, low foreign production costs, and the need for agricultural stability make it necessary to have a farm program. Certainly, I am not happy with the present program but, considering the alternatives, I feel a modest extension is in the public interest.

Mr. BOLAND. Mr. Chairman, the bill before us today is indeed a strange one.

It is all the more strange to me, personally, because I voted for the grandfather of the legislation we now are considering.

And that grandfather, as we all know, was the Agriculture Act of 1965 which, according to law now on the books, is scheduled to run through the calendar year 1969.

But, here we are, just about at the midway mark of 1968—a full 18 months before the 1965 law is due to expire—being asked for a very premature extension.

There are additional elements of strangeness.

When I voted for this grandfather in 1965, I and others of the Members of this Chamber were told that it would save money for the Government, that it would assure farm prosperity, and that it would help keep down food costs.

Two and a half years later, the record is very clear.

First, the Government is spending at this very moment from $3 to $3.5 billion a year to carry out the provisions of that grandfather bill. I find this all the more incredible in the light of the fact that only recently we voted to cut the Government budget by $6 billion, and to impose a 10 percent surtax on our citizens. Yet, here we find that we are spending more than half the imposed budget cut on a farm program most farmers do not want.

I suppose the grandfather bill might even be worth considering seriously if we had achieved the second point—farm prosperity.

But, we have not done that, either.

Instead, we find that despite this expenditure of vast sums of money, the farm parity index is at 73, which on an annual basis is at the same low point that index was in 1933—in the depth of the depression.

And, on the subject of food costs, I will defer further comment. I see no point in belaboring the obvious.

All of which leads me to the conclusion that I cannot possibly support legislation which would continue a process that obviously is not working. In 1965, I and many others in this chamber took the word of proponents at their face value.

Today, the record is so clear that we must rely upon it, rather than upon words.

In all of this, I bear in mind strongly that 60 percent of all agriculture—and this includes the very able farmers of my own district—do not benefit from provisions of this 1965 act.

And, I must bear in mind, too, that expenditures of from $3 to $3.5 billion a year inevitably must promote inefficiency on those farms favored with Government payments.

The widespread public protest against these payments, Mr. Chairman, has been demonstrated by the many telegrams I have received urging defeat of the bill we are now considering. Here is a sample of these telegrams:

CHICOPEE FALLS, MASS.,
July 22, 1968.

Congressman EDWARD BOLAND,
Washington, D.C.:

Please vote against extension of Food and Agricultural Act of 1965.

ALFRED MCKINSTRY.

WILBRAHAM, MASS.,
July 23, 1968.

Congressman EDWARD P. BOLAND,
House Office Building,
Washington, D.C.:

DEAR ED: Urge your support against extension of the Agricultural Act of 1965.

JESSE L. RICE.

SPRINGFIELD, MASS.,
July 23, 1968.

Congressman EDWARD P. BOLAND,
Washington, D.C.:

Please vote against H.R. 17126 extension of agriculture act of 1965.

MISS LYLE CORTIS.

CHICOPEE, MASS.,
July 23, 1968.

Congressman EDWARD BOLAND,
Washington, D.C.:

Urge that you vote against H.R. 17126.

LUCY THIBAULT.

I would like to point out, Mr. Chairman, that my colleague from Massachusetts, SILVIO O. CONTE, will propose an amendment to limit to a maximum of $20,000 the subsidy payments granted to individual farmers and to individual farm operations. I support his proposal and will vote for the Conte amendment.

In the event the bill now before us is passed—an eventuality I feel would be most unfortunate—Mr. CONTE's amendment would at least clear away one of the most startling misuses of public funds under the farm subsidy program.

Initially developed in the depression years to help small farmers in their effort to wrest a living from the soil, the farm subsidy program now lavishes money on giant farm operations that are quite capable of surviving—indeed, of flourishing—without subsidies. Studies carried out over the past few years make this fact amply clear. One study, for example, showed that fully 20 percent of all farm subsidy funds go to the 2 percent of American farmers who gross more than $100,000 annually. Another study—this one just as alarming—pointed out that 6,579 individual farm operations received payments averaging $50,000 and totalling $333 million during fiscal 1967 alone. Even a cursory examination of the farm subsidy rolls reveals astonishingly high payments to single farms: one $4 million payments, five $1 million payments, 11 $500.000 payments.

This profligate misuse of the taxpayers' money verges on a national scandal.

If the Congress can financially emasculate Government programs of the first priority, certainly it can amend a farm program to save the hundreds of millions of dollars that would otherwise be wasted.

Mr. HORTON. Mr. Chairman, I oppose the extension of this act for more than a 12-month period.

When the driver of a car approaches an intersection at the moment the traffic light begins to change from green to red, he is given a few seconds warning in the form of a yellow caution light. During these few, but precious seconds, approaching drivers are given a chance to slow and stop their vehicles gradually. If the light were to turn immediately from green to red, approaching drivers would be forced to either make a panic stop, or risk continuing on through the intersection against the stop signal. Thus, the absence of this brief caution period, could cause a serious breakdown in our whole traffic flow and control system, as well as lead to a great deal of injury and damage-producing collisions.

The same simple but vital principle of the caution light can be applied to our vote today on H.R. 17126. For more than a decade, farmers in America have grown accustomed to the subsidy and price support provisions of the Food and Agriculture Act. They have treated this law as a fact, good or bad, of our agricultural marketing system, and this has led them to take the provisions and programs of the act into consideration in planning their businesses. In effect, Mr. Chairman, whether or not the "intersection" of American agriculture has existed under ideal conditions, and I think it has not, the fact of this law has acted as a kind of green light signal to farmers in this country.

There is no question in my mind that many colleagues join me in the belief that this law has not done the job it was intended to do. It has not amply or ably regulated the American agricultural market. It has not encouraged or accomplished the growth of farm income at a rate that is even close to wage and salary increases in other sectors of the economy. It has not brought about the most efficient use of America's rich and vast farmlands.

Because of these plain facts, many of us hope that the new administration will bring to light better, more applicable and more successful ways of working toward the improvement of American agriculture. With the help of a new Congress, it is my hope that these ideas, which might include a full or partial return to freer market conditions for farm products, can be put into effect within a reasonable time for planning and considering new proposals.

I, for one, will welcome the day when a new farm bill, which gives more credit to the ability of the American farmer as a businessman and entrepreneur to make his way in a free enterprise economy, will be placed into the legislative hopper.

Of course, Mr. Chairman, in order to usher in the fresh ideas which are enacted by the next Congress, we will have to do away with the generally unsuccessful programs of the Food and Agriculture Act. We are already taking a major step toward reducing and phasing out this program by strictly limiting the amount of subsidy payment in any one year to a particular producer. No longer will the tax dollars of our people be dished out in lavish portions to large corporate farms which have learned to take advantage of the subsidy and price-support programs. For, far from being in keeping with our goal to help the little farmer, these payments to a single farm of hundreds of thousands and even millions of dollars serve only to hasten the day when family farms and individually operated farms of small and medium size will be a thing of the past.

This step, Mr. Chairman, should serve as a caution light to the agricultural sector of our economy. It should serve notice that the concept of agricultural dependency on the Government which is fostered in part by this legislation is on its way out in its present form. Combining this strict payment limitation with a bill which strictly limits any present extension of the Food and Agriculture Act to a single year, that is until December 31, 1970, we will have extinguished the green light that has dominated agricultural market planning since the midfifties.

But we cannot responsibly refuse to extend the program for 1 year. It is highly likely, Mr. Chairman, that the planting and other farm management decisions which must be made in the winter of 1969–70, will be made with no certain knowledge of what the new Federal farm program will be. If we allow this program to expire in December of next year, leaving a vacuum in its wake, it would be like switching in an instant from a green to a red signal with no interim caution light. This could, as in the case of traffic control, send large segments of U.S. agriculture into a tailspin, bringing some of our progress to a panic stop, and leading some farmers along in the false belief that there will be no new Federal agriculture effort to replace this outworn law.

We need a change in the Federal farm program, but we need an orderly change. We need a "caution light" period of one growing season and one planning season under the new administration and the new Congress, in order to foster progress and not chaos on the farm.

For these reasons, Mr. Chairman, I support the efforts of many colleagues to prescribe a limitation on the subsidy payments that can be made under this bill, and I support the extension of the Food and Agriculture Act for a single year as fair and necessary breathing space for us to devise new approaches to the farm problem.

The CHAIRMAN. The time of the gentleman from Texas has expired. All time has expired.

The Clerk will read.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Food and Agriculture Act of 1965 is extended—

(1) by striking out "through 1969" wherever it appears and substituting "through 1970";

(2) by striking out "1966, 1967, 1968, and 1969" wherever it appears and substituting "1966 through 1970";

(3) by striking out "1969" in sections 103 and 201 and substituting "1970";

(4) by striking out "1967, 1968, and 1969" in section 402(b) and substituting "1967 through 1970";

(5) by striking out "1970" in section 404 and substituting "1971";

(6) by striking out "1966 through the 1969" in section 516 and substituting "1966 through the 1970";

(7) by striking out "1968" and "1969" wherever they appear in section 602(k) and substituting "1969" and "1970", respectively; and

(8) by striking out "or 1969" in section 801 and substituting "1969, or 1970".

SUBSTITUTE AMENDMENT OFFERED BY MR. SMITH OF IOWA

Mr. SMITH of Iowa. Mr. Chairman, I offer an amendment in the nature of a substitute.

The Clerk read as follows:

Amendment offered by Mr. SMITH of Iowa in the nature of a substitute: Strike out all after the enacting clause and insert the following:

"That the Food and Agriculture Act of 1965 is extended—

"(1) by striking out 'through 1969' wherever it appears and substituting 'through 1973';

"(2) by striking out '1966, 1967, 1968, and 1969' wherever it appears and substituting '1966 through 1973';

"(3) by striking out '1969' in sections 103 and 201 and substituting '1973';

"(4) by striking out '1967, 1968, and 1969' in section 402(b) and substituting '1967 through 1973';

"(5) by striking out '1970' in section 404 and substituting '1974';

"(6) by striking out '1966 through the 1969' in section 516 and substituting '1966 through the 1973';

"(7) by striking out '1968' and '1969' wherever they appear in section 602(k) and substituting '1969' and '1973', respesticely; and

"(8) by striking out 'or 1969' in section 801 and substituting 'and subsequent years through 1973'."

Mr. SMITH of Iowa (during the reading). Mr. Chairman, I ask unanimous consent that the further reading of the amendment be dispensed with, and that it be printed in the RECORD, with the explanation that each date is changed to make it 4 years instead of 1 year.

The CHAIRMAN. Is there objection to the request of the gentleman from Iowa?

There was no objection.

(By unanimous consent, Mr. SMITH of Iowa was allowed to proceed for 4 additional minutes.)

Mr. SMITH of Iowa. Mr. Chairman, there is no one in this House whom I like better, really, than my friend from Oklahoma. He said that a 4-year bill would help him to live longer, and there is nothing I would rather do than to help him live longer, so I am glad to offer a 4-year amendment. And so when you vote for this amendment, you are voting for PAGE the Sage from Oklahoma to live longer.

Mr. BELCHER. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Iowa. I yield to the gentleman from Oklahoma.

Mr. BELCHER. I want to say that I do not believe there is any Member of the House whom I respect and like better than the gentleman from Iowa [Mr. SMITH] and I appreciate his concern for my health. I also appreciate the fact that the gentleman is bringing the conferees' report right before the House at this time, and we will see how it progresses.

Mr. SMITH of Iowa. I thank the gentleman.

Mr. Chairman, you know, I heard the last day or so a lot of ridiculing this farm program. It amazed me that the same ones who point to 73 percent of parity price as a measure of farm income ignoring completely that part of his income comes from these payments, at the same time, they say "look at those payments, they are unearned income." Either he is getting them, or he is not.

What they do is to pick out everything bad and blame that onto the farm program and give no credit for anything that is good.

At the present time, our agricultural plant has the capacity to produce about 12 percent more of the basic commodities than can be sold at anything like a fair price.

While the percentage of over capacity may vary during the next 4 years, it can be adjusted annually under the law and it is obvious that there will be an over caacity for several years.

This capacity to produce more than is immediately needed is called farm problem but it is really a great national asset that other countries would like to have and which we want to keep flexible to assure plentiful supplies of food.

However, it should be handled in such a way that it does not deny producers a reasonable share of the national income.

The debate is really over how to handle the capacity to produce more than can be sold at a fair price.

Obviously, we should store food and fiber above the ground to be immediately available to avoid a shortage, but this program continues to emphasize storing the rest of the reserve in the ground.

It costs much less to store it in the ground.

Under the old Benson program, inventories were carried above the ground at Government expense.

By 1961, the inventories carried it in the ground.

Under the program, those inventories have been reduced to under $1 billion.

I am not saying that no more improvements can be made in this program, but surely the basic program is needed for several more years.

The gentleman from Mississippi [Mr. WHITTEN] can confirm this, but the fact of the matter is that of this $8 billion a year for the Agriculture Department that is talked about, two-thirds of it, as a matter of fact, is not for the financial benefit of farmers at all. One should blame the farm program for the cost of operating the national forests which makes a profit or for consumer protection and research.

Mr. Chairman, I think this amendment providing for a 4-year bill instead of a 1-year bill certainly does not go beyond known need because we know we will have more than enough capacity to produce what is needed and to sell for several years.

Most other programs are not authorized on an annual basis—and why should farmers be singled out to be limited to a 1-year program and for constant harassment and indecision.

The Federal-aid highway program, H.R. 17134 from the Public Works Committee is a 4-year program.

The Federal-aid waste treatment law for the Interior Department is a 4-year program.

The Federal-aid program for hospital construction, H.R. 16154 from the Interstate and Foreign Commerce Committee is a 4-year program.

The Export-Import Banks set up under Public Law 90–267 from the Banking and Currency Committee is a 5-year program.

Federal aid for vocational education, H.R. 18366 from the Education and Labor Committee is a 5-year program.

Federal aid for medical students and nurses students, S. 3095 is a 4-year program.

Public Law 90–198 from the Judiciary Committee extended the Civil Rights Commission for 5 years.

Federal aid to elementary and secondary education and for college students and many others are long-term programs and we just passed a 4-year authorization for the food stamp program.

We approved a 4-year authorization for the food stamp program yesterday.

I was for that 4-year authorization for the food stamp program yesterday because local governments and farmers both need to be able to plan for more than 1 year at a time.

I notice in the news this morning that a settlement was made for the steel industry. It was not just a 1-year extension and settlement. It was a 3-year settlement. The Gary steelworkers got that and an 18-percent increase. Further, when their services are not needed temporarily, they get unemployment compensation while not working. I am for that program and it is a good program but it is inconsistent for some to support unemployment compensation for those whose services are not fully needed and to then oppose paying farmers for the part of his services that are not needed.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Iowa. I yield to the gentleman from Iowa.

Mr. GROSS. And the steel manufacturers are going to get cost of production plus a profit for their products?

Mr. SMITH of Iowa. Not only that, but we have tariffs and quotas to protect manufactured products. No matter how you look at it, they are a subsidy.

With high capital investments in agriculture, farmers have to operate very largely on borrowed money.

If a farmer could pay cash for everything, he could live off the interest income instead of working.

They have to depend upon bank loans to a large extent and banks do not finance on a 1-year basis except for those who do not need it.

For example, it costs less to put on the phosphate and potassium for 3 years at one time, instead of each year a farmer can save two-thirds of the application cost and about 20 percent of the total cost that way.

Also in a very real sense, this is not just a farm bill, but others should be interested in the need to plan for more than 1 year.

Farmers last year bought $3½ billion in farm machinery and equipment including several hundred million dollars in electrical equipment and northeastern United States is a heavy producer of that kind of equipment.

Farmers spent $1.3 billion for cars and trucks used in farm business.

They spent $2.2 billion for fertilizer and lime.

They spent $700 million for chemicals.

They spent $1.6 billion for gas and oil.

They paid out $2.8 billion for interest on the money they used.

Over $15 billion of the money a farmer receives is spent for goods produced in the city.

Since the program is so important to both farmers and the people who produce equipment and this is really a minimum program anyway, why have to vote on the basic program annually?

Some say it needs to be improved next year but if we extend the program for 4 years, then the committee can work in a better atmosphere toward some improvements next year without being required to center all of their attention on getting the votes to pass the basic bill.

To work improvements into an extension has been difficult because some segments threaten to defeat the whole thing if they do not like some provision and the committee must constantly worry about votes to extend it instead of concentrating on improvements.

The Senate voted a 4-year extension and if we would agree, it would remove those pressures and permit a better opportunity to work on good improvements next year.

I do not think farmers should be singled out to have to operate under a program that is extended for only 1 year at a time and whether one is for the bill on final passage or not, it seems to me one should be able to see the merit and fairness of having this basic farm program operate on a 4-year basis.

I urge support of this 4-year amendment.

Mr. FINDLEY. Mr. Chairman, I rise in opposition to the amendment.

First, I would like to take note of the fact that several stalwart members of the Committee on Agriculture, in a sense, are having their swan song here with the consideration of this bill. E. C. GATHINGS and PAUL JONES on the other side of the aisle from me were on the committee all through the years that I served on this distinguished committee. On the Republican side, BOB DOLE was with me all through those years; he and GEORGE HANSEN are heading for greener pastures next year. I want to express my best wishes to each of these fine men and to compliment them for their great service to their country.

The gentleman from Iowa has just spoken in behalf of a 4-year program. I for one would like to see us have a 4-year program for the American farmer so he could plan with some assurance and know what lies ahead.

But is it wise to extend for 4 years a program that has put the farmer in his worst plight since the depression 1930's? When I was on the Agriculture Committee and this wheat program was first presented, it was explained to us at that time that this would mean wheat at about $1.25 a bushel. The farmer would then expect to get 75 cents a bushel in payment—in other words, $2 wheat. But the market price was expected to be down at about $1.25. With corn they talked about $1 corn. The Secretary of Agriculture frankly admitted to us during those years when I was on the committee that the whole thrust and purpose of the program was to use the feed grains stockpiles in a way to keep the price down at the right time to get compliance with the program, to make the farmer dependent on the price support payment, which at about 25 cents a bushel supposedly would bring him up to the right level. But is he in the right position economically today? The act the leadership today wants extended has certainly worked beautifully—at least insofar as driving down market prices are concerned.

The gentleman from Iowa mentioned the fact that the parity ratio figure of 73—which was just announced yesterday again continuing 73—does not include the payments. That is true, but even if we lump in the payments, it is still under 80—it is 79.

What has happened to the great promises of yesterday, about 90 percent of parity, and 100 percent of parity? We have had exactly what the majority party wanted in the way of legislation, and yet the position of the farmer today is the worst since the depression thirties. Why inflict more of the same on the farmers?

There is a question of cost to the taxpayer that we can hardly close our eyes to. The cost last year was about $2.5 million in payments under the programs. This year it is over $3 million. The way the progression is, will it be $4 million next year and $5 million next year and $6 million the next year?

This is open-end legislation with no spending ceiling whatsover. It is all through the back door of the Treasury. There is no congressional restraint whatsoever on the spending authorized by this bill. Is it wise for us to give a 4-year lease of life on that type of backdoor financing project, the expense of which no one can foretell and which, based on the progression of the last few years, might reach $6 billion or $7 billion a year?

I believe the gentleman from Iowa stated that the agriculture budget had gone down. This is certainly surprising to me. I was under the impression—and I will be glad to have it corrected by those on the Appropriations Committee—that the funding has is up, and now exceeds $8 billion a year, an all-time high. Am I incorrect on that?

Mr. MICHEL. Mr. Chairman, will the gentleman yield?

Mr. FINDLEY. I yield to the gentleman from Illinois.

Mr. MICHEL. In 1960 expenditures for the Department of Agriculture totaled $5.2 billion; in 1961 it was $5.6 billion; 1962 $6.4 billion; 1963 $7.4 billion; 1964 $7.5 billion; 1965 $6.9 billion; 1966 $5.5 billion; 1967 $4.9 billion; and estimated for 1968 $6.209 billion but this does not take into account the unreimbursed net realized losses of the CCC budgeted in fiscal year 1968 at $3.465 billion.

We should bear in mind that were we to fully fund the losses of the Commodity Credit Corporation, then we would surely be up to the figure the gentleman mentioned and more.

Mr. FINDLEY. Is there any other fair way to estimate the budget of the Department of Agriculture except on a CCC full funding assumption?

Mr. MICHEL. No, sir. I do not believe so.

Mr. FINDLEY. The direct payment cost in this bill is considerably higher than for the year before. Is that correct?

Mr. MICHEL. Yes. In direct payments particularly for they have grown from a total of $693 million in 1960 to over $3 billion this past year.

Mr. FINDLEY. That is about $3.5 billion and despite that price tag the farmer finds himself in a worse and worse plight each year. To me it is just pure nonsense for us to give a 4-year length of life to a program that put the farmer in this fix.

Mr. JOELSON. Mr. Chairman, will the gentleman yield?

Mr. FINDLEY. I yield to the gentleman from New Jersey.

Mr. JOELSON. Mr. Chairman, it bothers me, as a member of the Appropriations Committee, that our committee actually has no control over spending for farm subsidies. Whenever I question whether it might be possible to cut appropriations for farm subsidies, I am told: "No, we cannot touch it, because in effect it is a contract with the farmer, and if we cut the appropriation, he can recover in the Court of Claims." So the thing really just orbits, and there is no way for the Appropriations Committee to control it. We can cut spending for model cities, antipoverty and even defense, but spending for farm subsidies is evidently untouched.

Mr. FINDLEY. The Congress could and should bring this spending under control.

Mr. ABERNETHY. Mr. Chairman, I move to strike the last word.

(By unanimous consent, Mr. ABERNETHY was allowed to proceed for 5 additional minutes.)

Mr. ABERNETHY. Mr. Chairman, I thank the Members of the House for acceding to my request for an additional 5 minutes. I do not think I will take the time, but if I should need it, I would like to have it available.

Mr. Chairman, I have not spoken on the bill, I do want to address myself to several points and the pending amendment.

I would like to confirm to the Members of the House that which our chairman and other Members have made known, that is, that 28 members of our committee made a down-the-line forthright and solemn commitment to report and support without amendment a 1-year extension. I am a party to that commitment. I am going to stand by it.

I do not make that statement in any criticism of my friend, the gentleman from Oklahoma [Mr. BELCHER]. I have the highest regard for the gentleman, and the remark which I made when he yielded to me was only in jest and he so understood it. We are the very best of friends.

I should like to say to those who have addressed themselves time and again to the amount of the payments, that I happen to be one of those who opposed the bill 3 years ago. I did so because I was concerned about the problem which the payments would create for the efficient farmer—I might say the "big", farmer, and I have no quarrel with people becoming big—the efficient farmer of this country. I might also say that to limit payments and force the big farmer to plant his entire acreage would create a huge surplus and thereby destroy the small farmer.

I stated to the House then, and I state now, that eventually limitations on payments might be invoked. I say that not because I believe the limitation amendment would be right but because it is so difficult to sell to the average listener the error in limitations. They look at the figure. They throw up their hands. They will not stand still and listen to the discussion, to the facts. They are just simply too long and too complicated. I can understand their viewpoint. But they are wrong.

So I say now, my friends, what I said 3 years ago. This payment program is going to make trouble for us eventually. It was for that reason I opposed the bill in 1965.

I did not support the bill, I should like to say to the gentleman from Indiana [Mr. MADDEN] who did support it. I do not offer any criticism of the gentleman from Indiana [Mr. MADDEN] but he supported the bill and I did not. He has discovered something worse which upsets and concerns him. And I can understand that, I know such would eventually come. I discovered it 3 years ago, and so expressed myself to this House.

I do not agree with my friend the gentleman from Illinois [Mr. FINDLEY], who was once a valuable member of the committee, that this is the worst program we have ever had. Nor do I agree with him that it has cost the most money.

I cannot recall when the annual budgets for any of the Departments has gone down, and this is my 26th year in the House. They have consistently gone up, and up, and up. This is true for all Departments of Government—Labor, Treasury, Post Office, Commerce, Agriculture, and all of them—year after year, and this has been true, Members of this body, regardless of who controlled the Government, regardless of who was President, regardless of who was the chairman of the various committees, and regardless of who was chairman of the Committee on Agriculture, whether they come from the right or the left side of the aisle.

This is not the worst program we have ever had. I will not say it is the best. And I certainly do not agree that it of itself has produced the largest budget. All of the budget of the Department of Agriculture is by no means limited to this program. This program is only a small part of the budget of the Department of Agriculture.

There are all kinds of programs—some for consumers, some for rural people, some for city people—that fall into the budget of the Department of Agriculture, and they have consistently been on the rise. There are programs for meat inspection, 4–H club work, rural electrification, school lunch, conservation, extension work, and so many programs we can think of which are in the budget; and they have consistently been on the rise.

So please do not, in the consideration of this bill, assume this is the root of the problem we now have budgetary wise in the Department of Agriculture.

May I call your attention to the fact that the program is invoked by farmer-referendum. It is one of those one-man one-vote programs. Let me speak of cotton, because I live in the cotton country. On the west side of my district there is probably as high a production of cotton as there is in the world. They have a very fine efficient agriculture there.

The people on the eastern end of my district are 4-, 5-, 10-, and 20-acre cotton farmers, a few are larger. The small farmer has just as much right to vote in the referendum and his vote counts just as much as does that of the farmer with 2,000 acres. They vote on this program every fall for the following year. It takes two-thirds vote to put the program into effect. You do not have to go very far among the farmers acreage-wise to come up with a two-thirds vote. So the small farmers can easily invoke the payment program. If they do and limitations on payments are invoked, the large farmers would be wrecked. Every man who produces cotton must—and now listen to me—he must comply with this program. He must plant his acreage within the limitations of the program. He must set aside that quantity of acreage which the law says he must set aide. He receives a payment therefor. That is true. But, if he did not set that acreage aside or if he failed to cooperate or if he refused to cooperate, if he planted only one-tenth of one acre over his allotment, he is not in compliance. Now, what does that do to him? The nature of the program is such that it would break a large farmer not in compliance. Let us say he produces 1,000 bales of cotton and is not in compliance. He must market that cotton in the market at a penalty of 50 percent of parity; 50 percent of parity is more than he would receive for the cotton itself in the marketplace under this program.

Now, what else can he do except comply. I ask the gentleman from Indiana [Mr. MADDEN] with all deference, what would the gentleman do if he had a 1,000-acre cotton allotment and had been voted into such a program? Would you refuse to comply with that program? If you did you could not even sell your crop for a price equivalent to the marketing penalty. You would be forced to market it at a penalty which would be the equivalent of more than the crop would bring in the marketplace. So that is the situation in which these farmers find themselves. This illustrates the danger of placing a limitation upon him. You either wreck him with the limitation or the marketing penalty.

If you place a limitation upon them, then the farmer loses at that end. If he plants outside of the program, he losses at the other end. So, they are compelled to cooperate.

Mr. Chairman, let us look at the limitations from another viewpoint. It costs twice as much to pay taxes on 2 acres as it does to pay taxes on 1 acre. It costs twice as much to provide the machinery for 2 acres as it does for 1 acre. It costs twice as much to finance the credit for 2 acres as it does for 1 acre. It costs twice as much to finance the credit for 1,000 acres as it does for 500 acres. It costs 10 times as much to finance the credit for 1,000 acres as it does for 100 acres. And if payments are to be made, I say to my friends, what is wrong with treating everyone in like manner? Why is it wrong? Why is it wrong to say that here is a man with an operation where it costs 10 times as much to run his farm as it does to run this one over here—why is it wrong to make the payments in amounts proportionate to the two operations? You believe in being fair, do you not? You believe in treating everyone alike, do you not? You believe in doing by one just as you do by the other one, do you not? And, whether you like the program or not, I would say it is almost——

The CHAIRMAN. The time of the gentleman has expired.

(Mr. ABERNETHY asked and was given permission to proceed for 4 additional minutes.)

Mr. ABERNETHY. I would say that you are just duty bound to treat them all alike, and I hope you will do it.

Let me now refer to the 4-year amendment.

I am going to stand by what I agreed to in the committee.

And, why did we make that agreement? I had some amendments which I wanted to offer to the program. Another Member had other amendments. This Member over here wanted other amendments, and so on down the line, scores and scores of amendments.

Then also, Mr. Chairman, this is an election year. We knew and you know that if the Republicans take over this fall, they will want to write the program next year. It is only natural that the Republican Members were somewhat reluctant to go along with a bill this year of any kind.

Mr. Chairman, I know a little something about politics. I could understand their feeling. I do not criticize for that. This is just a natural fact of political life. Therefore, such was the feeling of many of my Republican colleagues, and all of them are my good friends. One

does not get mad with them over such a position. They were reluctant to go along with a 4-year bill, of course they were. And who would criticize them?

So, there, we of the committee found ourselves mired down, deadlocked.

Mr. Chairman, if it had not been for the agreement which we made—and we went around the table and polled each member—I can tell you now there would not be a bill on this floor of the House of Representatives today. I want to inform my farmers in Mississippi that there would not be a bill on this floor were it not for our agreement. I have some farmers who want a 4-year bill. I have some who want a 44-year bill. But the facts of life are we would have no bill at all here but for our agreement.

I am saying to them and to you as sensible understanding people, if we had not agreed as we did, which in my opinion was in the interest of everyone and which in my opinion recognized the political situation and which in my further opinion recognized the simple facts of life and of politics, we would not even have a bill on this floor of the House today for consideration.

Personally, Mr. Chairman, I know the gentleman from Iowa [Mr. SMITH] is absolutely sincere about his proposal. I know he feels this is a good thing. I am not saying it is not. He is a great Congressman and friend of agriculture. I am just saying that I hope the House will stay with what we propose as the safe and appropriate course to take. Many of my farmers want a longer term bill. But the gentleman from Texas [Mr. POAGE], Mr. Chairman, committed himself to stay with this bill just as it is. So did 28 of us. I am going to stay with them. One may know, I could do nothing else. I know my people will all understand.

(Mr. ABERNETHY asked and was given permission to revise and extend his remarks.)

AMENDMENT OFFERED BY MR. QUIE

Mr. QUIE. Mr. Chairman, I offer an amendment.

The CHAIRMAN. Is this an amendment to the substitute amendment offered by the gentleman from Iowa [Mr. SMITH]?

Mr. QUIE. The gentleman from Iowa has an amendment in the nature of a substitute to the pending bill, and the bill as I understand it, has been read.

The CHAIRMAN. The gentleman is correct.

Mr. QUIE. My amendment is an amendment to the bill.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Amendment offered by Mr. QUIE: On page 2, line 10, insert the following:

"SEC. 2. Title VII of such Act is further amended by adding at the end thereof the following:

" 'SEC. 710. Notwithstanding any other provision of law, effective with the 1970 crops, the total amount of price support payments, wheat certificates, and diversion payments made available to any person pursuant to the provisions of titles II through V of this Act (relating to wool, feed grains, cotton, and wheat, respectively) shall not exceed an amount determined as follows:

" 'If total amount of such payments are:	By multiplying by:	The maximum payment shall be:
$10,000 or less	100 per centum	$10,000.
More than $10,000 to $15,000	75 per centum	$13,750.
More than $15,000 to $20,000	50 per centum	$16,250.
More than $20,000 to $25,000	25 per centum	$17,500.
More than $25,000	25 per centum	$17,500 plus 25 per centum of any amount in excess of $25,000.'

"SEC. 3. Section 402 of such Act is further amended by repealing, effective with the 1970 crop and upland cotton, section 103(d)(12) of the Agricultural Act of 1949, as amended."

(Mr. QUIE asked and was given permission to revise and extend his remarks.)

Mr. QUIE. Mr. Chairman, first, before I explain my amendment, I want to tell the Members that I support a 1-year extension of the act as the committee proposes. And because I believe the act ought to be extended, I shall vote for the extension, whatever the House works its will on the length of the extension.

Now, in order for this program to function properly I believe that we need a limitation on payments. I believe it is unacceptable for the biggest farm operations to receive over $1 million. In fact, there are five farms in this country who last year in 1967 received payments totaling $10,889,000. No program is going to stand very long if the size of payments are being made where five total more than $10 million.

Mr. Chairman, what my amendment does is to permit every farmer, every cooperator who receives up to $10,000 a year to receive the full amount of the payment. However, if he receives more than $10,000 and less than $15,000, then on that amount above $10,000 he will receive 75 percent of the payment. If he should receive an amount between $15,000 and $20,000, he will get the full amount of his $10,000, 75 percent of that next $5,000, and 50 percent of the amount between $15,000 and $20,000.

And if he should receive an amount greater than $20,000, then he will receive the full amount on the $10,000, 75 percent of the next $5,000, and 50 percent of the next $5,000, and 25 percent of the amount over $20,000.

For such a person, this would be $17,500, plus 25 percent of anything over the amount of $20,000.

There is precedent for doing this. The precedent is in the Sugar Act. The Sugar Act is not amended by this bill, but it is the precedent, and I read from the Government brochure, "History and Operation of the U.S. Sugar Program," dated May 14, 1962. It points out that the basic payment upon 100 pounds of sugar is 80 cents, and the rate can be progressively reduced to a minimum of 30 cents per 100 pounds on all sugar produced in excess of 30,000 short tons.

The 80 cents is on the first 350 short tons of commercially recoverable sugar, and payment can be reduced to 30 cents a hundred pounds on all sugar produced in excess of 30,000 short tons.

So, Mr. Chairman, I have drafted my amendment on the limitation of the payments based on the precedent previous Congresses have already set.

We have seen the large guaranteed payments to the large operators as being a great inducement for increasing the size of the farm holdings. And I believe that same principle of graduated sugar payments ought to apply to feedgrains, wool, the cotton and the wheat programs. This amendment does.

The limitation on payments suggested with a cutoff of $10,000, $15,000, or $20,000, runs into the problem of some of the large operators causing the program some difficulty, according to some observers. If my amendment prevails, I believe we should remove the penalty on cotton production by those not in the program.

I believe the program will still work with the fixed cutoff amendments, but we will be more sure that the program will function as intended if my graduated payment is adopted. In this way, all farmers receive a payment no matter how large their operation.

I include in my amendment the repealing of the cotton snapback. You do not go back to the old two-priced cotton with my amendment but you retain the one-priced cotton as it is in the present law. Every farmer who participates in the program will receive a payment, but it will be graduated like the sugar program.

What it means is that the farmer or the cooperator who received $4 million would only get about $1 million.

The ones who got $1 million would be down to around $250,000. A person with a $20,000 payment would be getting $17,500.

And one with $15,000 would go to $13,750.

Then below $10,000 they would receive the full amount.

I believe this is the most sensible limitation on payments yet devised.

Mr. FINDLEY. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state the parliamentary inquiry.

Mr. FINDLEY. Mr. Chairman, will the Chair advise us as to the status of the amendment offered by the gentleman from Minnesota [Mr. QUIE]?

The CHAIRMAN. The amendment offered by the gentleman from Minnesota [Mr. QUIE] is a perfecting amendment to the bill now pending before the Committee.

Mr. FINDLEY. May I inquire as to the status of the Smith of Iowa amendment, providing for the 4-year term?

The CHAIRMAN. The Chair will inform the gentleman from Illinois that the amendment offered by the gentleman from Iowa [Mr. SMITH] is in the nature of a substitute for the bill.

Mr. FINDLEY. I thank the Chairman.

Mr. GATHINGS. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I rise in opposition to the amendment. The distribution of

benefits under the commodity programs is not relief or welfare grants. The participant earns what he receives by the value of what he puts into the program. A farmer who diverts 100 acres from surplus production is entitled to receive more than the person who diverts 10 acres on his farm. To make the program work it is essential that sizable acreage must be taken out of crop production as our farm plant is entirely too big to meet the needs of our domestic consumption and exports sales.

When a farmer diverts 100 acres or any given acreage from production he should be compensated for the income he would lose and the expenses he would incur in idling this acreage. He was asked by his Government to reduce surplus stocks and not grow more crops than can be used. To attain results in a program of this kind all size operations need to trim their plantings, not just the small- and middle-sized operator since 75 percent to 80 percent of the total farm production is derived from 25 percent of the farmers—the larger ones.

The hearings on this bill reveals that the investment per worker in agriculture averages $41,300, while in industry it is $21,900 per worker. These costs have been increasing consistently.

It has been argued that to place a limitation on the size of payments to farmers would save money. I do not agree that it will. Under date of July 19, 1968, I received a letter from Secretary of Agriculture Orville Freeman who had this to say about the contention that limitations on farm benefits would save money, and I quote from his letter:

> And to those who assume that money will be saved by limiting payments, I say that this is simply not true if the same result of supply management is to be achieved. If one large farmer who has been foregoing production on 1,000 acres doesn't cooperate in these programs, that means 100 small farmers will have to forego production on 10 more acres each to maintain supply and demand stability—and I believe that this would cost more, not only in Federal funds, but in further curtailment of opportunity for smaller farmers.

For quite a long time the Government has subsidized various segments of the economy including airlines, the railroads, and steamship lines. As to whether these aids are justified is not apropos here. These benefits are not made available on the basis of the size of the concern participating, its capitalization or whether a jet, piston-driven motor, steam or electric locomotive is involved, the subsidy is applied uniformly when the criteria for such payment has been fulfilled.

Similarly there should be no discrimination practiced against a farmer because he has through diligent effort, skill, and determination to get ahead acquired a large farm. He should not be condemned because he is a success. He is responsible for making the program effective. Because of him, largely, the consumer pays less for farm commodities, as his operation is efficient.

Many large farmers share their payments with their tenants, who receive the checks in their own right. The large farm under such arrangement is an aggregation of several small farms. The tenants could not, however, participate in the farm program unless the landowner found it beneficial for him to enter the program. A limitation invoked upon the large operator could be detrimental to the small tenant who works on his land.

This amendment is wrong in principle because it penalizes a person who has done his job well. The amendment would stifle the initiative of the individual by discouraging him to get ahead. We have taught our youth that by hard work and the proper application of his or her talents, wit, zeal, intuition there is no limit to attainments in this country. This amendment changes that completely by saying that if you are a large farmer you are blacklisted—your rightful earnings are reduced.

Self reliance, the opportunity to acquire property to expand your holdings is the true American system in operation. Let us keep it that way

Abraham Lincoln had this to say about property:

> Prosperity is the fruit of labor; property is desirable; is a positive good in the world. That some should be rich shows that others may become rich and hence is just encouragement to industry and enterprise. Let not him who is houseless pull down the house of another, but let him work diligently and build one for himself, thus, by example, assuring that his own shall be safe from violence when built.

The CHAIRMAN. The Chair recognizes the gentleman from Texas, a member of the committee.

(Mr. PRICE of Texas asked and was given permission to revise and extend his remarks.)

Mr. PRICE of Texas. Mr. Chairman, I rise in opposition to these amendments for the same reasons my good friend from Arkansas quoted in his remarks. As I said yesterday, to penalize a man in America for initiative, for having the intestinal fortitude to take a risk and expand his operations in this country—since when is this a bad trait? Anyone who is experienced in this field knows that with that expansion comes the risk of investment, the chance to expand and to try to accomplish something, and to add to his holdings. Since when should we penalize a man for that?

If we are going to have a farm program, we should have a farm program. And if we are not going to have a farm program that our American farmer can make a living out of, then we should start phasing it out and doing it now.

Mr. Chairman, I rise in support of the extension of this 1-year bill. The 1-year extension will provide farmers with the lead time needed to make essential plans for producing and marketing crops upon which their livelihood depends. At the same time it would provide the necessary interval in which the next Congress and the next administration could formulate an effective farm program, a program which would improve the economic status of American agriculture, reverse the trend from costly Government programs, and assure an adequate food supply at reasonable prices.

Today, according to some information I have 500,000 to 800,000 men, women and children are leaving the farms a year. Where are they going? They are going to the large cities and contributing to the problems that we are having in the large cities; 100,000 of these men are farmowners, landowners, people who are going broke. Today parity is at 74 percent according to the new formulation. Every time it gets low, they come up with a new formula.

This program under this administration and the one preceding—that, since 1961—has resulted in a net increase in farm debt of $23.7 billion while production costs have during the same period gone up by 31 percent.

The American farmer is subsidizing the American consumer. This is where I think the politics come in. The American farmer is subsidizing the American consumer. Ten years ago the consumer was spending 25 percent of his disposable income for food; today he is spending 17 percent of his disposable income for food.

This certainly does not mean that I believe the present farm program now in its third year has done what it was intended to do in achieving a parity position for our farmers with our citizens in industry and commerce.

The parity ratio, which averaged 85 during the 8 years of the Eisenhower administration, averaged only 74 for 1967 as a whole and is now down to 73. Even the adjusted parity ratio, which includes direct payments to farmers is down eight points, and on both an adjusted and unadjusted basis, the parity ratio is the lowest it has been since the depression year of 1934.

Quite frankly, I think we must tell the American farmer and agriculture in this country that until we get politics and politicians out of agriculture, it is not going to change one iota.

The realized net farm income in 1967 was down nearly $2 billion from the year before—a 10-percent cut in pay for farmers, while practically all other segments of industry were enjoying sizable pay increases to compensate for higher costs and prices. But the farmer is trapped by a vicious cost-price squeeze brought on by the inflationary fiscal policies of the past 8 years—a $2.5 billion deficit for the 1968 fiscal year alone. What other industry or business can take such a reduction?

U.S. News & World Report graphically illustrated the sad state of American agriculture recently. Their report shows that agriculture is the largest of the 12 biggest U.S. industries. Agriculture leads in assets, spending for equipment, and machinery, and in number of workers.

If farmers had been adequately paid for their production, agriculture would be first in income and second in sales—but it is not. The article reports that agriculture sales are less than 17 percent of assets while the next 11 largest industries have sales which average 108 percent of their assets per year. Most people do not realize how or how much the farm economy of this Nation has been affected during the last 8 years. Perhaps the most eloquent illustration of the nature and dimensions of the farm problem can be found in the fact that more than one-fourth of the Nation's farms have disappeared since 1960. From 4 million farm units then, there are now only 3 million.

The movement of people from country to city has been called by Secretary of Agriculture Orville Freeman, "the most massive migration the world has ever known."

Today seven out of 10 citizens live on less than 2 percent of the Nation's land, and most of the rest seem destined to join them. This trend was never seriously questioned by previous generations. The reason: Those who went to the city found a better life. But now, while a half-million rural migrants, many of them non-white, continue to make the trek to urban areas each year, they are not finding a better life. Just read and listen to the news of riots in the cities. But the cities' problems cannot be solved simply by improving living conditions and job opportunities in them. That only encourages more poor and unskilled to come off the farms in search of work, thus creating a treadmill effect. So the real solution lies in the revitalization of rural America and the farm economy to stop this senseless migration and the continued overcrowding of our already problem-ridden cities. And especially when there are so many advantages now in our age of modern communications and transportation to living in smaller communities.

And regardless of the success or failure of the present program or the inefficiency of its administration, its very purpose is threatened by proposals to limit payments to producers. The operation of the program depends on production control and any limitation of payments will result in dire consequences to both large and small producers.

Either production costs will soar because large producers, forced out of the program because of inadequate incentives, will plant in excess of program limits or the smaller farmer will be required to produce less and less to insure that total production will not add to surpluses or the Government will be forced to buy up the surplus to stabilize prices. And increased supplies will force prices down for both large and small operators.

Why should the farmer who operates an efficient farm and has been willing to assume the debt and risks of a larger operation be penalized for trying to expand and better himself? Net income even to large farm operators in certainly far below the average returns for most other business and industry. Although the average American does not realize the real seriousness of the farm problem, the farmers do. Listen to what one farmer in my district wrote—and this is from Mr. F. D. Clayton, Box 382, Earth, Tex. He had a title for it, too—"The Depression of the Sixties":

Please read about the depression of the middle sixties. For the farmers of West Texas this is as bad as the depression of the thirties. I farmed through the depression of the early thirties, and I also farm in the depression of the middle sixties, the same place and the same land that I farmed in the thirties. To prove my point I offer these figures:

In 1932 a plow point cost $2.00; in 1967 the same point costs $8.00. In 1932 all cotton, without taking samples, brought 4½ cents a pound; in 1967 cotton in this part of the country is worth 14 cents a pound. That is the same kind of cotton we sold for 4½ cents in 1932. Cotton is about three times as high now as it was in 1932, and a plow point is four times as high.

Some say, Raise better cotton. We would if we could. We raise the very best cotton possible for this country. Our average grade of cotton is S.L.M. Lt. Sp. 31/32, and that is worth $15.95 in the loan. However, by the time they get through taking off for low micronaire, it is worth 14 cents. Note that this is the same cotton that was worth 4½ cents in 1932.

In 1932 you could get all the labor you needed for $1.25 a day. Now labor costs $12.00 to $15.00 a day. Labor is twelve times higher now, and cotton is three times higher. I do not mind paying high labor if I could add it on to my product. Farming, however, is the only business in the world that cannot do this. The more crop a farmer has the more money he loses.

A piece of machinery that a farmer purchased six years ago and which is still in good condition will bring half of the purchase price. If he wanted to replace it today, he would have to pay the same price in addition to giving the dealer the old piece of machinery as a trade-in. That is how much a farmer's cost has gone up in the last six years. The farmers are going broke as fast as they can, leaving the farms, and going to the cities. The farm workers are doing the same thing. That seems to be the way the government wants it so that we can have more slums.

Tractors are four to five times as high as they were even in 1941. The same holds true with everything else that the farmers use in order to produce.

It is not the farmer's business to keep a year's supply of food for the nation. That is the business of everyone. Therefore, it should be handled as such.

The last money farmers made was back in 1962 or 1963. In my opinion the Administration is using the farmer in such a way as to cause more trouble at home than we could ever stop overseas. When a farmer has $300,000 to $400,000 invested in farm business and can't make a good living for his family, there is something wrong with the way things are being handled. I do not believe there is a farmer in this part of the country that is worth as much money as he was two years ago. I have talked with lending agencies, and they agree with me. Unless something is done this nation is going to be hungry in a few years. This nation was built on family-size business; and when we lose that, we have lost the strength of our nation and our freedom as well.

Every business in the world that I know anything about has the right to add the cost of production on to the price of their product except farmers; they have to take what they can get. The cost of food at the farm level does not have much to do with the cost of food to the consumer. This year I had a friend who farmed three miles from town who had onions that went to waste in the field because he could not get enough for them to pay the harvesting expense. At this same time the stores were selling onions at two pounds for 29 cents. I know that we farmers get a government check, and I also know that we have to plant a crop that loses money in order to get this check. As a result, we come out broke.

Labor may think this is good for them; but they had better reconsider because when farming gets in the hands of a few, they can make you pay the prices for food that they want you to pay. Also the farmer buys products. Labor produces steel, fertilizer, tractors, trucks, combines, and so many other things that one does not think of. The farmer cannot buy them without the money, and this is going to have its effect on labor.

The farmer in America is rapidly becoming the "forgotten man" of this generation. He is not going to remedy this situation by spreading too thin the resources he does have at his disposal. This is 1968—not 1920. Back in 1920, the farmer's interests were protected by a majority of the Members of Congress. In that year, 251 seats in the House of Representatives were occupied by Members who represented farm districts—those with 20 percent or more of rural farm population. Those 251 seats amounted to 57 percent or a clear majority of the 435 Members of Congress. Those were "the good old days" when you could afford to dilute your strength from time to time and go separate ways. Those days have long since passed into history.

By 1960, 51 Congressmen—only 12 percent of the total—were farm district Representatives.

The 1970 census will certainly show a further erosion of farmers' strength in Congress. According to tentative estimates of the Census Bureau we will have 39 district Representatives or slightly less than 9 percent after the 1970 census.

Now, the crucial question that faces today's farmer is: How best can I use the strength and the resources I do have to advance my own economic well-being and that of my fellow farmers?

The answer as I see it is that the farmer must learn what all minority groups sooner or later must learn: pool your resources and speak with one voice.

So, although I do support a 1-year extension to the present farm program, the next Congress must face up to the task and the dire necessity of overhauling this program and giving the farmer, the forgotten man of this generation, a fair shake and a fair share of the proceeds of the abundance of our economy. He has done more and done it better for the American consumer and hungry millions in other countries and realized less for his efforts than any other citizen. He deserves better and I believe there are enough Members of this body and the Agriculture Committee who realize that this country cannot continue to prosper and solve the problems of its cities without first solving the problems of agriculture and revitalizing the agricultural economy of America.

Mr. DE LA GARZA. Mr. Chairman, I move to strike the requisite number of words.

Mr. HUNGATE. Mr. Chairman, will the gentleman yield?

Mr. DE LA GARZA. I yield to the gentleman from Missouri.

(Mr. HUNGATE asked and was given permission to revise and extend his remarks.)

Mr. HUNGATE. Mr. Chairman, I urge the Committee to defeat the amendment offered by the gentleman from Minnesota [Mr. QUIE], and support the substitute offered by the gentleman from Iowa [Mr. SMITH].

Mr. Chairman, we have been discussing amounts of payments, and that is a cause of consternation, I am sure, to all of us. However, I wonder how many can recall and how many were here and how many voted for the $20 million tax break for American Motors Corp.? I remember. It happened here. How about the $10 million rent supplement program? That is all we could spare for that program.

We did vote it. But when we come to payments to farmers and they are large, we do not want to forget that we did vote for one company a $20 million tax break.

When we talk about a limit of $10,000 or $20,000, that sounds like a lot, but I do not know how many Members of Congress may have bought a tractor or a combine. Do you know what a self-propelled combine sells for? Some are $20,000.

We are talking about other programs, and I know our urban friends are concerned, as we all are, about the people in the cities who do not have enough money for housing and food, and perhaps support payments for an unwed mother with two or three children and with no husband. But here we are paying to limit production in the farm programs. If we could limit production in that ADC field, the investment might be good also. Many of us have supported programs to meet urban needs and will continue to do so, and I urge Members to support the farm program, so the farmers can plan and keep this country the best fed country at the lowest portion of its income of any country anywhere in the world.

Mrs. SULLIVAN. Mr. Chairman, will the gentleman yield?

Mr. DE LA GARZA. Mr. Chairman, I yield to the gentlewoman from Missouri [Mrs. SULLIVAN].

Mrs. SULLIVAN. Mr. Chairman, some harsh comments were made to me in the hearings of the Committee on Agriculture on the food stamp legislation last month because I spoke of the necessity for making an arrangement on the farm and food stamp bills, in order to get both bills before the House and through the House. Some of the members of the committee were shocked and horrified at the idea of making deals on legislation.

The arrangement I was referring to has been made. It is not an underhanded and reprehensible sell-out of principle by one side or the other to support something bad in order to get something good. What I pleaded with the committee to recognize and to understand was the necessity for rural area Members of this House to see the need—the vital need—for legislation which is essential for our cities if they expect those of us from urban areas to continue to vote for legislation vitally important to the farmer.

I intend to vote for the bill and for a 4-year extension of the 1965 Farm Act because I believe the farmers need such a bill in order to farm profitably. Our economy—and particularly the part of it which provides jobs for those I represent in the city of St. Louis—needs farmers as buyers of the goods we make and sell. We are economically interdependent; as legislators for the whole country—not just spokesmen for narrow geographical or economic interests—we have to work together, and learn about the problems confronting other segments of the population, and be willing to vote for what the whole country needs even if, as in the case of city people viewing much of the farm legislation or rural people viewing some of the programs to aid our cities, our constituents are not always enthusiastic about such votes, and may in fact criticize them.

Some farm associations, such as the National Farmers Union, the Grange and the National Farmers Organization, recognize the interdependence, and have worked hard to help us pass good legislation to aid the cities, and the consumer. They certainly helped me on the Consumer Credit Protection Act, and they helped also on the food stamp bill. The food stamp bill, I might add, has received enthusiastic assistance also from wheat growers, the cotton growers, the corn growers, and other agricultural commodity groups, and I appreciate that help.

I shall vote for the Neal Smith amendment for a 4-year farm bill, not in order to "pay them back" for the help of farm groups on all these bills, but rather in recognition, first, of the merits of the legislation, and then, with the knowledge that in voting to help the farmer—giving help I know is needed—I am not rewarding a group which refuses to accord similar help to people in the city. We must see each other's problems and needs. My quarrel with the Committee on Agriculture was that it refused to widen its viewpoint in order to see what the food stamp program accomplishes, not only for city people, but for thousands of low-income rural families, to. I do not want to be similarly shortsighted on farm bills, and, as a result of what happened earlier today, I do not have to be narrowly shortsighted or politically vengeful.

We passed a 4-year food stamp bill here yesterday in order to assure the stability and continued expansion of the program, to remove the uncertainties about its future. The farmer and the Department of Agriculture need the same kind of assured continuity on the farm program. If Congress wants to amend or kill the farm program next year, it can still do so—but only by taking affirmative action. A 1-year bill, on the other hand, for either the farm program or the food stamp program, would permit the demise of either program next year merely by the inaction of the Committee on Agriculture.

I feel the committee should review these programs constantly and recommend improvements where indicated, but we have had to fight too long and too hard to get these programs instituted to run the annual gauntlet of having them die or jeopardized by mere inaction of the committee handling them.

To my colleagues on the Democratic side who represent urban areas, and who always vote with the consumer and for good domestic programs for all Americans, I would like to say that the present farm law has been instrumental in saving billions of dollars in the cost of transporting and storing surplus commodities, and in the cost of dumping or giving away surplus foods overseas for currency we can never spend. A few years ago, we were spending a billion dollars a year just to store the surpluses Mr. Benson's farm policies had piled up, and $1½ billion a year to give them away overseas. The surplus problem has been dramatically reduced. At the same time we have the capacity, through this program, to expand production of food very quickly in case the need should arise.

Three years ago, this legislation was attacked by our Republican colleagues as a "bread tax." Remember? It was no such thing, but they tried their best to beat us on that one in the 1966 elections. Let us get a little political, too, once in a while, and get behind a Democratic program which was bitterly opposed by the opposition, but which has proved itself workable in 3 years of operation. Secretary Freeman has done a good job—an outstanding job. He deserves our support. Let us back him up. I urge the Members to vote for the Neal Smith amendment.

Mr. KLEPPE. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I am sure that all of you have heard the comments and questions on two sides of the particular debate that has taken place on the subject of the limitation of payments. I take this time to ask the gentleman from Minnesota, who generally has been recognized as a Member who has been in favor of farm programs per se, whether or not he believes that this payment limitation question would kill or strengthen future farm programs. If he would do this briefly, I would appreciate it, because I would like to ask the gentleman from Illinois the same question.

Mr. QUIE. Mr. Chairman, I thank the gentleman for yielding.

I would say it would strengthen farm programs for the future and make them function better. One of my reasons for saying that is the fact that the National Farmers Union supports my amendment, and they have a long record of support for legislation of this type. I doubt they would be supporting my amendment if it would not be something that would strengthen the legislation rather than hurt it.

Mr. KLEPPE. I thank the gentleman for those observations.

Now, the gentleman from Illinois [Mr. FINDLEY] has stated to the House that he does not think the extension of this program is necessary. I wonder if the gentleman would make some comments along this same line as to whether he thinks a limitation of the payments will strengthen or kill future farm programs.

Mr. FINDLEY. Definitely a limitation of the payments will be a step forward and be an improvement in the program that we have, but I do not want to leave you with the impression that I think then, under those circumstances, we would have the best possible world for the American farmer. I am sure we can do a lot better than that, and I intend to work to that end in the future.

Mr. MIZE. Mr. Chairman, will the gentleman yield?

Mr. KLEPPE. I yield to the gentleman.

Mr. MIZE. The gentleman may be unhappy with the existing program as many are and some may be very much in favor of it, but if you place a payment limitation, regardless of how much, some of the very large operators will withdraw from the program and pull out, and you may have the greatest surplus of grain that you have ever seen. In the long run it could damage the small operator much more severely than the large efficient operator.

Mr. KLEPPE. I thank the gentleman for those observations.

Mr. FINDLEY. Mr. Chairman, will the gentleman yield?

Mr. KLEPPE. I yield to the gentleman from Illinois.

Mr. FINDLEY. I appreciate the gentleman's courtesy very much, and I want to respond to that comment.

I stated that these programs are not the only way land can be taken out of production. This Congress has authorized the cropland adjustment program, which is very similar to the soil bank program that we had years ago. The experience of the cropland adjustment program shows the cost to the taxpayers of retiring acres is about one-half compared with retiring land under these commodity programs.

Mr. KLEPPE. I thank the gentleman. I just wish to make one further observation here. I further wish to add a little bit to this confusion.

The National Farmers Union has taken a position that is somewhat contrary and different from the position of the Farmers Union in my State. They can reasonably wonder why there may be a good deal of confusion among some Members of Congress, including myself. That is the reason why I was interested in having this particular question commented on by two Members of Congress who have generally taken two separate positions insofar as our farm legislation is concerned. I happen to be a proponent of the farm program. I have been a critic of its administration.

In my remarks yesterday, I indicated I intended to support this bill and I was supported by the Republican policy committee.

Mr. Chairman, I yield back the balance of my time.

Mr. MAYNE. Mr. Chairman, I move to strike the requisite number of words.

(Mr. MAYNE asked and was given permission to revise and extend his remarks.)

Mr. KYL. Mr. Chairman, will the gentleman yield?

Mr. MAYNE. I yield to the gentleman from Iowa.

(Mr. KYL asked and was given permission to revise and extend his remarks.)

Mr. KYL. Mr. Chairman, I think that we can clarify the basic issue here by understanding one basic fact which was mentioned by the distinguished gentleman from Arkansas. This farm program is not a welfare program. It is a problem-solving device. Under this program Uncle Sam says that he want certain cooperation which he needs in the national interest, not in the interest of agriculture exclusively—it is in the national interest.

If the farmer complies, he is compensated for his participation and his return depends upon the amount of his participation. The payments which he receives are not subsidies, but they will be subsidies if we adopt a limitation on payments because we change the whole nature of the bill by limiting the payments.

Mr. Chairman, because of the nature of the law, which is not being amended here, limitation of payments on cotton is absolutely impossible and limitations on the grain program are completely unworkable and will make the whole program meaningless.

Mr. Chairman, this Congress could get at some of the big farm operators who are carrying on tax loss operations or so-called hobby farmers through another approach, but as long as we seek to control production, we cannot limit payments.

Apparently some of the members of the committee feel that there is a moral question involved in these large payments. At the very least, such payments are hard to explain to someone who does not understand the program. And, it does offer a fertile field for demagoguery. For instance, we had some who are for payment limitation and yet these same persons come here each year with proposals to increase the Government employees' salaries by a percentage basis. Five percent of a $20,000 salary is considerably more than 5 percent of a $6,000 salary.

Mr. Chairman, there are others who complain about the size of the Department of Agriculture budget. That budget includes among other things, food-for-the-needy programs, food-for-peace, programs, for clean meat, for disease control, national forests, wilderness areas, and so on and on.

Mr. Chairman, this is not special interest legislation nor is it regional legislation. I introduced legislation earlier this year which was designed to extend this program and would improve it by amendments. It needs improvement, and especially in administration.

Mr. Chairman, the farmer deserves better treatment and more effective answers than he is getting today under this program. For that reason I do not want to lock the farmer into a depressed position for 4 additional years.

And, as long as we use the present law to control production limiting payments, would defeat the very purpose of that law.

I thank the gentleman for yielding.

Mr. MYERS. Mr. Chairman, I move to strike the requisite number of words.

(Mr. MYERS asked and was given permission to revise and extend his remarks.)

Mr. MYERS. Mr. Chairman, I am at some disadvantage, being a junior member of the Committee on Agriculture, I get to speak just before the janitor comes in to sweep.

However, let me say it is my understanding that the intent of this bill is to control supply, and actually cut down production, production of the farmer, to bring farm supply closer to demand.

Mr. QUIE. Mr. Chairman, will the gentleman yield?

Mr. MIZE. I yield to the gentleman from Minnesota.

Mr. QUIE. I would say there is more to it than that. The direct payments as Federal funds to improved farmer income.

Mr. MYERS. If the gentleman from Minnesota will come over here, I would like to ask him a question.

I do not completely understand the thrust of the amendment offered by the gentleman from Minnesota. It sounds real good, because any time you start limiting the amount of payments that any one farmer can receive, that sounds inviting. I think many Members of the House are faced with the same problem. The gentleman from Arkansas, a member of the committee, a short while ago said the amendment would not work.

Does the gentleman from Minnesota have any figures, or have any notion of the number of farmers that would not comply if we should adopt the amendment of the gentleman from Minnesota?

Mr. QUIE. If the gentleman will yield for an answer——

Mr. MYERS. I yield to the gentleman from Minnesota.

Mr. QUIE. We never know what farmers will comply with it; that is a decision they make themselves each year.

All farmers do not comply. But the question comes of say, for instance, a farmer that received $1,020,000 in payments this last year, under my amendment he would be cut down to $267,500. Now, would that farmer forfeit $267,000 to go out and sell on the market without any price protection, or would he want the price support loan protection and be willing to stay in for the $267,000? I imagine he would stay in.

Mr. MYERS. Has the gentleman talked to any of these people that are in that category, or has the gentleman checked this with the Department of Agriculture?

Mr. QUIE. I have talked to some of the people in that category, they are not very happy with my amendment. Nobody wants to have their money cut back. I would say to the gentleman if the sugar program had been 80 cents per 100 pounds to all of the sugar farmers, they would not have accepted the graduated payment program as it now is, where it is scaled from 80 cents down to 30 cents. That is where I took the idea from, the precedent in the sugar program of the reduced payment to those who have larger operations.

One of the purposes of the Farm Act is to help the small farm family and increase their income. It never was stated that it was to be an inducement to large farmers to become larger and making guarantees to farmers to become larger and larger operators.

For that reason I believe my amendment will keep the farm program on its original course.

Mr. MYERS. I would like to yield further to the gentleman for one more question: Does the gentleman know what the savings would be to the Treasury in 1 year if his amendment should be adopted?

Mr. QUIE. Yes, the savings to the Treasury in my amendment would be just a little bit over $200 million. And I believe that that $200 million could be much more wisely spent in other areas of our endeavor than to pay it to the larger farm operators in the country.

Mr. MYERS. I thank the gentleman.

Mr. ABERNETHY. Mr. Chairman, would the gentleman yield so I could ask a question of the gentleman from Minnesota?

Mr. MYERS. I yield to the gentleman from Mississippi.

Mr. ABERNETHY. I thank the gentleman for yielding.

I would ask the gentleman from Minnesota [Mr. QUIE] whether he would approve a limitation that would not allow his son, in this free country of ours to become just as large and just as big as his talents and qualifications would permit?

Mr. QUIE. I believe everybody ought to be free to be able to grow to be as big as they want to, but I do not want the Federal Government to give them the inducement through a subsidy to become that large. I believe they ought to do it on their own out in the market through their own business. Anybody who chooses to become that big ought to be able to do this on the market, and make that income on the market.

Mr. ABERNETHY. He has got to take a cut in his operations if he does that.

Mr. QUIE. I do not believe it is necessary to make those large payments in order for a farmer to comply in the program.

Mr. MYERS. In closing, Mr. Chairman, I want to say that I cannot see adopting the amendment offered by the gentleman from Iowa [Mr. SMITH]. If you do this you are simply compounding the problem in this country of 73 percent of parity for the farmer. It has not worked up to now. How is it going to work for another 4 years, because it is a fact that everyone in this Chamber knows that this committee is not going to look at this program for 4 years if we adopt this amendment.

I believe every member of the Committee on Agriculture is willing to come back and look at it next year, regardless of which party controls the Congress, or who is the President, or who is the Secretary of Agriculture. The program has not been satisfactory. And to ask for a 4-year continuation of the program is not going to help those farmers out there who are constantly going under. The figures have been given this afternoon on the number who fail because they are not making enough profit. This is what the amendment offered by the gentleman from Iowa [Mr. SMITH] is going to do. Continue the same trend and probably the same results for 4 more years.

Mr. JONES of Missouri. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I think the devil ought to have his due. While I do not often agree with anything I read in the Washington Post, they had an editorial this morning supporting or justifying payments to large farmers. For those who did not read the editorial, I want to point out just one or two little points and you can read it later.

They are talking about a book by Marion Clawson called "Policy Directions for U.S. Agriculture" in which he points out that in 1960 there were slightly more than 100,000 really large farms, each with more than $300,000 of assets, an average gross income of $100,000 and a net income of more than $17,000.

The editorial reads further as he points out:

> These farmers had a bad ratio of expenses to gross income and some operated at a loss.

Then the editorial goes on further down and says:

> All available data point to the existence of large numbers of very low-income farmers, along with a more moderate number of fair-income ones, and a few relatively good incomes—but even these latter may be rewarded less than their talents and capital deserve.

Mr. Chairman, today I have had a number of people, principally from metropolitan areas, ask me how I can justify voting against the Quie amendment.

Frankly, the best explanation of that was made in a letter written by the Secretary of Agriculture which I think went generally to the membership of the House. I have asked many of those fellows—Did you read the Secretary's letter explaining that it is his opinion on the limitation of payments, as he says in his letter:

> I'm against it because I believe it is against the national interest.

Not the individual interest, but the national interest.

So many Members have not read this letter. This letter has been published in the RECORD one time and if you want to read it, it is still available in the RECORD of July 19, on page S9037 which is where it is published in the proceedings of the other body.

As most of you know, I do not like to put things in the RECORD that are already in there once. But I think it was one of the Members on this side who in his comments quoted something about the fact that commodity programs are not welfare grants.

Well, that was taken from the letter of the Secretary of Agriculture.

To be effective in balancing production, they must fit into the free enterprise concept that a man is rewarded in terms of the value of his contribution.

Program payments reimburse farmers for income that they forgo and expenses that they incur when they divert land from crop production to carry out farm policy.

I think this has been repeated so many times here on the floor today and various examples have been given—but I think you should keep this in mind—that there is a matter of equity involved in this.

While I am on the floor speaking mainly against this limitation, I think we would make a mistake to adopt the Quie amendment.

I am going to support the Smith amendment for 4 years because I have been released from any commitment I had at the time I agreed in our committee to support that. Because my commitment was made along with others, including the ranking minority member, who has stated he does not now support even a 1-year extension, I feel I have been released from any commitment.

Frankly, I would like to see a continuing farm program—in other words, to keep the Committee on Agriculture alert and to keep the public alert and to make any improvements as often as it becomes necessary. If we have a 4-year program—do not kid yourselves—if the gentleman from Oklahoma becomes the chairman of the Committee on Agriculture next January, I am sure he would have a bill in making some changes in the farm program.

But the surprising thing has been that during the time this program has been in effect, no one has been wanting to repeal it. We have had two or three bills in saying, "Let us do away with the farm program," but when we talk to those people, then they say, "Not right now—let us do it gradually."

We do not have those kinds of bills before the committee. I think most of the people in this Chamber, particularly those who have any association with agriculture at all must admit that while this program is far from being perfect, it is the best we have. It has not been the cause of low prices. The low prices have come about in spite of that.

I herewith include the Washington Post editorial heretofore referred to, setting forth reasons why limitation of payments should not be adopted:

FARM INCOMES

During the Poor People's Campaign there were many justified criticisms of the failure of the agricultural programs of the Government to do enough about rural poverty. But there were also some unjustified suggestions that the Department of Agriculture has been engaged mainly in a process of enriching very affluent farmers who do not deserve or need any help.

In a new book entitled "Policy Directions for U.S. Agriculture," Marion Clawson also disagrees with current farm policies in many ways. But his summary of income among the Nation's farmers eloquently discloses the injustice of the charge that the Government has been mainly engaged in subsidizing a rural Cadillac set.

He points out that in 1960 there were slightly more than 100,000 really large farms, each with more than $300,000 of assets, an average gross income of $100,000 and a net income of more than $17,000. These farmers had a bad ratio of expenses to gross income and some operated at a loss. There were 228,000 farms which had an investment of $69,000 each and gained an income of $400 a month. Clawson shows that about half of all commercial farms had net incomes below the $300 poverty line. Relatively few farmers made as much as $10,000 a year and a much larger number between $6000 and $10,000. Clawson concludes his farm income summary with this sentence:

"All available data point to the existence of large numbers of very low-income farmers, along with a more moderate number of fair-income ones, and a few relatively good incomes—but even these latter may be rewarded less than their talents and capital deserve."

American farmers, generously and effectively assisted by the Government, have performed such miracles of production that Americans now have more food for a smaller percentage of income than ever before. But a great urban country should not become so complacent about what seems to be an inexhaustible food supply that it becomes indifferent to the fact that farmers are "rewarded less than their talents and capital deserve." And the failure of agricultural programs of the Federal Government to solve all the problems of rural poverty, exemplified in the plight of the poor people's march, should not be made the basis of a negative attack on our agricultural industry.

(Mr. JONES of Missouri asked and was given permission to revise and extend his remarks.)

Mr. NELSEN. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. NELSEN. I have an amendment at the desk to the bill. There is another amendment to be offered by the gentleman from Massachusetts [Mr. CONTE] as an amendment to the Quie amendment. If I should yield my position, would I forego the opportunity of offering my amendment to the bill at this time?

The CHAIRMAN. The Chair would like to inform the gentleman from Minnesota that under the rules of the House he is unable to yield for that purpose. Is the gentleman's amendment an amendment to the Quie amendment?

Mr. NELSEN. Mine is an amendment to the bill.

The CHAIRMAN. If the amendment is an amendment to the bill, it is not in order at this time. The Chair will recognize the gentleman at the proper time.

AMENDMENT OFFERED BY MR. CONTE TO THE AMENDMENT OFFERED BY MR. QUIE

Mr. CONTE. Mr. Chairman, I offer an amendment to the amendment offered by the gentleman from Minnesota [Mr. QUIE].

The Clerk read as follows:

Amendment offered by Mr. CONTE to the amendment offered by Mr. QUIE: On page 1, line 3, immediately after "That" insert "(a)".

On page 2, immediately after line 10, insert:

"(b) Such Act is further amended by adding at the end of title VII thereof the following:

" 'SEC. 710. Notwithstanding any other provision of law, beginning with the 1970 crop years, payments aggregating more than $20,000 under all programs which are provided for or extended under the provisions of Titles II through V of this Act may not be made to any producer. For the purposes of this section, payments include wool incentive payments, wheat marketing certificates, price support and diversion payments, and the dollar value (as determined by the Secretary of Agriculture) of any payments-in-kind made to a producer, but do not include the amount of any price support loan made to a producer.'

" 'SEC. 3. Section 402 of such Act is further amended by repealing, effective with the 1970 crop of upland cotton, section 103(d)(12) of the Agricultural Act of 1949, as amended.' "

The CHAIRMAN. The Chair recognizes the gentleman from Massachusetts in support of his amendment.

(Mr. CONTE asked and was given permission to revise and extend his remarks.)

Mr. CONTE. Mr. Chairman, the purpose of this amendment is clear—it places a $20,000 limitation on the total amount of all payments combined which can be made to any one indivdual or any one farming operation covered under the pending legislation.

At the outset let me say that we are considering here the renewal of an agricultural program which is not working today, which has not worked in the past, and which still has 1 more year to run.

Under the present administration the parity ratio stands today at the very low level of 73 percent.

We have recently enacted legislation which requires a reduction in Federal spending for fiscal 1969 of some $6 billion.

Nevertheless it is proposed that we approve a 1-year extension of a program which costs over $3 billion per year where there is no present need to provide an extension at this time and when potential alternative programs have not been fully considered.

This latter point is all the more significant in light of the fact that no matter who wins the Presidency in November, we are going to have a new administration which certainly should have the opportunity to formulate and propose its own farm programs. Yet, if this extension is passed today the bill will run through 1970 and deprive the new administration of this right.

Our agriculture policy was developed in the 1930's as an emergency program to provide assistance to the small farmer. Today it operates in almost the opposite manner providing substantial benefits to the larger farmers. The 2 percent of farmers in America who gross more than $100,000 a year receive some 20 percent of farm subsidies under our present program.

I do not believe that our inadequate and unsuccessful agriculture program should be extended by Congress for another year.

In the event that such action is taken, however, I believe that the adoption of my amendment will eliminate the most glaring inequities which exist in our present subsidy programs.

There is simply no justification for this country paying out tens and hundreds of thousands of dollars in subsidy payments to individual farmers and farms.

There is simply no justification for 1967 payments under our ACSC programs, excluding price-support loans, to have included payments of $25,000 or more to some 6,579 individual farm operations for a total of some $333,127,693. This represents an average payment to those 6,579 individual operations of some $50,000 per operation.

There is simply no justification for the taxpayers of this country paying hundreds of millions of dollars to subsidize large and wealthy farmers.

Under our present structure one farm operator receives a payment in the incredible amount of some $4 million. Five farmers receive over $1 million each for a total of $10,889,000 while another 11 farmers receive over $500,000 each.

I have with me a list of ASCS payments of $25,000 and over for 1967 broken down by States and I include this list at this point in the RECORD:

1967 PAYMENTS OF $25,000 AND OVER UNDER ASCS PROGRAMS BY STATES (EXCLUDING PRICE SUPPORT LOANS)

State	Total payees	Total payments
Alabama	186	$7,262,524
Arizona	495	32,632,601
Arkansas	617	28,270,128
California	810	61,310,642
Colorado	75	2,935,565
Florida	49	4,943,043
Georgia	130	4,797,677
Hawaii	26	9,808,390
Idaho	49	1,766,205
Illinois	13	463,829
Indiana	9	379,443
Iowa	9	$459,645
Kansas	109	3,804,974
Kentucky	3	84,644
Louisiana	263	11,266,492
Michigan	2	67,863
Minnesota	5	150,891
Mississippi	1,112	55,890,830
Missouri	85	3,295,160
Montana	45	2,101,731
Nebraska	23	739,913
Nevada	6	291,448
New Mexico	101	3,857,277
North Carolina	48	2,103,774
North Dakota	21	726,807
Ohio	3	132,065
Oklahoma	58	1,987,838
Oregon	44	1,486,281
Pennsylvania	1	28,710
Puerto Rico	55	3,553,220
South Carolina	157	6,117,524
South Dakota	12	406,439
Tennessee	73	2,821,483
Texas	1,762	72,646,201
Utah	6	207,679
Virginia	2	62,486
Washington	106	3,966,469
Wisconsin	2	66,176
Wyoming	7	233,626
Total	6,579	333,127,693

One payee happens to be the Louisiana State Penitentiary which received $89,697 for land owned by the penitentiary.

Another is a corporate farm operation in Mississippi owned by British interests which received $653,252.

The State of Montana received $553,358 not to farm on land that it owned.

There is simply no justification for these or any other large payments—there is no justification for hundreds of millions of our dollars being spent in this manner.

As all of us know, we face an extremely difficult financial picture, a situation which has required us to place expenditure and appropriation limitations on our fiscal 1969 budget.

We are supposedly looking for ways in which to reduce proposed Federal spending in fiscal 1969 by some $6 billion.

Recently this body voted to substantially cut funds from vitally important programs designed to assist schools in ghetto and poor rural areas on the stated basis of the need for economy in government.

Well here in the amendment I have proposed we have the means of saving up to $300 million a year and at the same time correcting an inequitable and unjustifiable Federal program.

Some have expressed the opinion that the kind of amendment I have proposed would be detrimental to the small farmer. But our small farmers are not going to be affected by this amendment which limits payments of over $20,000. Small farmers just don't receive those kind of payments.

I urge all members of this body to support my amendment and to vote for a $20,000 maximum limitation on payments to individual farm operations.

Mr. POAGE. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, we now have two confusing amendments which nobody understands and nobody is going to understand, except that they propose to cut down the amount of money that can be

paid to anyone for the use of his land. They amount to the same thing. There is no difference in these two amendments as far as principle is concerned. They can offer any combination of figures they want to, but it does not change the principle at all. But this amendment—whether we call it the Quie amendment, or whether we call it the Conte amendment, or whether we call it the Madden amendment—is most appealing, but yet I fear it is one of the most dangerous changes which has been suggested.

In my general discussion of the bill, I pointed out that I am sure that the proponents of this amendment offer it in all good faith and with every intention of being fair to everyone concerned. In my judgment, however, they present this amendment because of a fundamental misconception of the nature of the farm bill—and indeed of the whole farm problem.

Let it be remembered that our farm program is basically an effort to bring supply into rough balance with reasonable demand for farm products. Our farm program has never sought to establish an exact balance; we have always felt it was better to err on the side of overproduction and I am sure that this will always be our policy. But we do recognize that a relatively small overproduction ofttimes results in disastrous breaks in price for our producers. Typically, a 1-percent overproduction will often result in a 5-percent break in price.

Some countries have felt that it was sound for the Government to set all prices. Of course, when you fix prices you have to fix wages and you have to fix margins of profit. We in the United States have generally felt that if possible we should avoid the complications of complete price and wage controls. I concur in that view, but if we are to ask the farmer to continue to produce for sale in an uncontrolled market while he is buying the products of labor and industry at completely administered prices, he must have the help of some device which will at least reduce unneeded production.

Our present land retirement program pays the owner of the land for retiring certain unneeded acres from production. It is much cheaper to retire these acres before any of the expenses of making a crop are incurred than it is to purchase and retire the unneeded crop after it is produced. The average payment for retirement of an acre of corn is $40 while the value of the average production at parity prices is $106.60. When a farmer retires acres from production, he, of course, reduces his income just as does the tenement owner who sells his housing units to the housing authority and just as does the landowner who conveys his land to the city or State for highway purposes.

You would all readily recognize the impracticability of limiting payments for land needed for slum clearance or for highways to a figure of $5,000, $10,000, or even $50,000 per owner. Why, then, cannot we see the impracticability of limiting the amount of land use or retirement rental which can be purchased from any one landowner for achieving the needed production balance in agriculture? I see no difference other than that in the first case we are speaking of the purchase of fee simple title to land, in the second case we are speaking of purchasing the right to use the land for a limited period of time. In each case, payments must be made if the program is to be effective not on the basis of need of the landowner but on the basis of the value of the rights transferred to public use.

It is certainly impossible in the case of most commodities to achieve any effective balance simply by the removal of small holdings from production, and the very effort to confine the bulk of this removal to small holdings would be destructive of those very small farmers we would all like to protect. Suppose we want to remove 1,000 acres of wheat, cotton, or corn from production. Is the farmer who is planting only 10 acres of the commodity better served when we take the entire 1,000 acres from one larger farmer or when we take the entire holdings of 100 10-acre farmers? And yet, that is what is required if we are to maintain the effectiveness of the program, and if we are going to deny payments to the larger operators. The only possible alternative is to reduce the effectiveness of the program or to take a cruel and destructive percentage of land from the small operator. The program just will not work if you eliminate the participation on the part of the large operators.

Nor is the existing program the bonanza for large owners which the advocates of the amendment evidently suppose it to be. This misconception of this situation grows out of the assumption that everything that the large operator gets in the way of payment for his retired acres is profit. If this were true, I think that it is clear that every large operator would seek to put the maximum number of acres in the retirement program, but this is not the case. Most of these operators place no more in the program than they are required to in order to participate. Remember that in our grain programs especially, the landowner must often retire as much land with no payment as he can retire with payment. I know of no stronger evidence that these payments are not the bonanza that so many unthinking critics have assumed, and surely if we make it impossible for the large operators to participate in the program and receive the same kind of payments that all others receive for the retirement of their land, they will stay out of the programs and thus destroy by the overabundance of their production the value of the production of the so-called small farmer. The proposal is not only ill advised but it is self-defeating; it is counter productive. It breaks down the very thing which the basic program seeks to establish—that is, a reasonable degree of balance between supply and demand.

An outline of the case against limiting farm program payments follows:

THE CASE AGAINST LIMITING FARM PROGRAM PAYMENTS

I. Payment limitation conflicts with production adjustment (unless limit is only a token).

A. Failure of production adjustment means total failure of program.

1. Production adjustment is major means of (a) strengthening farm prices, (b) limiting government costs, (c) preventing waste of resources in surplus production.

2. Production adjustment is vital because agriculture has capacity to produce about 12 percent more than markets will take without disastrous price reductions.

(a) Manufacturers hold about 12 percent of capacity out of production, but farmers historically have been unable to do so without a program—partly because they are so many, partly because most farmers are their own labor supply and cannot fire themselves from job, partly because their investments and commitments and climate allow few choices.

B. Success of program depends upon attracting into program those who produce most of the market supply.

1. In a voluntary program, a farmer takes part only if he is paid fairly for what it costs him to participate.

(a) He gives up income from diverted acres. Farmer diverting 100 acres gives up twice as much as farmer diverting 50 acres.

(b) He spends money to devote diverted acres to conserving uses (twice as much for 100 acres as for 50).

(c) He believes in free-enterprise concept that a man is paid fair value for his goods and services. As Secretary Freeman has pointed out to members of this body, when we take a man's land for urban renewal or a highway, we pay him fairly. Farm program should follow same principle.

II. Payment limitation conflicts with market development.

A. Payments are not an end in themselves but rather a means to an end—a program method. Alternative is price-support loan at higher levels than we now have. But higher loans tend to reduce export opportunities and could even interfere with domestic market development.

1. Exports in fiscal year 1967 totaled $6.8 billion, compared with $4.5 billion in 1960. And dollar sales were up 62 percent—from $3.2 billion to $5.2 billion. For 1968 fiscal, preliminary estimates indicate total agricultural exports of $6.4 billion of which nearly $5 billion are commercial sales—despite very strong world competition.

2. Agricultural exports exceed imports, help meet balance-of-payments problem.

3. Farmers depend on exports as market for more than one-half of wheat production, two-thirds of milled rice, a third or more of the grain sorghum, soybeans, cotton and tobacco they produce; more than a fourth of the flaxseed; nearly a fourth of the corn.

III. Payment limitation conflicts with surplus reduction.

A. Surplus reduction is a function of both production adjustment and market development. Each has had a part in reducing CCC inventory from $6,148,000,000 in October of 1960 to $896,000,000 as of May 31, 1968.

B. Surplus is still great danger because of capacity for overproduction and tendency to use it. Same program we had in the 1950's would accumulate surpluses as before. Program we have now will enable us to continue to deal successfully with surplus problem.

IV. Payment limitation conflicts with sugar, wool, and conservation policy.

A. Many of the larger payments are for purpose of carrying out sugar policy—to help maintain a domestic sugar industry and assure U.S. of continuous adequate supplies at reasonable prices.

B. Payments also help maintain domestic wool industry.

C. Conservation cost-sharing payments are included in the totals about which there has been so much publicity.

1. Nobody makes a profit from conservation cost-share payments. Public pays about half of what it costs the land owner to carry out conservation measures which are pri-

marily for the long-term benefit of the public.

V. Payment limitation would hurt the small farmer as well as larger farmer.

A. Farm program is based on policy of encouraging family-type farming in this country—to keep the means of production widely owned—to keep the land primarily in the hands of the operators.

1. Policy is succeeding. Family-type farming is the dominant part of American agriculture and growing stronger in relation to other types. Big payments are only the phenomenon resulting from treating all farmers alike (except for certain higher rates of payment for small farms).

B. Exclusion of big producers from program would throw burden of production adjustment on family-type and smaller farms.

1. Exclude a farm which should divert 1,000 acres, and you have to get 100 small farmers to divert an additional 10 acres each. This is not good for those producing too little to keep busy. It would cost government more.

C. Family-type and smaller farms take part in farm program because they need the same results as do larger farmers—better prices, better markets.

1. Last year a sixth of all participants received payments of less than $100 and half received less than $500. They do participate.

D. Some small farmers need program help in addition to the commodity programs.

1. We should not try to correct all the ills of agriculture through this one program. Take care of poverty and training needs, and special credit needs, etc. through other means rather than by discriminating among farmers in payments, which are merely program machinery, not welfare.

VI. Payment limitation would not help the Poor People.

A. Food aid from federal government is at record level.

B. Food is plentiful and cheap for those who have jobs.

1. Takes less than 18 percent of take-home pay—20 years ago it was 25 percent. One hour of factory labor buys nearly twice as much bread as in 1929; over twice as much round steak.

2. Production of more food by farmers, at heavy cost to themselves, would not help Poor People.

C. Oppnents of farm program do not appear to be proposing that the farm program payments and price-support loan funds be converted to doles for the poor. Some appear to be using the plight of the poor as another convenient weapon with which to bludgeon the farm program.

D. Farm program does not displace tenants.

1. Production per man-hour has gone up in non-program commodities just as in program commodities. It is technological revolution and surplus production and low farm prices that cause workers to be displaced—not the program. Blame the disease, not the medicine.

2. Law requires rights of tenants to be protected. USDA does this to best of its ability.

VII. Payment limitation conflicts with economic welfare of Nation.

A. Successful farm program is essential to U.S. prosperity.

1. Agriculture is basic industry. Supplier of raw materials. Buyer of what others produce. Three out of 10 jobs in industry depend on farm prosperity.

B. Successful program is essential to American future.

1. Strong, prosperous, productive agriculture is our guarantee of food and fiber to meet our growing needs and help us maintain world conditions in which peace can flourish. Weak, impoverished American agriculture would be extremely dangerous to us and our descendants.

C. Payment is important means of making program successful. Do not prevent its effective use.

1. Surplus is down. Food is plentiful. Farm income is up—24 percent higher, net, in 1967 than in 1960, while net per farm was up nearly 50 percent. Many problems remain. Farm net income not yet at parity with incomes of other groups. But under present law, we are making progress. Let's not turn back.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. POAGE. Mr. Chairman, I ask unanimous consent that I may proceed for an additional 5 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

Mr. WHITTEN. Mr. Chairman, I shall not object, but many of us would like to have some time. I tried to get my colleague to yield. I am not going to object at this time.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas.

There was no objection.

Mr. BELCHER. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield to the gentleman from Oklahoma.

Mr. BELCHER. Our hearts always go out to the little fellow, and we would like to help the little fellow. A lot of people have had the idea that the big man was getting rich on these farm programs and the little man was the one who was getting hurt. In my opinion, if we limit the payments and drive the big producers out of the program onto the general market, we will cut the allotments of those small farmers still left in the program to the point that the small farmers will be hurt worse by the limitation on payments than the big farmers will be.

Mr. POAGE. The gentleman from Oklahoma is exactly correct.

Mr. MINISH. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I am glad to yield to the gentleman.

Mr. MINISH. I thank the distinguished chairman for yielding.

I would like the distinguished chairman to explain how the farmer loses money, if he gets $40 an acre, when he retires the land, without investing anything.

Mr. POAGE. He is only paid the $40 an acre if he retires his land.

Mr. MINISH. As I understand it this is about 40 percent of what he would get if he farmed the land. I fail to see how he would lose money under this system of payments.

Mr. POAGE. When you have $500-an-acre land, what is the interest on that land in the first place? What are the taxes on that land? What is the cost of going over that land three or four times to kill weeds? You have to keep the land clear under this program.

Mr. MINISH. I do not know what the taxes would be because I do not have any farm land.

Mr. POAGE. You cannot let your land lie out and get retirement payments. You cannot quit paying interest and taxes just because you put your land in the reserve. You have to pay interest and taxes on it, and you have an interest charge alone of $35 per acre on $500 per acre at 7 percent. You have a net cost far in excess of your payments even though you do not grow a thing.

Mr. KUYKENDALL. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I rise in opposition to the Quie amendment. The only thing that I find about the Quie amendment that seems to fit into the agriculture bill is that it is just complicated and confused enough to be appropriate. The gentleman from Iowa [Mr. KYL], mentioned that that cotton program under either the Quie amendment or the Conte substitute is impossible. I would like to talk particularly to some Members on my side and discuss in some detail some of the actual facts and figures of the cotton program.

Under the program that was begun in 1961, after the Benson program had gotten rid of just about all the surplus cotton there was in this country, by 1966 a 14-million bale surplus of cotton had been accumulated. It costs $6.50 to store a bale of cotton for 1 year. However, under the present program in the last 2 years, this surplus has been reduced to 700,000 bales.

Mr. Chairman, either the Quie amendment, or the Conte amendment, would do one of two things, both of which would be damaging. First, if these amendments were cleaned up to the point that they would allow the farmer to produce freely, there would be one problem; if this happened, immediately we would have two-price cotton and would bring back up a tremendous storage surplus which has been built up over the years.

If the Quie or the Conte amendment is not cleaned up and is passed as they intend it to be passed, commonsense indicates very plainly and simply that this support price in the case of cotton would be roughly 30 cents a pound. About 9 to 10 cents of this price is support. However, this 9 cents is not all profit to the farmer. It is 6 cents overhead and 3 cents profit to the small farmer and in the case of the larger farmers as much of it as one-half might be profit. So, therefore, no matter what, they would have to divert this land into soybeans or something else and would then endanger the entire operation of the cotton market which some of us would not want to see happen.

Mr. Chairman, the second largest export item of this Nation today is cotton, second only to jet airplanes, and it was only second in the last 2 or 3 years that it became second, it used to be first.

Mr. Chairman, let us talk about the balance-of-payments problem. The amount of cotton that would be diverted into soybeans or something else by the Quie amendment would amount to just about what our exports of cotton would amount to in any 1 year and would reflect a serious impact in our balance of payments.

The second largest item in our balance of payments in America would be greatly affected.

If you want this bill and this entire farm program overhauled, if you want a sensible long-range approach to it, even if you want to phase out some of these programs over a 5-year period then let us pass the 1-year extension—a sensible ap-

proach to a very important problem. So please let us not get into this false economy which the adoption of the Quie or the Conte amendment would bring about.

Mr. STEIGER of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. KUYKENDALL. I yield to the gentleman from Wisconsin.

(Mr. STEIGER of Wisconsin asked and was given permission to revise and extend his remarks.)

Mr. STEIGER of Wisconsin. Mr. Chairman, as one who represents a State which does not grow any cotton but one which does produce a substantial amount of dairy products from the figures set forth in the report accompanying this bill, it would appear that the cotton producer of America is getting a support price for their middling 1-inch crop of 20.25.

Mr. KUYKENDALL. about 21.

Mr. STEIGER of Wisconsin. And in 1967 cotton producers are getting a support price of 11.5 cents and get a required diversion payment of 11.53 cents which totals 42.5 cents while the parity for cotton is about 43 cents. Is that overall figure correct?

Mr. KUYKENDALL. I refuse to yield any further, but my answer to the question—and I would like to ask for 1 additional minute and the gentleman from Wisconsin may want to ask for that additional time for me.

The CHAIRMAN. The time of the gentleman from Tennessee has expired.

(By unanimous consent (at the request of Mr. STEIGER of Wisconsin) Mr. KUYKENDALL was allowed to proceed for 2 additional minutes.)

Mr. KUYKENDALL. The gentleman from Texas, the chairman of the committee, explained about the diversion payments and this additional amount of about 10 cents per pound which the gentleman from Wisconsin mentioned is by diversion and is not paid on the acre of land or the pound of cotton that is actually used or produced. That is paid in addition as a diversion. In other words, an acre of land must be diverted and not used for anything to earn the additional payment.

No farmer can afford to refrain from raising soybeans, no farmer can afford to refrain from raising feed in exchange for that small payment for an acre of $500 land, so the diversion payment is diverting very little cotton land because the farmer is better off putting the land in soybeans, and if we do not watch out on this program under the Quie amendment we will have 100,000 additional acres put in soybeans. And instead of being in trouble with cotton, we will be in trouble on soybeans.

Mr. STEIGER of Wisconsin. If the gentleman will yield further, the producer payments for cotton in 1967 were $935,000,000. The farm value of prodution for cotton in 1967 equaled $925,000,000. Now, it would appear to me that no matter how you cut that cake the cotton producer is receiving subsidy payments from the Federal Government in excess of the farm value of production on crops. If I were to take this into the dairy industry we would be paying the dairy producers a subsidy of $5 billion to equal the farm value of crops produced. This is a further reason why I believe the Quie amendment would correct the deficiencies of the present program and why I oppose the Smith amendment.

Mr. KUYKENDALL. For the cotton produced on an acre of land he gets about 30 cents a pound.

The CHAIRMAN. The time of the gentleman has again expired.

Mr. WHITTEN. Mr. Chairman, I move to strike the requisite number of words.

(Mr. WHITTEN asked and was given permission to revise and extend his remarks.)

Mr. WHITTEN. Mr. Chairman, we consider an extension of the present Farm Act. As the membership will recall, I had many grave doubts about this act when it passed. However, then and now I recognize that we must have price supports for farm production as long as we have minimum wage laws and the right of labor to organize and to strike in order to bargain, and with the right of industry to place its prices on top of costs for they will thereby take a larger, and larger share of the dollar.

Prior to this act the Congress recognized this need to keep agriculture balanced with industry and labor and met it by a system of price supports on agricultural commodities tied to the cost of what the farmer had to buy. With regard to perisable commodities, the program called for using section 32 funds—30 percent of import duties—to buy up surpluses to strengthen prices. And with regard to storable commodities, frequently called "basics," the price supports were provided by loans, with the rate tied to parity, that is, to a composite of the costs of things agricultural producers had to buy. Under this system, if the cost of what the farmer had to buy went up the prices he received for his commodities somewhat kept pace.

I know it is said that system failed. I tell you it was not the system which failed, but the trouble come because our Government refused to keep U.S. production on world markets at competitive prices as authorized by law so to do. This meant that the U.S. Government held huge supplies while U.S. and other interests produced under our price umbrella in Mexico, Central America, and around the world. Through this refusal to sell, which came from faulty governmental policy, we promoted expanded production abroad, cost ourselves lots of money in storage by not selling for cash our commodities, surplus to domestic needs but never to world needs.

Pressures built up and the present law was passed which provides, against my advice, that the American farm producer sell by-and-large at the world price and be dependent upon appropriation of the Congress for the difference between a price comparing favorably with the prices he had to pay, U.S. prices, and the price he received, world prices, perhaps 30 percent lower.

Efforts here to limit the payment per farmer would be to break faith on the basis with which the law was passed, would result in a serious decline in farm purchasing power, and could well lead to a recession; for now with the farmer obtaining only the world price, if he does not obtain these payments which were assured to him, not only will he go under but he likely will drag the rest of the economy with him.

I am sorry indeed, that many of our friends on the left who are from urban areas are not here; but it is high time that we in Congress began to realize that agriculture is not something apart.

When Members talk about farmers you are talking of agricultural producer, you are talking about the biggest market that industry and labor have, some $60 billion to $75 billion of product bought each year.

When you talk about agriculture you are talking about the most economical supplier that the consumer has. In our country we pay an average of about 18 percent of our income for farm products, food and clothing. In Russia they pay about 50 percent.

When we talk about agriculture, we are talking about not only the biggest market, but we are talking about the key to our standard of living. Who is it that makes it possible for 94 percent of our people to live in the cities, and produce television sets? It is the 6 percent that are engaged in agricultural production.

Now back to cost, far more than half the cost of operating the Department of Agriculture each year is for meat inspection, school lunch, school milk, to save our land for the future, for research, protection from insects and diseases, loans for rural electrification and all that.

Counting all those things it is peanuts as compared to the cost of many other things. This year we listed some of these costs. I quote:

Federal programs for—	
Mail subsidies	11,479
Subsidies to maritime organizations	6,251
Subsidies to airlines	1,322
Business reconversion payments (including tax amortization)	47,698

Some months ago I asked the U.S. Library to give me a report or estimate as to the total amount of the retail price passed on to the consumer which came as a result of minimum wages and the right of labor to organize and thereby increase wage rates; and I am not striking at that—but it is a fact of life.

I got a nine-page report but the answer was in the second sentence. I quote:

We are sorry we do not even know how to go about estimating that.

So everything that you have reflects what is built into the cost by laws passed by the Congress and under power exercised under such law.

But here in agriculture—and I said then it was a mistake, we have the farmer selling on the world market but buying in a U.S. market and his Government promising to make up the difference. Under the pending amendment you would renege on that agreement; and further, you would, in the long run, drag down your economy; industry and labor would have less market; taxes collected would be less—and employment would drop—and here comes the depression. Why do I say that—study each

recession or depression—all were led off by a break-in form income.

It is mighty hard for an urban society to stand. The people tend to forget that wealth comes from the soil, that purchase of the output of industry and labor starts with the producer of raw material.

Urban people begin to want food and fiber beneath the cost of production. This they can receive for a time; but after the land is drained, after the producer is broke, then urban people find they have followed the farm producer down the drain. But here it is worse than that. You said: Mr. Farmer, sell at the world price instead of at a price comparable with the cost of what you buy, then we will make up to you the extra which industry and labor get under various laws. We will pay you the difference.

I warned then that you probably would refuse to pay the amounts due; but in your own interest, believe me, in the long run you will wish you had.

Mr. POAGE. Mr. Chairman, I know that all Members want to get away this evening and I wonder if we could agree on a limitation of time, let us say 30 minutes, on this amendment and all amendments thereto. I ask unanimous consent.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas that debate on the Quie amendment and all amendments thereto close in 30 minutes?

There was no objection.

The CHAIRMAN. The Chair has noted the names of Members seeking recognition under the limitation of time.

The Chair now recognizes the gentleman from South Dakota [Mr. REIFEL].

(Mr. REIFEL asked and was given permission to revise and extend his remarks.)

Mr. REIFEL. Mr. Chairman, I come from a State where we regard ourselves as the second most agricultural State in the Nation.

I have, except for the first year that I was here and served on the distinguished Committee on Agriculture, supported every farm bill that has come to the floor of this House for consideration except the first one which was a mandatory control on practically everything that farmers were to raise—which of course did not survive this House.

Mr. Chairman, I rise in support of the Quie amendment. I am concerned, as every Member of this House is, that somehow or another we get the farmer on his way up from where now he finds himself which is on the bottom run of the economic ladder.

I do want to see the agricutural program extended, and I do not know how much support we are going to get for that today unless there is some limitation on payments for taking land out of production. I want to save the farm program. If what the gentleman from Indiana said yesterday is an expression of the temper of this committee, a limitation in terms of the Quie amendment would keep the program in effect. I think the gentleman from Indiana does express a feeling in this House on the part of a great number who are concerned about these large payments to large producers. The Quie amendment tends to porvide a way in which we can dampen the top payments down so that the program can be acceptable to them, I hope. I hope the Quie amendment is adopted.

The CHAIRMAN. The Chair recognizes the gentleman from Wisconsin [Mr. STEIGER].

(Mr. STEIGER of Wisconsin asked and was given permission to revise and extend his remarks.)

Mr. STEIGER of Wisconsin. Mr. Chairman, I rise in support of the amendment offered by the gentleman from Minnesota [Mr. QUIE]. I am willing to accept a 1-year extension of the 1965 Food and Agriculture Act, but I am willing to do so only if a limitation on payments is imposed.

It seems to me the Quie amendment would make it possible for us on a rational, realistic basis to stop the expansion of the corporate farm at the expense of the family farm in America. It may be of interest to note the fact that in the Sixth District of Wisconsin, which is an agriculture-oriented district, I have discussed ths subject with members of all the farm organzations and individuals, many of whom do not belong to any organization, and I have found great support for the idea of a limitation on payments. The range of support for this proposal goes from Farm Bureau to NFO. The gentleman from Minnesota [Mr. QUIE], has already brought out the support of the Farmers' Union.

In fact, in my questionnaire this year a question I asked was, "Would you favor limiting agriculture subsidy payments to a maximum of $10,000 per farm?" 74 percent said, "Yes." Fourteen percent said "No" and 12 percent did not respond. Almost 10,000 citizens of the Sixth District responded to this annual questionnaire and the overwhelming response in support of payment limitations is significant.

With parity standing at the lowest levels in many years it must be clear that the 1965 act is not working equitably. I shall strongly oppose the Smith amendment to extend this act for 4 years. I cannot accept the idea of burdening the American farmer with less income for 4 more years.

Changes in our agriculture program must be made. The 1965 act does not expire until the end of 1969—almost 18 months from now. Unless this act can be amended here I cannot support an extension.

The CHAIRMAN. The Chair recognizes the gentleman from Iowa [Mr. GROSS].

(By unanimous consent, Mr. GROSS yielded his time to Mr. SCHERLE.)

The CHAIRMAN. The Chair recognizes the gentleman from Iowa [Mr. SCHERLE].

(Mr. SCHERLE asked and was given permission to revise and extend his remarks.)

Mr. SCHERLE. Mr. Chairman, as a livestock and grain farmer from Iowa, I support the 1-year extension, but do not support the restrictions on price limitations. Because of research and technology in America today, we, as farmers, have become "slaves to our own efficiency." The big problem that we face today in agriculture is the tremendous surplus and our ability to produce. To the consumer this is a great asset. It is also a millstone around the neck of the average American farmer.

Our problem is that we produce more than the market demands, and the large producer is a contributing factor to our increased surplus. This is normal in any operation. The larger the unit, the greater the production. I feel that without a monetary incentive to the large operator, which would automatically drive him out of the program, it would be devastating as far as the small family-type operation is concerned.

Iowa is a good example. Last year we had the largest surplus on record in the history of our State. When we have an excess in production, it is felt at the marketplace by the small operator. The average man on 240 or 320 acres usually feeds all the grain that he produces. But you take a large farm operation that is a cash grain operation. That grain ends up at the marketplace, and usually at the sacrifice of the small operator.

Another point that has not been brought out this afternoon is that with a limitation on payments, the first thing we will create is a situation where the large operation will divide itself into smaller units.

These will be new owners and they will find a method and a means to become eligible for the total payment allowed under law.

A monetary incentive must be available to the large operator.

The CHAIRMAN. The Chair recognizes the gentleman from Texas [Mr. MAHON].

(By unanimous consent, Mr. GATHINGS and Mr. DE LA GARZA yielded their time to Mr. MAHON.)

Mr. MAHON. Mr. Chairman, we have reached a very crucial period in the discussion and the consideration of the farm bill. If the limitation of payment amendments are adopted, it is the beginning of the end, in my judgment, of farm programs. We cannot tolerate limitations on payments.

I was pleased to see that the men who should be the most expert in this House on the matter said it should not be done, and the amendment should be opposed. I am referring to the gentleman from Texas [Mr. POAGE] and to the gentleman from Oklahoma, [Mr. BELCHER], the chairman and ranking minority members of the House Committee on Agriculture.

They have not served on that committee and listened to the thousands of hours of testimony for nothing. They know, as I think people who are fully familiar with farm practices know, that the limitation of payments is unsound and will mean the destruction—it will mean the beginning of the destruction—of the farm program.

We wnat to improve the farm program, but we do not want to destroy the farm program, and we do not want to destroy the basis for the farm program.

Much has been said about cotton. A farmer cannot afford to overplant his cotton because he will be penalized so heavily. But what will the cotton grower do if he is discriminated against and is denied equal treatment with other

citizens in the business? He will have to produce something else. As I believe the gentleman from Iowa [Mr. SCHERLE] said, the people in the livestock and feedgrain business will be getting a lot of additional competition, which will lead to further dislocation and injury to agriculture.

It seems to me the thing to do at this critical period, as we face an election and perhaps a change in policy by the new administration—Democratic or Republican—the thing to do is not to make a drastic change in the farm program, but to continue it for 1 year, or to continue it for 2 or 3 or 4 years, but to continue it basically as it is.

It seems to me under those conditions we can live with it. It seems to me that if we vote down these amendments, we will be doing something constructive for agriculture. If we support them, we will be doing something that will be destructive for agriculture. So I earnestly hope these amendments will be voted down and that the program can apply on the basis of equality to all citizens in agriculture. This destructive proposal must not be injected into the farm program.

The next Congress, which will have more time to consider farm legislation and if it desires, can change the program, whether we now adopt a 1-year or a 4-year program. But let us not, as we say on the farm, throw a monkey wrench into the machinery by adopting these destructive amendments.

Mr. QUIE. Mr. Chairman, will the gentleman yield?

Mr. MAHON. Mr. Chairman, I know the gentleman from Minnesota has a plan worked out. He has been working on it for years. He has not been able to sell it to the top Republican on the committee [Mr. BELCHER] and he has not been able to sell it to the top Democrat on the committee [Mr. POAGE] and he has not been able to sell it to the farmers I represent.

Most of them would not be affected directly and immediately by the gentleman's proposal. However, the gentleman has had ample time to present his ideas, and his ideas are not sound. His plan would give different treatment to farmers living in the same community. The amendment should be overwhelmingly rejected.

The CHAIRMAN. The chair recognizes the gentleman from Minnesota [Mr. NELSEN].

(Mr. NELSEN asked and was given permission to revise and extend his remarks.)

Mr. NELSEN. Mr. Chairman, I intend to support the 1-year extension, I intend to support the Quie amendment. However, I want to advise the Members here that I do have an amendment which shall we say provides a middle-of-the-road approach as to the graduated scale of payments.

Under the provisions of my amendment, actually $51 million reduction will occur in the larger payments, and a $49 million increase would occur in payments in the smaller ones, and there would be a $3 million saving in the total program. However, on the larger producers, my amendments would be much more practical, in my judgment. I intend to offer this amendment as soon as action has been taken on the present amendment. If the Quie amendment is adopted, of course, I will back away.

If it is defeated, I will offer my amendment to the bill at a later time.

The purpose in taking this time is to advise this body of the fact that I shall be offering an amendment. I intend to offer an amendment which will more nearly meet the opposition we have heard, since there are those who feel that by a very drastic reduction in payments the larger producers will drop out or the program. I believe my amendment will correct that situation.

The CHAIRMAN. The time of the gentleman from Minnesota has expired.

The Chair recognizes the gentleman from Illinois [Mr. MICHEL].

(Mr. MICHEL asked and was given permission to revise and extend his remarks.)

Mr. MICHEL. Mr. Chairman, I have somewhat mixed emotions here today because when the appropriation bill for the Department of Agriculture was being considered I opposed the limitation and made the point that that was no time to rewrite the farm bill and the time for doing it was when farm legislation was being authorized. What we are considering today is authorizing farm legislation for 1, 2, 3, or 4 or more years, whatever is desired. So now is the time to make that decision as to whether we do or do not want limitations on payments.

But I will tell the Members that we are in a control program. Now, some want this same control program for 4 more years. The biggest factor in a control program is the biggest producer. Unless we can control the biggest producer we have not controlled anything.

I happen to be opposed to a controlled kind of agriculture, but that is what was voted. That is what we have, and the biggest factor is the big producer.

I am inclined to believe, with the gentleman from Mississippi, since we are being so outvoted in the rural areas by the urban centers, we have to be thinking seriously of some kind of limitation in the future. What form it will take the Members will decide today if we go on and extend the program.

Personally I would like to see the sliding scale limitation proposed by the gentleman from Minnesota [Mr. QUIE] if we cannot get a reasonable straight line limitation.

The CHAIRMAN. The time of the gentleman from Illinois has expired.

The Chair recognizes the gentleman from Minnesota [Mr. LANGEN].

(By unanimous consent, Mr. LANGEN yielded his time to Mr. QUIE.)

Mr. QUIE. Mr. Chairman, there seems to be a concern over the fact that graduated scale payments would hurt the program. I repeat what I said earlier, especially to my friend the gentleman from Texas [Mr. MAHON]. Under the sugar program, which both the gentleman from Texas [Mr. POAGE], and the gentleman from Oklahoma [Mr. BELCHER], have supported in the past, there were graduated payments, where the largest operators received lesser payments than the smaller operators. We must bear in mind that the main purpose of a farm program is to help farm income. The farmer being hurt the most is the small farmer. Anyone who wants to be a large operator, receiving more than $100,000 or $500,000 or $1 million, certainly ought to be able to operate on supply and demand out in the market.

Mrs. MAY. Mr. Chairman, will the gentleman yield?

Mr. QUIE. I yield to the gentlewoman from Washington.

Mrs. MAY. I appreciate that, because I rise to oppose the Quie amendment.

Mr. Chairman, a limitation on payments to farmers in compliance with present Federal farm programs would, in my opinion, be highly detrimental to U.S. agriculture, and our national economy as a whole.

The arguments which are being presented as justification for limiting Federal farm payments are, unfortunately, based on a misunderstanding or misinterpretation of the basic purpose of the farm programs. They are not designed to be welfare programs. Payments under the program are not made for doing nothing. Program payments represent remuneration to farmers for bringing their crop production into line with national production objectives, and payments are made not on the basis of need, but on the basis of the income farmers have had to forego in order to comply with production goals of the programs.

Mr. Chairman, I often find myself in disagreement with Secretary of Agriculture Orville Freeman, but on this issue we have much the same point of view. At this point I should like to quote several pertinent paragraphs from a July 19 letter from the Secretary to me:

> As the vote nears on the farm program, I want to make it clear that my opinion on the limitation of payments hasn't changed—I'm against it because I believe it is against the national interest.

The Secretary goes on to say:

> All who cooperate (in the farm programs) earn, and are entitled to, reasonable compensation for this acreage diversion. No where have I heard of a limitation on payments when a city takes real estate for urban renewal, or when a state takes land for a highway.
>
> The farmer who is asked to divert 100 acres from surplus production expects to be paid about twice as much as what his next door neighbor, with comparable land, earns for 50 acres of diversion. And why not? His investment is twice as great, his taxes are twice as great, and his risk is twice as great.
>
> Commodity programs are not welfare grants. To be effective in balancing production they must fit into the free-enterprise concept that a man is rewarded in terms of the value of his contributions. Programs payments reimburse farmers for income they forgo and expenses they incur when they divert land from crop production to carry out farm policy.
>
> And to those who assume that money will be saved by limiting payments, I say that this is simply not true if the same result of supply management is to be achieved. If one large farmer who has been forgoing production on 1,000 acres doesn't cooperate in these programs, that means 100 small farmers will have to forgo production on 10 more acres each to maintain supply and demand stability—and I believe that this would cost more, not only in federal funds, but in fur-

ther curtailment of opportunity for smaller farmers.

Mr. Chairman, I strongly oppose any limitation on payments under the Federal farm programs, and I would hope my colleagues hold the same view. Let us simply extend the program for 1 more year at this time, and go into this question of payments early next year when there will be more time to explore it in depth, and when the Agriculture Committee will be considering the many other amendments and changes which have been recommeded but were not acted on this year.

(Mrs. MAY asked and was given permission to revise and extend her remarks.)

The CHAIRMAN. The Chair recognizes the gentleman from New York [Mr. RYAN].

(Mr. RYAN asked and was given permission to revise and extend his remarks.)

Mr. RYAN. Mr. Chairman, I believe that it is necessary to reevaluate the whole farm program. Certainly the debate this afternoon has left many questions in my mind. Since the present program will continue until December 31, 1969, in any event, I do not believe it should be extended by this Congress. To extend it for 4 years would mean that, as a practical matter, there would be no thorough review in the next Congress.

I support the Conte amendment to the Quie amendment in the hope that the small farmer, for whom the program was theoretically intended, will benefit. In addition, I will support the $10,000 subsidy limitation amendment to be offered by the gentleman from Illinois [Mr. FINDLEY].

I recall that last spring some 70 Republican Members of the House advocated a so-called human renewal fund to be financed through certain budget cuts. Four hundred and ten million dollars was to be obtained by reducing agriculture subsidies through the imposition of a $10,000 subsidy limit. Let us see if those who joined in that proposal will put their words into votes today.

Mr. Chairman, the concept of a guaranteed annual income for the poor has been roundly attacked by the very Members who are the first to support an unlimited guaranteed annual income for the corporate farmer.

I believe it was Charles Abrams of Columbia University who suggested that in America we have socialism for the rich, while the poor are left with free enterprise. Indeed, the major subsidy programs benefit mainly those who have the capital and know-how to take advantage of them. Initially opposed as socialistic, they soon become the pet programs of the special interests whom they benefit.

Urban renewal has been a boon to real estate developers. Only this year, in the Housing and Urban Development Act of 1968, did the Congress finally get around to requiring that a majority of the housing built on urban renewal land be for low- and moderate-income persons.

The highway program is a massive public works venture which benefits construction, trucking, oil, and automotive interests. As a result, railroads, which once provided economical, pleasant public transportation, have been permitted to decay.

The space and defense budgets, among others, amount to gigantic subsidies for the aerospace, electronics, and armament industries.

And ad infinitum, through most large Federal programs.

The farm program is quite similar. Where payments are based on acreage, the small marginal farmer, who may be in debt and subsisting on $1,000 or $2,000 a year, does not receive much benefit from the subsidies, because he does not have much acreage to take out of production. The large plantation owner, who may receive $157,000 a year in subsidies, as did a Member of the other body, is under no obligation to pass on some of the largesse to his impoverished tenants.

The defenders of the present farm program—those rock-ribbed "Socialists" from our Southern and Midwestern States—protest that this is not a relief or a welfare program—but a crop adjustment program designed to keep production within proper balance by paying farmers to take land out of production. They argue that the American consumer has the cheapest food in the world, that the farmer labors from dawn to dusk, and that the prices he receives for his crops are already too low.

Let me reply. It is not the gentleman farmer from the other body who labors from dawn to dusk in his fields, because we know that he spends most of his time in Washington. Yet he received some $157,000 under this program, while his sharecroppers who do work from dawn to dusk receive little benefit.

It is not the farmer with sufficient holdings to receive these large payments who is being shortchanged in the marketplace. He is probably quite well off, and the subsidy only makes him richer.

The small or medium farmer, with a few hundred acres, who fits the traditional image of the family farm, will not be hurt by this amendment, because he does not receive $20,000 per year—nor $10,000 for that matter.

The present program is of little help to poor farm families, but it does make the rich richer at taxpayers' expense. I am not concerned that its intent has nothing to do with the rich or the poor, or that it is a crop adjustment program and not a welfare program. I am concerned about its effect, and that is plainly its effect.

It has been claimed that the result of this amendment will be massive overproduction with an adverse effect upon the agricultural economy. I am not an expert in this area of legislation, so I say to those who are:

"You have constructed a program which pays subsidies to the rich in exact proportion to how rich they already are—a progressive income tax turned inside out. This, while millions of rural Americans are starving. There must be other ways of regulating production. Between now and December 31, 1969, there will be ample time to reevaluate the farm program and develop a more sensible approach."

The CHAIRMAN. The Chair recognizes the gentleman from Indiana [Mr. MYERS].

Mr. MYERS. Mr. Chairman, I rise in opposition to the amendment by Mr. SMITH of Iowa.

I wonder if the members of this committee truly realize how long this is going to be extended if the Smith of Iowa amendment should be adopted.

This will go on until December 1973 and carry the program through three congressional elections and through one more presidential election after this. This will tie the hands of the next Secretary of Agriculture, the next Committee on Agriculture and two succeeding Congresses from making any changes. Now, let us be practical. We know that Congress will not make any substantial changes unless we have to do it. It seems that 1 more year will give all of next year for the Committee on Agriculture and for this Congress to come up with a new program. The Committee on Agriculture can come back next year and it will be a new committee, but it will take 2 months before we get to work to consider this farm problem. To accommodate the wheat growers in the West means that we will have to come up with a new program in the next 2 months after we get organized. Everyone recognizes that we will need more than 2 months of hearings and of study to come up with a good bill. Our farmers are certainly deserving of a better program than they have now.

The CHAIRMAN. The Chair recognizes the gentleman from Illinois [Mr. FINDLEY].

Mr. FINDLEY. Mr. Chairman, a number of the Members of this body have received memos from me in regard to a limitation of payments at the $10,000 level. I just want to assure you, especially those of you who have taken surveys in your home districts on the basis of the $10,000 limitation, that at the proper time during the consideration of this bill you will have an opportunity to vote for the Findley amendment to establish a limitation at the $10,000 figure.

I might remind some of my friends on the Republican side of the aisle that earlier this year they cosponsored with me the human Renewal Act. One of the features of this act was to bring about a savings of half a billion dollars under the farm program, which savings were to be spent elsewhere. This saving was to be brought about by imposing a limitation at the $10,000 level.

So, Mr. Chairman, I hope that the 70 Members or so who sponsored this measure with me will be on hand and will support their convictions as expressed earlier on this limitation concept.

The CHAIRMAN. The Chair recognizes the gentleman from Iowa [Mr. SMITH].

Mr. TIERNAN. Mr. Chairman, will the gentleman yield to me at this time?

Mr. SMITH of Iowa. I yield to the gentleman.

(Mr. TIERNAN asked and was given permission to revise and extend his remarks.)

Mr. TIERNAN. Mr. Chairman, the legislation now before us, as I understand it, seeks to continue for 1 year—

1970—the provisions of the Agricultural Act of 1965.

I understand further that the 1965 act does not expire until December of 1969.

The mere dates force me to wonder why we are considering this act at this moment. Is there an implication here that we do not trust the next Congress?

Some would argue, I suppose, that by extending the act now, we are giving farmers more time to plan. I cannot accept an argument that gives a segment of our populace more time to plan to accept Government money—as a matter of fact, three to three and a half billion dollars annually of Government money.

I have watched closely the development of the 1965 act, and I am satisfied in my own mind that it is not a good law—that it does not deserve continuation. I feel strongly it has not helped consumers.

I am certain that continuation of an ill-conceived program surely will not help set the stage for any logical solutions to the farm problem in the future.

Mr. Chairman, I represent a constituency that is largely urban, but which also includes many good farmers. Some of the production records of the farmers in my district equal those anywhere in the world.

It is significant to me that the farmers of my district do not receive—in fact, do not want—Government handouts.

I am compelled to inquire why farmers of my district can get along reasonably well without all this Government money.

Is it that farmers of my district are more expert—which certainly is a possibility—or is it, rather, that they long ago have made the decision that they are the best managers of their own land and that Government, no matter how beneficent, cannot possibly do it better?

I know, too, that whenever Government pours billions of dollars into some segments of the farm economy, this makes food production less efficient because the mere payment of "free" money to farmers tends to combat efficiency, makes some people lazy. And, why not? A fat Government check is a fairly good cushion upon which to rest.

We are at a juncture in this country at which we must decide to mobilize our resources to solve the great urban ills. I find it impossible to vote to spend three to three and a half billion dollars annually on farm programs most farmers do not want at a time when that money should be diverted to much more fruitful purposes.

The farmers of my district do not need this legislation. I know that because they have told me so. The consumers of my district do not want this legislation because it only will serve to make their food more expensive.

Mr. Chairman, I stand opposed to this measure.

Mr. SMITH of Iowa. Mr. Chairman, diversion payments are what have been primarily discussed here, but I want to remind you that they are not the only payments involved in the across-the-board amendment. Over 1 million acres of private land has been rented for playgrounds, picnic areas, and outdoor recreation areas and wildlife reserves. We rented this land for 5 or 10 years and after having rented it and turned it over to these outdoor recreation purposes, can we then say, "I am sorry, but we cannot pay you for it"? In addition to that, the greenspan program is involved; 137 urban areas in this country have already received the money that could have been paid to farmers if they had continued to have the land usd for the purposes of recreational use.

Mr. BRASCO. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Iowa. I yield to the gentleman.

Mr. BRASCO. In connection with the amendment limiting payments to farmer's, if the limitation is imposed and the larger farm units drop out of the program and go on to produce as much as they would like to, would that not in effect injure the small farmers who would not be able to compete with the large farmers.

Mr. SMITH of Iowa. The gentleman is exactly correct.

The CHAIRMAN. The Chair recognizes the gentleman from Texas [Mr. ECKHARDT].

(Mr. ECKHARDT asked and was given permission to revise and extend his remarks.)

Mr. ECKHARDT. Mr. Chairman, I rise against the Quie amendment for two reasons.

In the first place, payments are not bonuses which may be graduated with respect to size but, rather, are inducements for limiting production. Therefore, if they are reduced to too small a figure you will not limit production on the large farms. Second, there is no definition of "person" contained in the bill. Therefore, the effect of the provision may easily be escaped by simply dividing the farm unit into several smaller units which would produce at the maximum rate.

The CHAIRMAN. The Chair recognizes the gentleman from Washington [Mr. MEEDS].

(By unanimous consent, Mr. MEEDS yielded his time to Mr. PURCELL.)

The CHAIRMAN. The Chair recognizes the gentleman from Texas [Mr. PURCELL].

(Mr. PURCELL asked and was given permission to revise and extend his remarks.)

Mr. PURCELL. Mr. Chairman, today we have heard every aspect of this limitation payments problem discussed. I would hope that those of you who come from consumer areas of the country and who do not deal directly with the producer areas could really draw from this discussion the absolute fact that the farm program has made for your consumer as well as all of our consumers food cheaper in ratio than any other commodity we are buying.

Mr. Chairman, in a recent survey in New York City it was shown that food had increased 25 percent in a given period of time, while clothing had increased 250 percent, and transportation had increased 300 percent. This is what the American farmer is doing for you and for all of us. This is partially due at least because of the programs which we have in operation.

I think the subsidies, so-called, are passed right along to the consumer. This should be considered insofar as the limitation of payments are concerned.

Other aspects are involved which cannot in my judgment be based upon fairness; that is, if you are going to discriminate against the one making the biggest contribution, the biggest sacrifice and using up more of their land to produce, then we should not ask him to not participate in the same manner as anyone else can participate. I say this because primarily some of the Members from the consumer areas are not present here on the floor at this time. I wish they were. This program has done more for the consumers of America than any other aspect of our society in which we live, in my judgment. And its continuation without limitation will continue to provide to the consumers in the city the best supplies and the best quality of food at the cheapest rate than mankind has ever known.

Mr. Chairman, in my opinion that would justify voting down the Quie amendment or any other limiting amendments.

The CHAIRMAN. The Chair recognizes the gentleman from Missouri [Mr. RANDALL].

(Mr. RANDALL asked and was given permission to revise and extend his remarks.)

Mr. RANDALL. Mr. Chairman, I rise in opposition to the Quie amendment.

Mr. Chairman, it is my conclusion which has been amply demonstrated here by preceding speakers that if we are as concerned about the small farmer as we say we are, and are going to try to help him in his efforts to survive then we will support the committee bill and oppose amendments which limit or cripple the objectives of supply control.

Mr. Chairman, the distinguished gentleman from Iowa [Mr. SMITH] a moment ago raised some points that might be of interest to those who do not represent farm areas. He referred specifically to the "Green Span" program as well as to some other programs. At this time I will yield to the distinguished gentleman and ask him to take a moment to explain how the Quie limitations would work against these programs he mentioned.

Mr. SMITH of Iowa. I thank the gentleman for yielding to me. All I can do is to reiterate that when cities need some open spaces for park land, they can buy a farm and then they can receive the payments for 10 years that the farmer had gotten if he had put it into the program. This is why so many communities use it for the purpose of park land instead of farm land.

Mr. RANDALL. Would the gentleman say that the Quie proposal would limit payments presently being made on wildlife preserves at this time? Would the suggested limitation means perhaps, the Government would have to say to the

holders of these preserves we just do not want the land anymore.

Mr. SMITH of Iowa. It would affect a total of about 1 million acres of that land.

(Mr. RANDALL asked and was given permission to revise and extend his remarks.)

Mr. RANDALL. Mr. Chairman, it may be difficult for some Members to speak out against a proposal which would limit the total any one farm or farmer could receive as diversion payments. It is true, there may have been some abuses in the past. It is equally true today there are a few who receive large payments. There are probably some Members who believe in the effectiveness and the workability of the farm program but who will be afraid to oppose the present effort of limitation of payments, because an opponent in this year's election, in total disregard of the facts, may come forward as a demagog waving his arms and making all kinds of unfounded statements intended to be flamatory.

Anticipating such a potential effort by a demagog opponent, I wish to make crystal clear the reasons I am against the Quie effort to limit payments or any other effort to limit payments. Stripping away all surplusage, and going to the heart of the matter, there has to be a provision for the larger payments or there will be little or no supply control.

We have subsidized the airlines, the merchant marine, and the railroads. In all of these instances, subsidies have been applied uniformly. Why is it that the farmer should be condemned because he is a success and say, because you are a large farmer you will be penalized? Why should we punish a man for being a success? It has not been too many years ago that this Congress voted a $20 million tax break for the motor car manufacturer. There was no outcry then about large payments.

The entire thrust of the farm program is to limit production. If we are going to limit production it must be limited by the large farmer as well as the small farmers. If we limit payments to some of the big farmers they will pull out of the program and leave the greatest surplus of grains this country has ever seen.

I suppose there is not a Member in the House that does not feel there should be measures taken to reach those wealthy persons who are the so-called tax deduction farmers or the so-called hobby farmers. But they should be reached by other means or other laws because if we intend to control production we cannot eliminate them by limit of payments.

To recapitulate, the entire farm program is an effort to adjust supply to demand. If there must be error it is better that we err upon the side of over-production because, while such might result in price fluctuations, we will nonetheless have the assurance that we will have an ample food reserve. The hearts of all of us go out to the little farmer. We devote a lot of lip service to his plight. But if we limit payments to the big farmers we will be hurting the small farmer much more because we will wreck the entire farm program.

One of the best arguments is by the illustration to take the example of a farmer asked to divert 100 acres from production. He should expect to be paid about twice as much as his neighbor with comparable land who is asked to divert only 50 acres. The reason is his taxes are twice as great, his investment is twice as great, and his risk is twice as great.

As Orville Freeman, Secretary of Agriculture, pointed out recently, has anyone ever heard of a limitation on payments when the city takes property for urban renewal or the State takes lands for highways? No, Mr. Chairman, our farmers have the capacity to produce between 10 percent and 15 percent more than our markets can absorb without price-smashing effects. If the farm program is going to work then it will be effective because of supply control. If there is a limitation of payments the big farmers will not participate in the program and all of our efforts go down the drain. I urge all of my colleagues to vote against the Quie amendment and any other amendment which imposes unrealistic limitation of payments.

The CHAIRMAN. The time of the gentleman from Missouri has expired.

The Chair recognizes the gentleman from Mississippi [Mr. ABERNETHY].

(Mr. ABERNETHY asked and was given permission to revise and extend his remarks.)

Mr. ABERNETHY. Mr. Chairman, I would just like to call attention to the fact that we are dealing with a tremendously important segment of the economy of this country, one that provides us the basic food necessities of our daily life. We must be sure and we must be careful.

Mr. Chairman, there is confusion compounded here. We got into this identical situation in the committee soon after we first started considering a bill. We so remained for days and days. Some wanted this amendment. Others wanted another amendment and so on and on. As a result there was tremendous confusion. Now, this Congress placed our farmers into this situation 3 years ago.

It did so without my vote. I voted against the bill. I was concerned about it. I was afraid it would bring about a limitation of payments.

Let us not penalize these farm people all of a sudden. All we of the committee are asking this House to do is to just give our committee a reasonable amount of time to try to work this thing out. That is the reason we ask for 1 year only.

We are also faced with a political situation this year. We have an election in November. I stated earlier that the Republicans were reluctant to go along with a long-term bill. I can understand their feelings. Had I been on their side of the aisle I would have felt just as they did.

So, Mr. Chairman, I would urge the Members to vote down all amendments. Give us of the committee a reasonable length of time to work this out. We can do a better job when not working in the shadow of a presidential election.

The CHAIRMAN. The Chair recognizes the gentleman from Oklahoma [Mr. BELCHER].

(Mr. BELCHER asked and was given permission to revise and extend his remarks.)

[Mr. BELCHER addressed the Committee. His remarks will appear hereafter in the Extensions of Remarks]

The CHAIRMAN. The Chair recognizes the gentleman from Texas [Mr. POAGE] to close the debate.

Mr. SISK. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield to the gentleman from California.

Mr. SISK. Mr. Chairman, I appreciate the gentleman yielding. I rise in opposition to this amendment which would work to destroy the farm program.

Let us get on with the job and pass this bill as the committee proposes.

Mr. POAGE. Mr. Chairman, the gentleman from California has said practically all that I have to say. The gentleman from Oklahoma has pointed out the reasons, that this amendment will not help anybody in the United States. It will not reduce expenditures, it will simply take away the effectiveness of the program.

It will not help the little farmers, it will not help the taxpayers, it will not help the consumers. It is just a good piece of demagogery. It sounds good and that is about as much as anybody can say about it. All that the gentleman from Minnesota has done is to complicate it so that there are not three people in this House who understand what its sponsors are talking about.

If you want to vote for something you do not understand, and which does not even offer any advantages to anyone, then vote for the amendment.

Mr. PICKLE. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield to the gentleman from Texas.

Mr. PICKLE. Mr. Chairman, I thank the gentleman for yielding, and I join the gentleman in urging a vote against the Quie amendment.

Mr. Chairman, there is no easy or quick answer to the farm question. As long as it is a controlled or semicontrolled program we must abide by the regulations of the Department of Agriculture, and by the programs which the farmers themselves vote. We have been looking for a perfect solution to the farm question for years, and no one seems to come up with a program that suits everybody. The present program does suit the majority of farmers in my district, I am convinced. Perhaps we can find better answers next year, but unless we extend the program for 1 additional year now, the Congress next year will actually have only a few months—perhaps no more than 2 months for such early crops as wheat—to decide on any kind of program. That could be a calamity. If we extend for 1 year, then the Congress will have the full year to decide whether to extend the present program—or to change the basic structure of the farm program.

Whatever we do, we should remember that the best bargain Americans get today is food. Our farmers are the best producers in the world, and we ought to be finding ways to help them—not put them out of business.

Perhaps the greatest need in the farm picture—and in fact the one which

creates the need for Government programs—is the balance of production and demand, with the resulting strength in farm prices. As history has harshly taught us, overproduction can have devastating results, particularly on the small, family farmer. For this reason, Government programs are designed to keep excess capacity from being turned into excess supply by an uncontrolled every-man-for-himself race.

By keeping supply in proper perspective, we are able not only to meet our own food needs, but also to serve as the emergency cupboard for other parts of the world. Since 1960, total farm exports have risen from $4.5 billion to $6.8 billion last year.

Of course, there is some criticism about the amount of Government spending on agriculture, but I can think of no other aid program more important to this country. Feeding ourselves is basic.

One of the main issues pending is a proposal to place a ceiling on the amount of diversion payments a single person could receive. Diversion payments are made to individuals owning land which historically has produced a certain crop.

Since a crop history means added value to a piece of land, it would be unfair to present landowners to place a lid on diversion. The farmer who is asked to divert 100 acres from surplus production expects to be paid about twice as much as what his next door neighbor earns for 50 acres of diversion. And why not? His investment is twice as great, his taxes are twice as great. In truth, just about every farmer, large or small, has some amount of diversion.

The diversion program assures, with as much certainty as weather and yield allow, that the acreage planted nationally will have a close correlation to projected demand. When these factors work out properly, farm prices will not be unduly depressed as a result of overproduction.

The 1965 program has produced results. By 1966, per capita income of farmers was up 27 percent over 1960—$1,717 instead of $1,108. But the conclusion that more is needed is revealed by the fact that farm income in 1966 was only 65.1 percent of nonfarm income.

These figures show improvement, but they also show the real problem the farmer faces—low prices and increasing equipment costs. To continue efforts, we must have programs to keep the farmer in business. Any bona fide farmer must make investments of thousands of dollars for land, equipment, fertilizers, and seed.

Continuation of the 1965 program will not be easy because the farmers are divided among themselves, and this is most unfortunate. But I feel that the existing program has worked reasonably well—certainly better than what we had before. It has given us needed improvement in farm income and we should extend it in order to give the farmer the leadtime required of today's farm operations.

The CHAIRMAN. The time of the gentlman from Texas has expired. All time has expired.

The question is on the amendment offered by the gentleman from Massachusetts [Mr. CONTE] to the amendment offered by the gentleman from Minnesota [Mr. QUIE].

The amendment to the amendment was rejected.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Minnesota [Mr. QUIE].

The question was taken; and on a division (demanded by Mr. QUIE), there were—ayes 49, noes 104.

So the amendment was rejected.

AMENDMENT OFFERED BY MR. FINDLEY TO THE SUBSTITUTE AMENDMENT OFFERED BY MR. SMITH OF IOWA

Mr. FINDLEY. Mr. Chairman, I offer an amendment to the substitute amendment offered by the gentleman from Iowa.

The Clerk read as follows:

Amendment offered by Mr. FINDLEY to the amendment in the nature of a substitute offered by Mr. SMITH of Iowa: At the end of the substitute, add the following:

"SEC. 2. Such Act is further amended by adding at the end thereof the following new section:

" 'SEC. 710. Notwithstanding any other provision of this Act, effective with the 1970 crop, annual payments made pursuant to provisions of Titles II, III, IV and V shall not exceed in the aggregate $10,000 to any single recipient.' "

Mr. FINDLEY. Mr. Chairman, several of you on both sides of the aisle have told me of surveys that you have taken in your home district raising the question as to whether your constituents would like to see payments to individual recipients in farm programs limited to $10,000 a year.

Well, that is precisely what this amendment would do. It is a much simpler amendment than the ones that have just been considered and I feel it does not meet the valid complaint and problems raised by the two gentlemen from Mississippi about the cotton program. As they know, the existing law has in it what is called the snapback provision, and should any limitation be effected by means of my amendment for example, this provision would take effect. Under it the 1958 cotton program would be reinstated.

As has been noted by other speakers here today, in 1960 the cotton program was headed in the right direction and nearly out of trouble. That was under the 1958 act, and that is precisely the act which would be reinstated by the effect of my amendment.

It is true, unfortunately, that Agriculture Secretary Freeman, starting in 1961, jacked up price supports way out of reason under the 1958 act and got cotton in surplus and in storage and got it in trouble.

But there was nothing wrong with the 1958 act, as it applied to cotton, assuming prudent administration.

The effect of my amendment, aside from placing an aggregate limitation of $10,000 on the total amount any recipient could receive in payments under these various programs, would be to reinvoke the 1958 Cotton Act. I have also circulated to you a listing taken from the Senate hearings on the agriculture appropriation bill of last year and 2 years ago, showing the tremendous scope of individual payments authorized under these programs. Several of my friends object to the word "welfare" being used in respect to payments under farm programs. But I do not see how we can justify taking tax money and giving it to individuals, whether they be farmers or otherwise, except in terms of income support. A short term for "income support" is welfare. I do not see anything wrong with providing welfare to those who need it. As help to those in need, this program is exactly backwards, the greater the need, the smaller the payment. My amendment, I believe, would get things around in the right manner and would provide a payment at what should be considered quite a reasonable guaranteed income level of $10,000. It would mean that the so-called "fat cats," the ones that have tremendous resources, those who really do not need the help of the taxpayer, would henceforth have to rely on market income instead of income out of the U.S. Treasury, at least for income beyond $10,000 a year.

Mr. SISK. Mr. Chairman, will the gentleman yield?

Mr. FINDLEY. I yield to the gentleman from California.

Mr. SISK. Mr. Chairman, the question I would like to ask the gentleman from Illinois is whether he desires to go back to the 1958 act, or go back to the two-price system for cotton, which I am sure, as the gentleman knows, got us into tremendous trouble.

Mr. FINDLEY. No; Secretary Freeman got us into the trouble by his unwise administration of a very good act.

Mr. SISK. That is a possibility, but it was under the 1958 act that we got in trouble.

Mr. FINDLEY. However, 1960 cotton was nearly out of trouble. It was headed in the right direction.

Mr. EVANS of Colorado. Mr. Chairman, will the gentleman yield?

Mr. FINDLEY. I yield to the gentleman from Colorado.

Mr. EVANS of Colorado. If the gentleman's amendment is adopted, would it include wheat certificates to wheat farmers?

Mr. FINDLEY. Yes, indeed.

Mr. EVANS of Colorado. I would like to ask the gentleman this question, because we have a number of wheat farmers in the eastern part of Colorado who receive payments of all kinds in excess of $10,000, who are barely hanging on by their teeth, and who are actually going ahead with next year's crop by virtue of their ability to borrow on the increased value of their land. I ask the gentleman whether he can tell me what I should tell my wheat farmers when they are limited to $10,000 in payments of all kinds?

Mr. FINDLEY. The Secretary does have the option in operating the wheat program of adjusting the level of support. By wise administration on the Secretary's part, the farmers can get more income from the marketplace, and be less dependent on Government payments. If the Secretary of Agriculture

would simply use good sense in applying the laws that now exist, farm prices would increase, turning off the pipeline from the U.S. Treasury at the $10,000 level therefore, does not necessarily mean a substantial cut in income.

Mr. POAGE. Mr. Chairman, the gentleman from Illinois is simply rehashing the same old threadbare arguments we have heard. We limited time on this discussion a while ago. I hope the committee has heard enough of this headline grabbing. I hope we will vote on this and strike down all of these limiting amendments. The committee brought in a good bill. The committee is opposed to any amendments thereto, and I hope that all Members here will vote this down as it deserves right now.

Mr. MADDEN. Mr. Chairman, I move to strike out the requisite number of words.

(Mr. MADDEN asked and was given permission to revise and extend his remarks.)

Mr. MADDEN. Mr. Chairman, I support the amendment of the gentleman from Illinois limiting yearly rural payments under $10,000. I just wonder if the Members realize that there are approximately 3,500,000 farmers in the Nation. Only 185,000 farmers get over $5,000 a year. Under this annual subsidy too many are filed in the six-figure bracket—$100,000 and up. Six corporation farms are in the $1 million-and-up bracket. One farm operation gets over $4 million per year.

I have received hundreds of letters in the last month from people, especially in the areas where there are some farmers drawing down $800,000 and $700,000 and $500,000 and $600,000, and up. When the neighbors of some of these high-relief recipients write—and today I had three letters from Arizona come to me, they complain about the big relief checks to farmers who they say are not complying with the requirements and regulations. They name the people and neighbors who have acreage adjacent to the city, who are getting $70,000, $80,000, and some of them $700,000.

When Congressmen go back to their districts, they will get many complaints that this program has been extended into 1970. We are about to adjourn. When the new Congress convenes next January we could take this legislation up for debate. Our Members will hear from their neighbors back home who are going to protest the high figure payments for rural relief, $50,000 payments.

I got a long-distance call the other day from Georgia. A farmer down there said his neighbor has planted nothing. His wife inherited one thousand and some additional acres, and all they have done is receive a check for $70,000 per year for enjoying life on Government payments. He said, "If they plant anything, I do not know what it is." There is a great deal of that going on all over the country.

I asked in the Rules Committee some of the Agriculture Committee members if there had been any investigations of people who received some of these annual income payments, but received no information.

A gentleman from southern Indiana visited my office this week and said, after he looked over the list, that, "I see so-and-so is getting $21,000 a year. He is a cattleman, and he has not made any pretense of raising very much farm produce, but he gets $21,000 a year."

I am for limiting this to $10,000 or $15,000, and let us take care of the small farmer.

Do Members know that since this program went into effect—no, I will say for the last 4 years—almost 500,000 farmers a year have moved into our urban area. Approximately 500,000 have come into the cities looking for jobs, mostly on account of tenants being driven off the land, where the rich and wealthy corporate farmer buys up more land and gets more tractors and machinery with the money he gets from the Government.

I have had a letter from one of the great farm organizations, dated June 25, from George B. Shuman, president of the American Farm Bureau.

I hereby wish to submit the letter as part of my remarks:

AMERICAN FARMER BUREAU FEDERATION,
Washington, D.C., June 25, 1968.

Hon. RAY J. MADDEN,
U.S. House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN MADDEN: The House of Representatives will soon consider H.R. 17126, a bill to extend the Food and Agriculture Act of 1965 for one year—to December 31, 1970.

Passage of this bill would be unnecessary and unwise.

It is unnecessary to act in 1968. The present legislation does not expire until December 31, 1969. Rejection of this bill would permit Congress to develop an alternative program next year.

It is unwise to act because the Act of 1965 is a failure. It is failed:

To stabilize the food costs of consumers.

To expand farmers' export and domestic markets.

To improve—or even maintain—the incomes of farm families.

The farm parity ratio stood at 81 when the Act of 1965 became effective. Now when we are less than half-way through the third year of the program, it stands at 73. Farmers want something better than to be locked into the present low-price situation. And, while farmers have suffered a drop in their prices, the federal government's costs for wheat, feed grain, and cotton programs have steadily increased and now total over $3 billion annually.

With Congress having passed a 10-percent tax increase and a requirement that the President reduce budgeted expenditures $6 billion in the next fiscal year, it is incredible that Congress would even consider extending legislation which has proved to be so costly and ineffective.

We respectfully urge you to vote against H.R. 17126.

Sincerely yours,
CHARLES B. SHUMAN,
President.

Mr. POAGE. Mr. Chairman, I ask unanimous consent that all debate on this amendment, and all amendments thereto, close in 5 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. LANGEN. Mr. Chairman, I move to strike the requisite number of words.

(Mr. LANGEN asked and was given permission to revise and extend his remarks.)

Mr. LANGEN. Mr. Chairman, surely the discussion here this afternoon has been of great interest to anyone who has any interest in the agricultural scene. I believe it has done primarily two things.

First, it has pointed out the wisdom of the Agriculture Committee in the first instance, when the committee recommended to this House a 1-year extension without amendments.

Second, it has pointed out the complexity of the entire farm program.

Now we have been put in the position of attempting to rewrite a farm program on the floor of the House. If the amendments that have been already presented, and those that are before us now, are to be considered, then there are 50 or more additional amendments which ought also to be considered. This would be necessary if we are going to rewrite a program which everybody knows is completely inadequate. This program does not serve the best interests of the farm people, and has been the cause of the continuous price drops, which today is ruining rural America. If we are to correct this, then we have a lot of amending to do.

In view of that, it occurs to me this House ought to follow the sound recommendation of the Committee on Agriculture in the first place, and adopt their bill of a 1-year extension without amendments, and then let the farmers know we have not been able to come up with anything better at this point, but that we hope to do so in the future. It would be sheer folly to subject American agriculture to 4 more years of this price-depressing program. Every segment of the Nation's populace would suffer.

The CHAIRMAN. The Chair recognizes the gentleman from Texas [Mr. PRICE].

Mr. PRICE of Texas. Mr. Chairman, I want to make a comment to the distinguished gentleman from Indiana [Mr. MADDEN] in regard to the erroneous information, in my opinion, that was discussed yesterday regarding these payments.

I still say that if a man wants to take the risk, to expand his farm operations, and has the intestinal fortitude to take on that additional burden himself, of a 40-year loan at the high interest rates available, why should he be penalized, if we are to have a farm program? If we are not going to have a farm program, then we ought to do away with the whole thing. Merely because a man wants to expand. This is one of the foundations upon which this country was built, merely because a man wants to better himself, we should not penalize him. I believe we should vote down the amendment.

The CHAIRMAN. The Chair recognizes the gentleman from Texas [Mr. POAGE] to close debate.

Mr. POAGE. Mr. Chairman, I yield back the remainder of my time and ask that the Committee vote.

Mr. POLLOCK. Mr. Chairman, I rise in support of the amendment by the gentleman from Illinois [Mr. FINDLEY] to

limit Federal payments to farms for not growing crops. The proposed ceiling of $10,000 per recipient is a reasonable sum—especially when considered that the recipient would have little or no expenditures for labor, equipment, or other costs associated with production of a marketable crop. Under the law, the overburdened taxpayer is footing the bill so that a person need not be productive. All the gentleman farmer—opportunist—need do is buy a farm, place it in a nonproductive status, and watch the annual Federal checks arrive without lifting a finger.

In my opinion, the system has produced a monstrosity which operates in the exact opposite manner from its original purpose. As I understand the program, the primary thrust was to help the small family farm, yet today the great bulk of the taxpayers' money is going to the large corporation farm.

In 1967, Federal payments in excess of $25,000 under the ASCS program for not growing crops were made to 6,579 so-called farmers. These 6,579 farmers literally milked $333,127,693 from the American taxpayer—an average of $50,635 for each of these farms—a Federal check for doing absolutely nothing.

If the total amount of Federal subsidy payments per farm was limited to $10,000 per year, it is estimated that an annual savings to the taxpayer from this program would amount to about $600 million. Certainly at a time when we have already instituted a $6 billion cut in Federal expenditures, and have imposed an onerous temporary 10-percent surtax on each taxpayer, the proposed amendment is more than reasonable.

Mr. Chairman, I urge the Findley amendment be adopted. This action is especially appropriate since it would coincide with the almost identical period as the President's 10-percent surtax is in effect.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois [Mr. FINDLEY], to the substitute amendment offered by the gentleman from Iowa [Mr. SMITH].

The question was taken; and on a division (demanded by Mr. FINDLEY) there were—ayes 71, noes 115.

Mr. FINDLEY. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers, Mr. FINDLEY and Mr. POAGE.

The Committee again divided, and the tellers reported that there were—ayes 72, noes 122.

So the amendment to the substitute amendment was rejected.

Mr. POAGE. Mr. Chairman, I wonder if we could get some agreement to close debate on the Smith of Iowa amendment at this time? I ask unanimous consent that all debate on the Smith of Iowa amendment close at this time.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

Mr. NELSEN. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state his parliamentary inquiry.

Mr. NELSEN. I have an amendment to the bill. Will this unanimous-consent request, if agreed to, foreclose the consideration of my amendment?

The CHAIRMAN. If the gentleman's proposal, the proposal of the gentleman from Texas, were adopted, the Smith of Iowa amendment would be up for a vote at this time, under the proposal that has been made by the chairman of the committee.

Mr. NELSEN. Mr. Chairman, a further parliamentary inquiry.

The CHAIRMAN. The gentleman will state his parliamentary inquiry.

Mr. NELSEN. And following that, my amendment would be in order, would it not?

The CHAIRMAN. The gentleman is correct.

Is there objection to the request of the gentleman from Texas?

Mr. MATHIAS of Maryland. Mr. Chairman, I object.

The CHAIRMAN. Objection is heard.

AMENDMENT OFFERED BY MR. MEEDS

Mr. MEEDS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. MEEDS: On page 2, immediately after line 10, insert:

"SEC. 2. (a) The Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is further amended by striking in subparagraph (B) of subsection 8c(5) all that part of said subparagraph (B) which follows the comma at the end of clause (c) and inserting in lieu thereof the following:

"'(d) a further adjustment, equitably to apportion the total value of the milk purchased by any handler, or by all handlers, among producers and associations of producers, on the basis of their marketings of milk during a representative period of time, which need not be limited to one year, and further adjustments to provide for the accumulation and disbursement of a fund to encourage seasonal adjustments in the production of milk and (e) a further adjustment, equitably to apportion the total value of the milk purchased by any handler, or by all handlers, among producers and associations of producers, on the basis of their marketings of milk during a representative period of time, which need not be limited to one year and which may be either a fixed period of one or more years, or a moving average of one or more years, as provided in the order, and which basis may be adjusted, and readjusted from time to time, to reflect the utilization of producer milk by any handler or by all handlers in any use classification or classifications. In the event a producer holding a base allocated under this clause (e) shall reduce his marketings, such reduction shall not adversely affect his history of production and marketing for the determination of future bases, or future adjustments of bases, except that an order may provide that, if a producer reduces his marketings below his base allocation in any one or more use classifications designated in the order, the amount of any such reduction shall be taken into account in determining future bases or future adjustments of bases. Bases allocated to producers under this clause (e) may be transferable under an order on such terms and conditions as may be prescribed in the order if the Secretary of Agriculture determines, in connection with such order, that transferability will be in the best interest of the public, existing producers, and prospective new producers. Provision shall be made in the order for the allocation of bases under this clause (e) to new producers and for the alleviation of hardship and inequity among producers, nd prescribing terms and conditions under which new producers may earn bases. Producers holding bases so allocated or earned shall thereafter participate pro rata in the market in the same manner as other producers. In the case of any producer who during any accounting period delivers a portion of his milk to persons not fully regulated by the order, provision may be made for reducing the allocation of, or payments to be received by, any such producer under this clause (e) to compensate for any marketings of milk to such other persons for such period or periods as necessary to insure equitable participation in marketings among all producers. Notwithstanding the provisions of section 8c(12) and the last sentence of section 8c(19) of this Act, order provisions under this clause (e) shall not be effective in any marketing order unless separately approved by producers in a referendum in which each individual producer shall have one vote and may be terminated separately whenever the Secretary makes a determination with respect to such provisions as is provided for the termination of an order in subparagraph 8c(16)(B). Disapproval or termination of such order provisions shall not be considered disapproval of the order or of other terms of the order.'

"(b) Such Act is further amended (1) by adding to subsection 8c(5) the following new paragraph:

"'(H) Marketing orders applicable to milk and its products may be limited in application to milk used for manufacturing.';

and (2) by amending subsection 8c(18) by adding after the words 'marketing area' wherever they occur the words 'or, in the case of orders applying only to manufacturing milk, the production area'."

Mr. MEEDS (during the reading). Mr. Chairman, I ask unanimous consent that further reading of the amendment be dispensed with and that it be printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Washington?

There was no objection.

Mr. MEEDS. Mr. Chairman, it is my honor and pleasure to offer an amendment which will help the dairy farmer as well as save money.

The class I base plan authorized by the Food and Agriculture Act of 1965 has been put into effect in only one of the 75 Federal milk marketing areas. Experience with the plan in the Puget Sound milk marketing area has demonstrated that the legislation is essentially useful and worthwhile.

The class I base plan allows producers to determine as individuals whether or not to produce milk in excess of their market's fluid requirements at the manufacturing price. Their response has been to reduce their marketings of milk beyond fluid requirements.

During the first 6 months of 1968, milk pooled under the other Federal milk orders has increased, despite the fact that national milk production has declined. Yet, milk pooled under the Puget Sound Federal order has declined even more than the national production, and this occurs in an area where economic activity and population growth are expanding rapidly.

Extension of the class I base plan to other Federal order areas could be expected to have similar effects on surplus milk production and could reduce the pressure on—and the cost of the Government of—the price support program for dairy products.

The class I base plan presents no new or costly administrative problems. On the contrary, the cost of administering the base plan in the Puget Sound order has declined as compared to the administrative cost of the seasonal plan which it replaced.

Although results under the plan have been beneficial, experience illustrates that there are some changes which would make it more effective as well as more acceptable to local producers.

We have to keep in mind, of course, that the class I base plan is entirely "permissive" legislation. It can be put into effect only if two-thirds of the producers in the market vote by referendum to accept it. Should the producers wish to get rid of the plan, they can do so at any time with a simple majority vote.

Why have not more markets adopted this plan?

In the first place, the Department of Agriculture has clung to a very inflexible interpretation of the "representative period" during which producers establish their "history of production." If they were not producing during the period selected, then they are forever doomed to the status of "new producers." The amendment I am offering would permit the Department to compute bases on a more flexible pattern. For example, individual marketing histories and market conditions would have more of a reign in determining a base. The amendment, then, would "unfreeze" the base.

Under present law, new producers acquire a base by transfer or, as is more common, only if there are new sales in the market. And even then they are treated as new producers only on a month-to-month basis. This provision is positively frightening, for a decline in market sales could wipe out the new producers. My amendment would permit new producers to earn a base.

Because increased sales must go first to new producers, the old producers have no share in market growth. And since the excess milk is frequently marketed at a higher price, the existing producers are therefore treated unfairly. Dissatisfaction with this feature of the 1965 act has caused some dairymen to lose sight of the principle of self-determination which the plan has offered them, compared to the evils of blend pricing. My amendment will allow existing producers to share in market growth and thereby retain producer incentive.

The current law specifically eliminates the obligation of base holders to supply the market. Yet, the base plan itself is almost a contractual relationship, for having a base implies an obligation to deliver. In the Puget Sound market, there is a tendency to hoard the base until prices rise, then cash in big. This creates instability. My amendment would drop the portion of the current act which allows base holders to be unresponsive to the requirements of the market. Under unusual circumstances, of course, the local hardship committee could give relief to a producer amiss in his deliveries.

The class I base plan superceded that portion of the Agricultural Marketing and Adjustment Act of 1937 under which simple seasonal 1-year base plans were included in marketing orders. If the law is permitted to expire, then there would be no authority for even the simplest plans. The amendment which I offer reinstitutes authority for the simplest of plans as well as for variation of producer prices as a seasonal production leveling device.

As I mentioned before, Mr. Chairman, this amendment will help the dairy farmer and help to save money. Approval by the House will be a meaningful step in assisting our family dairies.

Mr. LAIRD. Mr. Chairman, will the gentleman yield?

Mr. MEEDS. I yield to the gentleman from Wisconsin.

Mr. LAIRD. There is some misunderstanding as to whether the amendment offered by the gentleman from Washington is to the Smith of Iowa 4-year substitute, or to the 1-year bill as reported from committee.

I believe it should be made clear that this amendment is to the bill, and not to the substitute.

Mr. MEEDS. The gentleman is entirely correct. This is an amendment to the bill, and the timing of this amendment will be timed precisely with the timing of the bill.

Mr. LAIRD. If the gentleman will yield further, but if the amendment offered by the gentleman from Iowa [Mr. SMITH] is adopted, then the amendment offered by the gentleman from Washington would be wiped out. It is most important that the Members understand this, because this amendment deserves consideration and support. If the Smith substitute is adopted the pending amendment which is needed to make certain corrections in milk marketing orders would be completely wiped out. I support the gentleman from Washington and urge that his amendment be adopted.

Mr. MEEDS. The gentleman is correct; that is the parliamentary situation.

Mr. PELLY. Mr. Chairman, would the gentleman yield?

Mr. MEEDS. I yield to the gentleman from Washington.

Mr. PELLY. Mr. Chairman, I would like to tell my colleague from the State of Washington [Mr. MEEDS], that I have had confirmed to me the statements which he has just made, and I want to associate myself with them, and to assure the gentleman that I am supporting his amendment.

Mr. MEEDS. I thank the gentleman.

Mr. QUIE. Mr. Chairman, will the gentleman yield?

Mr. MEEDS. I yield to the gentleman from Minnesota.

Mr. QUIE. I thank the gentleman for yielding.

I rise in support of the gentleman's amendment. I am glad the gentleman brought it up at this time because the very amendment that the gentleman is speaking about is what we intended when the class I base plan was enacted in the present law. We intended that the new producers would be taken care of as well as hardship cases, but we did not want to prevent the old producers from getting an increase. Also with a longer period of time than 1 year for establishing production base averages, the program will function better as we intended.

I believe this amendment should be adopted if the class I base plan which the Congress has adopted is really going to function properly.

Mr. MEEDS. The gentleman from Minnesota is right. Some of the things we are asking for in this amendment we thought we had included when we passed the class I base plan in 1965.

Mr. STEIGER of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. MEEDS. I yield to the gentleman from Wisconsin.

Mr. STEIGER of Wisconsin. Mr. Chairman, I appreciate the gentleman yielding.

In testimony before the committee, the National Milk Producers Federation raised the points which this amendment is intended to correct, and I want to associate myself with the remarks of the gentleman from Washington in support of the amendment. It would be most unfortunate if the efforts of the gentleman from Washington were to go for naught because of the committee's refusal to adopt any amendment. I hope this amendment is adopted. It will improve the 1965 act.

Mr. MEEDS. Mr. Chairman, in conclusion I would like to say that this amendment has the support of all people knowledgeable in the dairy field. It has the support on the merits of the majority side, and it has the support on the merits of the ranking minority member on the minority side. I have heard no opposition to the amendment. I urge that the amendment be adopted.

Mr. MATHIAS of Maryland. Mr. Chairman, I move to strike the requisite number of words.

(Mr. MATHIAS of Maryland asked and was given permission to revise and extend his remarks.)

Mr. MATHIAS of Maryland. Mr. Chairman, I rise in opposition to this bill. I believe that as we consider the extension of this program we have got to consider it at two levels: First, not what the program has done for the farming community, the agricultural industry of America, but what it has done to the agricultural industry of America; and second, the effect on the country at large.

Before we consider extending this program let us look at the status of the agricultural community after this program has been in effect for several years.

Take the situation with wheat. We have a forecast for 1968 of a record size wheat crop.

So we have not reduced or limited production.

We have a wheat price lower than any price for wheat for years. We have a wheat parity ratio of 54 percent, as of January of this year. The cost of producing a wheat crop this year is going to equal last year's record high cost.

Let us look at corn. Production will be 15 percent above the average this

year, so the controls are not having any appreciable effect.

The price will again be at a new low for all recent years.

The parity ratio for corn as of January is only 65 percent. The cost of producing this year's crop will be up to the record high of $1,400,000,000, thereby increasing the cost-price squeeze on the average farmer.

Mr. Chairman, these are basic commodity figures which reflect on whether or not this program is a success or a failure. They are factual and totally objective and they indicate the program has been a failure. We certainly ought not to extend a failure.

Let us look at the effect of the program on the operation of the Commodity Credit Corporation. In the first 30 years of the Commodity Credit Corporation's existence in the years 1933 to 1963, total Government expenditure of $10,624,000,000 was made for wheat, feed grains, and cotton. However, during the last 4 years, the years 1963 through 1967, the cost for these purposes has been $9,906,000,000, practically doubling the total expenditure of the operation.

We see today, after 35 years of subsidy and control and the expenditure of $20 billion of tax money, that parity in 1968 stands at only 73 percent, the lowest raw or unadjusted figure in years.

Now let us look at the effect on the country at large. We are talking today about a further commitment of expenditures of $3 billion. Yet we have been told that we have to watch what happens to the dollar and especially what we do to the dollar. We have been told about the enormous expenses that face the country and the need for restraint and responsibility in fiscal matters. Not only do we face vast expense before we end the war in Vietnam, but in solving the problems that exist at home both in rural areas and in the cities. Educational investment of unprecedented size is ahead of us, and the whole spectrum of proper national concerns requires that we establish rational priorities.

I raise a very serious question as to whether we can invest $3 billion more in a program that has been demonstrated on the record to have failed and ask whether we should take $3 billion from the national economy and commit it as far ahead as we are asked to do here; particularly in a national election year when we are going to choose a new President who will have a new farm program—I think it is complete and total folly.

If we do not recognize the term "fiscal responsibility" in this case, it has very little meaning.

Rather than to extend this program, we ought to be looking for some means to terminate it and for a positive, constructive and meaningful farm program which will do the job that needs to be done.

Mr. POAGE. Mr. Chairman, I move to strike out the last word and rise in opposition to the amendment.

Mr. Chairman, I would hope that the Committee would direct its attention to the amendment.

We have debated the question of the merits of the bill several times and I feel at this late hour of the day, it is better to consider the amendment that is before us rather than the fundamentals of the bill, with which I hope the membership is familiar.

The specific amendment before us is one for which I would expect to vote if it were simply a bill coming before our committee or coming before the House, But, frankly, I believe this is a good example of the futility of coming in here with all kinds of legislation and simply trying to hook it on to a train that is passing and get a free ride. That is all that is happening here and I do not think I would be particularly disturbed if I thought this was the only boxcar that you were going to hook on.

But I know and you know that if this amendment is placed on this bill, there will be a dozen meritorious amendments that will be brought out here, all with no relation to the basic purpose of this bill, but will be intended to correct some kind of specific evil.

I said in my comments the day before yesterday that, of course, this bill is not perfect. The present program has its weaknesses. It has many of them. I can point out just as many of them as can the distinguished gentleman from Washington. But you cannot correct them all here on the floor. Most of those things should be considered in committee. I do not know why this was not brought before the committee. I suppose it simply occurred to some of those who are now interested in this that when this bill came along that here was a way to get this through without taking the time to have committee hearings on it. Frankly, that is a bad way to legislate.

I think the gentleman has a good idea. We had that kind of milk program for a long time. I was in the dairy business myself for 11 years. I think this is a good idea. But I do not think that this is the place nor the way nor the time to bring such an amendment before us.

I hope that the Members of this Committee of the Whole House will join the Committee on Agriculture and vote for this bill without amendments. This bill was a rather well thought out bill. If we go to putting all kinds of amendments on it, no matter how good they are, they will upset the balance that we have obtained. I think it has been worthwhile to obtain the balance that we have, and I hope we keep that.

Mr. MEEDS. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield to the gentleman from Washington.

Mr. MEEDS. I thank the gentleman for yielding. I am sure the gentleman is aware there are no marketing orders in Arkansas, Mississippi, Texas, Oregon, and Michigan, which are awaiting the results of this bill before they start.

Mr. Chairman, you know very well that if they do not get started, if it takes them as long as it took the Puget Sound area, almost a year and a half, to get this marketing order set up, by the time this legislation expires they will not have this.

Mr. POAGE. I full well recognize that the gentleman has a case that he feels needs attention, and I do not question but what it does need attention. However, I recognize there are many other cases that need attention. We think we need reforms in the cotton program. There are those who think we need reforms in the wheat program and every other program.

I think they need reforms in those programs and need them now. But we do have a bill with a pretty good balance here that does not do anything except extend and give us an opportunity to work out the details of programs next year. On that, it seems to me, we can all agree. Maybe we could all agree upon the proposal of the gentleman from Washington. But there will be other amendments proposed on which we cannot agree.

And if we are going to let this be the vehicle to which all kinds of legislation will be attached, it merely means the destruction of this bill. I think this bill is far too important to weight it down, kill it with a batch of amendments that should be considered on their own merits in separate legislation.

Mr. PUCINSKI. Mr. Chairman, I move to strike the requisite number of words.

I rise in support of the amendment. I wonder if I may have the attention of the gentleman from Washington. It occurs to me that, to many of us in the large cities, many of these issues that come before us involving farm programs continue to be extremely complex. It is true that we do leave to the Agriculture Committee a great deal of judgment, as we do on many other subjects to other committees. But recently Mr. Richard Orr, a very distinguished writer for the Chicago Tribune, wrote an excellent series on American farming.

He pointed out that despite all of the efforts to save the farmer, farms in America are getting bigger, and there are less and less farmers remaining on the farms.

He did point out one significant thing, and that is why I have been listening to this debate very carefully. Mr. Orr pointed out that farming continues to be the biggest, the largest, single industry in this country. In light of this, obviously we in the cities have a deep interest in this subject.

It occurs to me though that if we have these grain support programs—and we have had them for all these years because most of these programs came in during the time of the depression—then we ought to try to make them work.

I need not remind my colleagues here that the great depression of the thirties started on the American farm and worked its way into the cities. That is why we in the cities have a keen interest in this farming legislation. But it seems to me there has been no significant and meaningful change in these programs in the last 30 years. Certainly there has not been in the 10 years I have been here.

I hear the very same people who today argue very tenaciously in support of this legislation, say that we ought to rewrite the whole welfare program of America, because it does not fit the needs of today.

I agree with them. The welfare program was written when this country had 14 million unemployed. Today we have a manpower shortage.

So I agree that the welfare program ought to be rewritten to meet the needs of the times. But I also agree that this farm program ought to be rewritten to meet the needs of the times. Both the welfare program and the farm program are a hangover from the depression days three decades ago and need a complete overhauling.

So here is the gentleman who, as I understand it—if I understand his amendment—is trying to bring this bill up to meet the needs of the times. I am inclined to support the gentleman, because if the amendment does what he says it will do, then we are certainly moving forward to make this bill more acceptable to many of us in the cities.

Mr. MEEDS. Mr. Chairman, will the gentleman yield?

Mr. PUCINSKI. Mr. Chairman, I yield to the gentleman from Washington.

Mr. MEEDS. Mr. Chairman, the gentleman will be happy to know that in the first 6 months under this Puget Sound marketing order, the surplus in that area, which prior to adoption of the action had been the heaviest surplus area outside the gentleman's own area and generally in the United States—the surplus in that area has come down three times as compared to other no marketing areas and twice that of some others.

Mr. PUCINSKI. Mr. Chairman, I can only repeat what I said earlier, that if indeed, as Mr. Orr said in the Chicago Tribune, farming continues to be the largest single industry in this country, then all of us have a keen interest in it. I want to be able to support these bills, but I must tell the Members that when I see the same formulas brought here year after year, and I see so many people moving to our cities and creating huge social problems in our cities, because the farm program is not helping them, I must continue to have serious reservations about this bill.

Many of our colleagues plead for support of this bill and then close their eyes to the problems of the big cities. When I hear Mr. Orr tell me farms have grown from 230 acres to 370 acres—which means bigger and bigger corporations are taking over the farms, and the little farmers we intend to help with this legislation are not being helped—then, my colleagues, I have no alternative but to vote against this legislation. Until this committee does bring meaningful legislation to the House, I shall continue opposing it.

(Mr. GROSS asked and was given permission to revise and extend his remarks.)

Mr. GROSS. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I do not always agree with the gentleman from Illinois [Mr. PUCINSKI], but I do with most of what he has just said about the farm program.

Through the years we have simply tried to make something out of almost nothing. This farm program must be changed. I am going to vote for a 1-year extension, and it will be in hope that next year the committee will give serious consideration for the first time since the late 1920's to a cost-of-production program for farmers. It is too detailed to go into at length in the limited time I have, but I am sure the veteran members of the committee will remember back in the late twenties when Congress twice passed the McNary-Haugen bill, with its formula of cost of production plus a reasonable profit to farmers for the food necessary for domestic consumption, together with a provision that only the world price would be paid for surpluses.

In those days when there was intense rivalry among farm organizations, but every farm organization in this country, without a single exception, came before Congress and stood shoulder to shoulder in behalf of the McNary-Haugen bill. I regret that although it was twice passed by both Houses of Congress, it was also twice vetoed by a Republican President.

Let us start early next year to do that which is necessary to be done. Let us see to it that the farmer obtains a cost-of-production price for feeding the people of this country and if he is foolish enough to raise a huge surplus, let him take the world price and the risk of being able to sell in world markets. With such a program we could abolish the army of bureaucrats now running around telling the farmers how to operate.

With respect to corporation farming, it is time State legislatives awakened to what is happening and enacted graduated land taxes. The effective way to meet the corporate farming problem as opposed to family-size farms, is with graduated land taxes enacted by the various States.

Yes, let us have a farm program that will do something effective for the farmer. Let us stop this business of forcing the farmer to sell at world prices and buy on American prices. In other words, sell on an open market and buy on a closed market.

The farmer today has little idea, when he loads a truck or railroad car with livestock and ships it to the stockyards what, specifically, he is going to get for the livestock. But the railroad or the trucking company knows to the dollar what it will get for transporting the livestock.

So it goes for the farmer, all up and down the line.

The farmer is told exactly what he must pay when he buys a tractor or combine, but he does not know what he is going to get for his products which provide the income to buy the tractor. He knows that the Gary steel mills are going to get cost of production plus a profit for the steel they sell that goes into the tractor. And the laboring man working in those steel mills knows what he will be paid for the work which goes into the steel which in turn goes into the tractor.

Now let us do something for the farmer. For the first time since the late 1920's, let us give him what he ought to have—the kind of program that will give him his fair share of the national income of this country. He is not getting it under this program.

Mr. DENT. Mr. Chairman, I have an engagement which I made in January, which I cannot break. If I were here when the vote is taken I would vote against this bill.

Mr. ARENDS. Mr. Chairman, we could not hear what the gentleman is saying.

Mr. DENT. Mr. Chairman, I find that I cannot stay until the vote is taken because I have an engagement I made in January, and these people have gone to a great deal of expense for the affair tonight, and I promised to be their speaker. It might be their loss, but I have to go anyway.

If I were present when the vote is taken, I would vote against this bill, for obvious reasons.

Mr. HALLECK. Mr. Chairman, will the gentleman yield?

Mr. DENT. I am happy to yield to the gentleman from Indiana.

Mr. HALLECK. Why do we not get to the vote pretty quickly, then?

Mr. DENT. I would be happy to go along with that.

If the gentleman would allow it, and if the Chair would go along with it, I would move the previous question so that I could vote.

Mr. THOMPSON of New Jersey. Mr. Chairman, I move to strike the requisite number of words.

I rise in support of the Meeds amendment. I do so because it is my conviction it will give my dairy farmers who are fluid milk producers an opportunity to develop through the public hearing process a class I base plan which could give them more flexibility in managing their production output, and a more reasonable opportunity to obtain a better blend price without increasing the class I price to the consumer.

(Mr. THOMPSON of New Jersey asked and was given permission to revise and extend his remarks.)

The CHAIRMAN. The question is on the amendment offered by the gentleman from Washington [Mr. MEEDS].

The amendment was agreed to.

AMENDMENT OFFERED BY MR. NELSEN

Mr. NELSEN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. NELSEN: On page 1, line 3, immediately after "That" insert "(a)".

On page 2, immediately after line 10, insert:

"(b) Such Act is further amended by adding at the end of title VII thereof the following:

" 'SEC. 710. (a) Notwithstanding any other provision of law, any producer who for any calendar year after 1969 is eligible for payments aggregating less than $1,000 under all programs which are provided for or extended under the provisions of this Act other than this section shall be paid with respect to that year a supplemental payment which is equal to the lesser of the following:

" '(1) 5 per centum of the aggregate amount of such payments.

" '(2) the difference between $1,000 and the aggregate amount of such payments.

" '(b) Notwithstanding any other provision of law, in the case of any producer entitled to payments for any calendar year after

1969 exceeding in the aggregate the amount of $10,000 under all programs provided for or extended under the provisions of this Act other than this section, the amount of such payments with respect to that year to which the producer would otherwise be entitled shall be reduced in accordance with this subsection. If the aggregate amount of the payments is—

"'(1) over $10,000 but not over $50,000, the reduction is 10% of the excess over $10,000.

"'(2) over $50,000 but not over $100,000, the reduction is $4,000 plus 20% of the excess over $50,000.

"'(3) over $100,000 but not over $500,000, the reduction is $14,000 plus 30% of the excess over $100,000.

"'(4) over $500,000 but not over $1,000,000 the reduction is $134,000 plus 40% of the excess over $500,000.

"'(5) over $1,000,000, the reduction is $334,000 plus 50% of the excess over $1,000,000.

"'(c) For the purposes of this section, payments include the dollar value (as determined by the Secretary of Agriculture) of any payments-in-kind made to a producer but do not include the amount of any price support loan made to a producer.'"

(Mr. NELSEN asked and was given permission to revise and extend his remarks.)

Mr. NELSEN. Mr. Chairman, the Department of Agriculture in the 1967 calendar year paid a little under $3 billion to 2.5 million farmers in producer payments under the various ASCS programs.

A major purpose of the program is to protect commodity prices so that farmers may receive an income closer to parity.

Under the present program, the great bulk of the money goes to the wealthy commercial and corporate farmers. In 1967 less than 1.3 percent of the participating farmers received almost 25 percent of the total amount spent by the ASCS. Over $700 million was paid to the top 31,000 farms. I would like to insert in the RECORD at this point a distribution table of the ASCS payments for 1967.

Some Members of this body have proposed that we eliminate all payments over $10,000. I would support this proposal except that the aim of the program to reduce production would be thwarted, and the farms that would normally receive payments over $10,000 would place all their excess land into production. This would tend to create an oversupply and drive prices down.

I am proposing an amendment to the Food and Agriculture Act of 1965 aimed at reducing the amount of payments the large corporation farms receive. My proposal is to have a sliding scale to trim payments over $10,000. If a payment would be between $10,000 and $50,000, this amendment would allow a payment of $10,000 plus 90 percent of the amount over $10,000. If a payment would normally be between $50,000 and $100,000, this amendment would allow a payment of $46,000 plus 80 percent of the amount over $50,000. If a payment would normally be between $100,000 and $500,000, this amendment would allow a payment of $86,000 plus 70 percent of the amount over $100,000. If a payment would normally be between $500,000 and $1,000,000, this amendment would allow a payment of $366,000 plus 60 percent of the amount over $500,000. If a payment would normally be over $1,000,000, this amendment would allow a payment of $666,000 plus 50 percent of the amount over $1,000,000.

My scale of payments has its precedent in the Sugar Act. Under the program set forth in that act, sugar producers are given a supplemental payment for the sugar beets they produce. These payments are based on a sliding scale so that the largest producers receive the smallest per-hundred weight bonus.

I would emphasize that my plan to slim down the highest payments is not a "payment ceiling," no more than the graduated income tax puts a ceiling on income.

On the contrary, my proposal is geared at giving the smaller farmer a more proportionate share of the national farm income.

It is interesting to note that while 525 of the largest farms and farm corporations in America receive $95 million, the entire State of Minnesota with its 114,000 farms receives $95,250,735.

The second part of my amendment would provide that farmers who receive payments less than $1,000 receive a supplemental payment of 5 percent, or the difference between the payment they would otherwise receive and 1,000, whichever is less.

This facet of my amendment would help redistribute farm payments to farms in need. It would bring assistance to 1,805,000 small farmers participating in ASCS programs.

The total effect of both parts of my amendment would result in savings of several millions of dollars, while preserving the effectiveness of farm programs.

NATIONAL TOTALS

Range of total payments	Number of producers	Percent distribution	Total amount	Percent distribution
Less than $100	393, 592	15. 81	$16, 770, 939	0. 56
$100 to $199.99	273. 715	11. 00	40, 616, 530	1. 37
$200 to $499.99	589, 032	23. 67	198, 429, 778	6. 68
$500 to $699.99	261, 209	10. 50	155, 206, 576	5. 23
$700 to $999.99	268, 134	10. 77	225, 031, 276	7. 58
$1,000 to $1,999.99	385, 181	15. 48	533, 706, 030	17. 97
$2,000 to $2,999.99	127, 215	5. 11	309, 357, 690	10. 41
$3,000 to $3,999.99	62, 350	2. 51	215, 145, 947	7. 24
$4,000 to $4,999.99	36, 259	1. 46	161, 984, 736	5. 45
$5,000 to $7,499.99	41, 798	1. 68	252, 629, 409	8. 50
$7,500 to $9,999.99	18, 244	.73	157, 163, 180	5. 29
$10,000 to $14,999.99	15, 415	.62	186, 318, 214	6. 27
$15,000 to $24,999.99	9, 894	.40	186, 931, 864	6. 29
$25,000 to $49,999.99	4, 843	.19	161, 642, 642	5. 44
$50,000 to $99,999.99	1, 285	.05	84, 603, 708	2. 85
$100,000 to $499,999.99	388	.02	64, 883, 041	2. 18
$500,000 to $999,999.99	15	(1)	9, 556, 372	.32
$1,000,000 and over	5	(1)	10, 889, 036	.37
Subtotal	2, 488, 574	100. 00	2, 970, 866, 968	100. 00
Undistributed funds			111, 102, 657	
Total	2, 488, 574		3, 081, 969, 625	

[1] 0.005 percent or less.

I realize that this has been debated and I also must call attention to the fact that my distinguished colleague, the gentleman from Minnesota [Mr. LANGEN] made a very good point when he suggested that rewriting a bill on the floor is not an easy matter.

I would like to also say to the distinguished gentleman from Texas [Mr. POAGE] that he has presented his case very well and I realize the problems with which he has been faced out here on the floor. However, it is my further belief that a little dialog is advantageous regardless of whether amendments are adopted or not.

Mr. Chairman, I yield back the balance of my time.

Mr. POAGE. Mr. Chairman, I rise in opposition to the amendment.

(Mr. POAGE asked and was given permission to revise and extend his remarks.)

Mr. POAGE. Mr. Chairman, as the gentleman from Minnesota so very well stated, this matter has been discussed and talked about not only once, but twice, three times; this afternoon, yesterday, and the day before. It has been discussed for 3 long days. I realize that the gentleman has brought us some new calculations. I recognize he is seeking an answer to a most serious problem. I may be too conscious of the actions of the committee but I feel that the determination of this sort of thing can best be made in the committee and not on the floor under these circumstances, particularly at this hour.

Therefore, Mr. Chairman, I would ask unanimous consent that all debate on this amendment do now close.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Minnesota [Mr. NELSEN].

The amendment was rejected.

AMENDMENT OFFERED BY MR. LATTA

Mr. LATTA. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. LATTA: On page 2, line 10, insert the following:

"SEC. 2. Section 301 of such Act is further amended by adding at the end thereof the following:

"'Notwithstanding any other provision of this Act, the level of price support made available to wheat and feed grain cooperators shall not be less than 100 per centum of the parity price thereof.'"

(Mr. LATTA asked and was given permission to revise and extend his remarks.)

Mr. LATTA. Mr. Chairman, may I say at the outset of my remarks that 4.6 million people have left the farms of our Nation in the last 7 years. They have migrated to the cities. I do not have to tell my city friends that we have a problem in our cities because of this migration. We have seen a change in the administration's thinking on this problem and instead of urging the citizens of the rural communities to go to the cities, they are now urging the rural people to stay on the farms. I ask, How can they stay on the farms at today's farm prices?

We belatedly have passed some programs to keep our farmers on the farms and out of the cities, but there must be a reason why these farmers have migrated to the cities, and the reason is that our farmers are getting only 73 percent of parity for their products as the result of these Democrat programs. This is the lowest parity has been in 30 years, and this period goes back to depression days.

My amendment will bring farm income up to where I believe it should be. These programs have forced a reduction in their production to the point where many farmers are forced to retire from farming. If my colleagues have been home recently and have taken the time to talk with their farmers, they know that they are dissatisfied with today's prices.

I called a farm elevator operator in my district today for the current price of corn—it was 93 cents a bushel. At this price it takes 2 bushels of corn to get a $2 haircut. Four bushels of oats are required to get a haircut, or 2 bushels of wheat. These farm prices are clearly out of line. Our farmers deserve better prices than they are receiving.

Here is what my amendment would do. It would pay farmers $2.61 for their wheat, this is 100 percent of parity. It would pay them $1.62 for corn, this is 100 percent of parity. It would pay them 89 cents a bushel for their oats, this is 100 percent of parity.

The House has already passed—without my vote—a foreign aid bill carrying a $2 billion price tag to aid countries around the world. I say now is the time to do something for the farmers of our Nation. These are American tax dollars being used and we have a real problem in rural America.

The administration spends billion of dollars on city programs. Why? Because its programs have forced farmers off their farms and into the cities. If we want to keep the farmers on the farms, then let us do something pricewise for them. The opportunity is before us and now is the time—not next year, or the following year, or 5 years hence—the problem is with us today. It will be with us tomorrow unless action is taken today.

I say that this House should do something about it today—not tomorrow.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. LATTA. I yield to the gentleman from Iowa.

Mr. GROSS. Is the gentleman's pricing fixed to production necessary to supply domestic consumption?

Mr. LATTA. No. It is not. It is fixed to 100 percent of parity.

As I have indicated previously, the figures are $2.61 for wheat, $1.62 for corn, and 89 cents for oats. I believe these supports are justified. I need not tell the Members of this House how much inflation we have in this country. I need not tell the Members of this House how much the farmer has to pay for everything he buys as the result of this inflation. I need not tell the Members of this House how much the price of a tractor, or a combine, or a plow, or a farm truck has increased in price as the result of this inflation and at the same time his prices have been going down.

I say it is high time Congress does something for the farmers instead of doing something to them.

I urge the approval of my amendment.

Mr. NELSEN. Mr. Chairman, will the gentleman yield?

Mr. LATTA. I yield to the gentleman from Minnesota.

Mr. NELSEN. Mr. Chairman, yesterday I tried to get a little dialog going relative to the conduct of Commodity Credit. Back 2 years ago Commodity Credit dumped 47 million bushels of corn in 2 days, and obviously the express purpose was to hold the price down, and was so stated by the party that has the President. And we find Commodity Credit is being used so as to depress the price, which I am sure we do not want to happen.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

The question is on the amendment offered by the gentleman from Ohio [Mr. LATTA].

The question was taken; and on a division (demanded by Mr. LATTA) there were—ayes 31, noes 72.

So the amendment was rejected.

Mr. POAGE. Mr. Chairman, I ask unanimous consent that all debate on the bill and all amendments thereto close in 10 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

Mr. ARENDS. Mr. Chairman, reserving the right to object, is this on all amendments to the bill?

Mr. POAGE. Yes, on all amendments to the bill.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

The CHAIRMAN. The Chair has noted the Members standing and seeking recognition under the limitation of time.

The Chair now recognizes the gentleman from Massachusetts [Mr. CONTE].

(Mr. CONTE asked and was given permission to revise and extend his remarks.)

Mr. CONTE. Mr. Chairman, I surely am not going to take the time of the House to explain or to go into detail in regard to the motion to recommit that I am going to offer.

I am going to offer a motion to recommit and it is exactly the same as the amendment I offered here today, placing a $20,000 limitation on the total amount of all payments combined which can be made to any one individual or to any one farm operation covered under the pending legislation.

I hope my colleagues will support the motion to recommit and bring this farm bill in order.

Mr. FINDLEY. Mr. Chairman, I ask unanimous consent that my time be allotted to the gentleman from Massachusetts [Mr. CONTE].

The CHAIRMAN. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. FINDLEY. Mr. Chairman, will the gentleman yield?

Mr. CONTE. I am glad to yield to my colleague.

Mr. FINDLEY. Mr. Chairman, I would like to urge support for the recommital motion that is almost identical to the one I offered earlier except as to the amount—and the figure is, as I understand it, $20,000 which is the limitation as to the aggregate sum to any single recipient under these programs.

Mr. CONTE. That is exactly true and I have worked very closely with the gentleman from Illinois in preparing this motion to recommit, and I certainly appreciate his support.

The CHAIRMAN. The Chair recognizes the gentleman from Washington [Mr. HICKS].

AMENDMENT OFFERED BY MR. HICKS TO THE SUBSTITUTE AMENDMENT OFFERED BY MR. SMITH OF IOWA

Mr. HICKS. Mr. Chairman, I offer an amendment to the substitute amendment offered by the gentleman from Iowa.

The Clerk read as follows:

Amendment offered by Mr. HICKS to the substitute amendment offered by Mr. SMITH of Iowa: On page 2, immediately after line 10, insert:

"SEC. 2. (a) The Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is further amended by striking in subparagraph (B) of subsection 8c(5) all that part of said subparagraph (B) which follows the comma at the end of clause (c) and inserting in lieu thereof the following:

"'(d) a further adjustment, equitably to apportion the total value of the milk purchased by any handler, or by all handlers, among producers and associations of producers, on the basis of their marketings of milk during a representative period of time, which need not be limited to one year, and further adjustments to provide for the accumulation and disbursement of a fund to encourage seasonal adjustments in the production of milk, and (e) a further adjustment, equitably to apportion the total value of the milk purchased by any handler, or by all handlers, among producers and associations of producers, on the basis of their marketings of milk during a representative period of time, which need not be limited to one year and which may be either a fixed period of one or more years, or a moving average of one or more years, as provided in the order, and which basis may be adjusted, and readjusted from time to time, to reflect the utilization of producer milk by any handler or by all handlers in any use classification or classifications. In the event a producer holding a base allocated under this clause (e) shall reduce his marketings, such reduction shall not adversely affect his history of production and marketing for the determination of future bases, or future adjustments of bases, except that an order may provide that, if a producer reduces his marketings below

his base allocation in any one or more use classifications designated in the order, the amount of any such reduction shall be taken into account in determining future bases or future adjustments of bases. Bases allocated to producers under this clause (e) may be transferable under an order on such terms and conditions as may be prescribed in the order if the Secretary of Agriculture determines, in connection with such order, that transferability will be in the best interest of the public, existing producers, and prospective new producers. Provision shall be made in the order for the allocation of bases under this clause (e) to new producers and for the alleviation of hardship and inequity among producers, and prescribing terms and conditions under which new producers may earn bases. Producers holding bases so allocated or earned shall thereafter participate pro rata in the market in the same manner as other producers. In the case of any producer who during any accounting period delivers a portion of his milk to persons not fully regulated by the order, provision may be made for reducing the allocation of, or payments to be received by, any such producer under this clause (e) to compensate for any marketings of milk to such other persons for such period or periods as necessary to insure equitable participation in marketings among all producers. Notwithstanding the provisions of section 8c(12) and the last sentence of section 8c(19) of this Act, order provisions under this clause (e) shall not be effective in any marketing order unless separately approved by producers in a referendum in which each individual producer shall have one vote and may be terminated separately whenever the Secretary makes a determination with respect to such provisions as is provided for the termination of an order in subparagraph 8c(16)(B). Disapproval or termination of such order provisions shall not be considered disapproval of the order or of other terms of the order.'

"(b) Such Act is further amended (1) by adding to subsection 8c(5) the following new paragraph:

"'(H) Marketing orders applicable to milk and its products may be limited in application to milk used for manufacturing.';

and (2) by amending subsection 8c(18) by adding after the words 'marketing area' wherever they occur the words 'or, in the case of orders applying only to manufacturing milk, the production area'."

Mr. HICKS (during the reading). Mr. Chairman, I ask unanimous consent that the further reading of the amendment be dispensed with.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. HICKS. Ladies and gentlemen of the House, this amendment is merely the Meeds amendment, the amendment of my colleague from the State of Washington, added to the Smith substitute so that in the event the Smith substitute prevails, the Meeds amendment is added to that. Everyone was in agreement, or virtually everyone was in agreement that it was a good amendment. It was accepted on both sides.

The chairman of the Agriculture Committee said it was a good amendment. He resisted it on the ground that he did not want any amendment. But it was adopted. If it is good enough to put on the bill, it should be good enough to be added to the Smith substitute. It is merely a protective measure so that, in the event the Smith substitute is enacted, the Meeds amendment will be on there. I urge the Committee to accept the amendment.

(Mr. HICKS asked and was given permission to revise and extend his remarks.)

The CHAIRMAN. Are there any other Members who desire to speak on the Meeds amendment?

Mr. LAIRD. Mr. Chairman, I believe this entire milk program should be looked over very carefully by the next Congress. I hope that a new dairy stabilization program similar to the one I have purposed will be enacted. My colleagues on both sides of the aisle were urged by me to support this milk amendment as a part of the 1-year bill. It has been adopted. We should now go forward and pass this original bill with its 1-year extension if we want a complete and proper review of our entire milk program during the next 4 years. I hope the amendment is defeated as a part of the 4-year extension substtitute because the 4-year extension is going to be defeated decisively in the next hour. The base-surplus milk amendment is a part of the 1-year bill, let us keep it that way. I hope my colleagues will support my position today.

Mr. MEEDS. Mr. Chairman, the gentleman from Washington [Mr. HICKS] is absolutely correct. I also agree with the gentelman from Wisconsin [Mr. LAIRD]. I do not mind having this review. But the fact is that unless this amendment carries, and then the Smith substitute carries, we will have no dairy bill. That is the problem that this is set up to correct. I hope the Meeds amendment will be adopted to the substitute as well as to the bill.

The CHAIRMAN. Are there Members who desire to discuss the amendment of the gentleman from Washington [Mr. HICKS]? If not, the question is on the amendment offered by the gentleman from Washington [Mr. HICKS].

The question was taken; and on a division (demanded by Mr. HICKS) there were—ayes 33, noes 78.

Mr. SMITH of Iowa. Mr. Chairman, I demand tellers.

Tellers were refused.

So the amendment was rejected.

The CHAIRMAN. The Chair recognizes the gentleman from Illinois [Mr. ARENDS].

Mr. ARENDS. Mr. Chairman, I would like to ask the gentleman from Iowa [Mr. SMITH] if I may have his attention for a moment, or his views with respect to the proposed extension of the present program for 4 years. May I ask you, are your farmers in Iowa happy with the present program?

Mr. SMITH of Iowa. They are a lot happier than they were under Benson.

Mr. ARENDS. I did not ask my friend for a smart answer. I asked a simple honest question, and had hoped for a respectful answer. I am not interested in a partisan answer. Furthermore, I know farmers were better off under Benson, than they are today under Freeman.

Mr. SMITH of Iowa. That is not a smart answer. That is a straight answer. You talk to the farmers and you will find out. I did not assume your question was for the purpose of supporting my amendment.

Mr. ARENDS. Mr. Chairman, let me say to the gentleman that we are today getting as a price for corn in the country elevators—about 95 cents per bushel on a 41-cent dollar. You know what that means in real price to the farm operator. Figure it out and it will not be hard to understand what has happened to the farmer where he finds himself in a terrific price squeeze.

Mr. SMITH of Iowa. One does not have to be very smart to know this is a better price than they would get if there were no farm program and is more than it was in 1960.

Mr. ARENDS. I wanted to ask the gentleman if he honestly feels farmers are happy with the present farm bill?

Mr. SMITH of Iowa. I tell the gentleman they are not happy, but they are happier than they would be if they did not have a feed grains program.

Mr. ARENDS. Maybe, but not a 4-year extension. Even as we go down the road, everybody should seek for a change in the program which has not been successful.

Mr. HALLECK. Mr. Chairman, will the gentleman yield?

Mr. ARENDS. I yield to the gentleman from Indiana.

Mr. HALLECK. Mr. Chairman, I happen to know the farmers in the country are worse off today than they have been ever in my time since I have been here, which is 34 years, with corn at $1 a bushel in Indiana, having regard to increased cost of the farmer and inflation generally.

The CHAIRMAN. The Chair recognizes the gentleman from Michigan [Mr. GERALD R. FORD].

Mr. GERALD R. FORD. Mr. Chairman, as we near the close of this debate, I want it crystal clear that I am going to vote for a 1-year extension. I think this is the best solution to a bad problem. The farmers in Michigan and in 49 other States are not happy, and they are unhappy for a very good reason. The prices they are getting are insufficient, and the payments they make for what they use are far too high. The cost price squeeze under the Johnson-Humphrey administration is badly hurting the American farmer.

But, in order to give a new administration an opportunity to find a solution in the early days of the next Congress, I intend to vote for a 1-year extension.

In summary, I want to make it crystal clear that any extension in a conference report that is 1 day longer than 1 year, I will vigorously, totally and unequivocally oppose and will do anything and everything I can to defeat anything beyond a 1-year extension.

The CHAIRMAN. The Chair recognizes the gentleman from Iowa [Mr. SMITH].

(Mr. SMITH of Iowa asked and was given permission to revise and extend his remarks.)

Mr. SMITH of Iowa. Mr. Chairman, the argument has been advanced that if we have the 4-year amendment, then we cannot change the bill next year. I want to remind the Members that the Benson program was permanent—not 1 year or 4 years, but permanent—and a new Congress and administration

changed that in 1961. The new administration can change this bill if they can come up with some meritorious improvement.

I also want to ask this question. We have debated this bill for 2 days. I want to know how many Members think they are a lot wiser about farm problems and farm policies after this 2 days of discussion. Do the Members want to go through with this every year? If you do not want to, then vote for the 4-year extension.

The CHAIRMAN. The Chair recognizes the gentleman from Washington [Mr. FOLEY].

Mr. FOLEY. Mr. Chairman, I hope that the Committee will support a 4-year program, and, failing that, a 1-year program, but I hope that in either event, some of my colleagues who seem to have discovered solutions to the problems of agriculture and our rural areas will do us all a favor next January, when the Committee on Agriculture reconvenes by coming forward to give us the benefit of their advice then—not in the last weeks of the session and a few weeks before an election.

I hope too that they will be ready with specific suggestions and recommendations so lacking today.

I want to say a few words concerning the motion to recommit. I hope everyone will realize that it is a gun pointed straight at this program, and it is useless to extend the program for a year if we are going to kill it with a $20,000 payment limitation. A vote for the motion to recommit is usually a vote against the bill. That is certainly true in this instance.

The CHAIRMAN. The Chair recognizes the gentleman from Michigan [Mr. WILLIAM D. FORD].

(Mr. WILLIAM D. FORD asked and was given permission to revise and extend his remarks.)

Mr. WILLIAM D. FORD. Mr. Chairman, I am persuaded by the gentleman from Michigan, the minority leader, that the farmers of Michigan do not like this program. I think that if the present policies directed by this legislation were carried to their logical conclusion, we ought to pay the Ford Motor Co. a subsidy for not producing Edsels.

The farm programs now carried on in this country bear no relation to their predecessors designed to meet the pressing problems of the family farmer. Furthermore, it is indefensible for the House to be considering a nearly $5 billion subsidy program which benefits the large corporate farm landowners with a few days of its action to slash programs in education, health, and job training while increasing personal income taxes.

The present law gives ample authority to continue existing farm programs through the next year and a hasty extension of this law is not needed in these closing days of the Congress. I believe that the American people find it difficult to understand a program which expends over $3 billion per year to farmers receiving more than $5,000 each while only a fraction of the funds go to the true family farm receiving smaller subsidy amounts.

Mr. Chairman, I cannot defend a program which permitted a single land owning farm corporation to receive $4,091,818 last year. One which paid several others more than a million dollars each and has made cumulative payments to a single farmer of as much as $22,000,000. I call your attention to the chart on page E6642 of the CONGRESSIONAL RECORD of July 18, 1968, placed there by the gentleman from Indiana [Mr. MADDEN].

Mr. Chairman, I oppose passage of this gigantic giveaway program at this time. I hope we will adopt some reasonable limitation on the amount of annual subsidy payable to any single land owner or corporation.

I oppose the passage of this extension of the present farm subsidy programs but I do not do so unmindful of the pressing needs of our American family farmer.

Many of us recognize that the problems of the great population centers are worsened each day by the tremendous migration of people from the farms to the cities. I believe we must use the resources of the Federal Government to strengthen and protect the legitimate economic interests of the Americans who live and work in agriculture. However, I do not believe the present programs are doing this. The present programs are, as a matter of fact, driving the families from the farms and replacing them with absentee corporate land holders who provide neither employment nor farm products in return for the expenditure of billions of dollars in Federal funds.

I hope that this proposed extension of the presently incomprehensible and indefensible farm programs for yet another year beyond 1969 will be defeated. I hope further to return, in the next Congress to work with our friends on the Agriculture Committee at the task of reshaping these programs. The agricultural policies of the Federal Government must be rewritten to more nearly meet and protect the legitimate interests of all of our citizens—those who pay the taxes to support them as well as those directly benefited.

The CHAIRMAN. The Chair recognizes the gentleman from Oklahoma [Mr. BELCHER].

Mr. BELCHER. Mr. Chairman, I yield back my time.

The CHAIRMAN. The Chair recognizes the gentleman from Texas [Mr. POAGE], to close debate on this amendment.

Mr. POAGE. Mr. Chairman, I do not believe that the basic question is at issue. There are two issues, however. One is the question of whether we extend this for 4 years. I hope you will not. I hope you will keep it to 1 year. I believe we can pass and enforce a 1-year bill.

The other is the question of whether you are going to put some un-understandable limitations upon this bill. If you do, as the gentleman from Washington said, you pretty well kill the bill.

If you are serious about wanting a bill and wanting an extension you will not put these kinds of limitations on it.

I would suggest to every Member who understands these limitations and knows exactly what he is voting on, he might well vote for the motion to recommit, but I would ask all who do not understand them and do not know what they are doing and never will know what they are doing or what the motion to recommit actually does, to vote for us, and we will pass the bill as it came out of the committee.

[Mr. OLSEN addressed the Committee. His remarks will appear hereafter in the Extensions of Remarks.]

The CHAIRMAN. All time has expired.

The question is on the substitute amendment offered by the gentleman from Iowa [Mr. SMITH].

The question was taken; and on a division (demanded by Mr. SMITH of Iowa) there were—ayes 39, noes 120.

So the substitute amendment was rejected.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. NATCHER, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H.R. 17126) to amend the Food and Agriculture Act of 1965, pursuant to House Resolution 1218, he reported the bill back to the House with an amendment adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on the amendment.

The amendment was agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT

Mr. CONTE. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. CONTE. Mr. Speaker, I am.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. CONTE moves to recommit the bill H.R. 17126 to the Committee on Agriculture with instructions to report the same back forthwith the following amendment: On page 2, immediately after line 10, insert:

"(b) Such Act is further amended by adding at the end of title VII thereof the following:

"'SEC. 710. Notwithstanding any other provision of law, beginning with the 1970 crop years, payments aggregating more than $20,000 under all programs which are provided for or extended under the provisions of titles II through V of this Act may not be made to any producer. For the purposes of this section, payments include wool incentive payments, wheat marketing certificates, price support and diversion payments, and the dollar value (as determined by the Secretary of Agriculture) of any payments-in-kind made to a producer, but do not include the amount of any price support loan made to a producer.'

"SEC. 3. Section 402 of such Act is further amended by repealing, effective with the 1970 crop of upland cotton, section 103(d)(12) of the Agriculture Act of 1949, as amended."

The SPEAKER. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER. The question is on the motion to recommit.

The question was taken; and the Speaker announced that the noes appeared to have it.

Mr. CONTE. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 230, nays 160, not voting 42, as follows:

[Roll No. 299]

YEAS—230

Abbitt
Adair
Adams
Addabbo
Anderson, Ill.
Andrews, N. Dak.
Arends
Ashbrook
Ashley
Ayres
Bates
Bell
Bennett
Berry
Betts
Biester
Blackburn
Boland
Bow
Brademas
Bray
Brock
Broomfield
Brotzman
Brown, Calif.
Brown, Mich.
Brown, Ohio
Broyhill, Va.
Buchanan
Burke, Mass.
Burton, Utah
Button
Byrne, Pa.
Cahill
Carey
Cederberg
Celler
Chamberlain
Clancy
Clark
Clausen, Don H.
Clawson, Del
Cleveland
Cohelan
Collier
Conable
Conte
Conyers
Corbett
Cowger
Cunningham
Curtis
Daniels
Delaney
Dellenback
Denney
Derwinski
Devine
Dickinson
Diggs
Dingell
Donohue
Downing
Duncan
Dwyer
Edwards, Ala.
Edwards, Calif.
Erlenborn
Esch
Eshleman
Farbstein
Feighan
Findley
Fino
Ford, Gerald R.
Ford, William D.
Friedel
Fulton, Pa.
Gallagher
Giaimo
Gibbons
Gilbert
Goodling
Gray
Green, Oreg.
Griffiths
Gross
Grover
Gubser
Gurney
Haley
Hall
Halleck
Halpern
Hanley
Hanna
Harsha
Harvey
Hays
Hechler, W. Va.
Heckler, Mass.
Helstoski
Hicks
Horton
Hosmer
Howard
Hunt
Hutchinson
Ichord
Irwin
Jacobs
Joelson
Johnson, Pa.
Karth
Keith
Kelly
King, N.Y.
Kleppe
Kluczynski
Kupferman
Laird
Langen
Latta
Lloyd
Long, Md.
McCarthy
McClory
McCloskey
McCulloch
McDonald, Mich.
McEwen
Macdonald, Mass.
MacGregor
Machen
Madden
Mailliard
Marsh
Mathias, Md.
Meskill
Michel
Minish
Minshall
Monagan
Moorhead
Morgan
Morris, N. Mex.
Mosher
Murphy, Ill.
Nedzi
Nelsen
O'Hara, Ill.
Ottinger
Patten
Pelly
Pettis
Philbin
Pike
Pirnie
Poff
Pollock
Price, Ill.
Pucinski
Quie
Railsback
Rees
Reid, Ill.
Reid, N.Y.
Reifel
Reinecke
Reuss
Riegle
Robison
Rodino
Rogers, Colo.
Rogers, Fla.
Rooney, Pa.
Rosenthal
Roth
Roudebush
Roush
Roybal
Rumsfeld
Ruppe
Ryan
St Germain
Sandman
Satterfield
Saylor
Schadeberg
Scheuer
Schneebeli
Schwengel
Scott
Shipley
Smith, Calif.
Smith, N.Y.
Snyder
Springer
Stafford
Stanton
Steiger, Wis.
Stratton
Taft
Teague, Calif.
Tenzer
Thompson, Ga.
Thomson, Wis.
Tiernan
Tuck
Utt
Van Deerlin
Vander Jagt
Vanik
Waldie
Watkins
Whalen
Whalley
Widnall
Wiggins
Williams, Pa.
Wilson, Bob
Wilson, Charles H.
Wolff
Wyatt
Wydler
Wylie
Wyman
Yates
Zablocki
Zion

NAYS—160

Abernethy
Albert
Anderson, Tenn.
Andrews, Ala.
Annunzio
Ashmore
Aspinall
Belcher
Bevill
Bingham
Blatnik
Boggs
Bolling
Brasco
Brinkley
Brooks
Broyhill, N.C.
Burleson
Burton, Calif.
Bush
Byrnes, Wis.
Cabell
Carter
Casey
Colmer
Corman
Culver
Davis, Ga.
Dawson
de la Garza
Dorn
Dow
Dowdy
Dulski
Eckhardt
Edmondson
Edwards, La.
Eilberg
Evans, Colo.
Everett
Fascell
Fisher
Flynt
Foley
Fountain
Fraser
Fuqua
Galifianakis
Garmatz
Gathings
Gettys
Gonzalez
Green, Pa.
Griffin
Hagan
Hamilton
Hammer-schmidt
Hansen, Wash.
Hardy
Harrison
Hathaway
Henderson
Holifield
Hull
Hungate
Jarman
Johnson, Calif.
Jonas
Jones, Ala.
Jones, Mo.
Jones, N.C.
Kastenmeier
Kazen
Kee
Kornegay
Kuykendall
Kyl
Kyros
Landrum
Leggett
Lennon
Long, La.
McClure
McFall
McMillan
Mahon
Martin
Mathias, Calif.
Matsunaga
May
Mayne
Meeds
Miller, Ohio
Mills
Mink
Mize
Montgomery
Morton
Moss
Murphy, N.Y.
Myers
Natcher
Nichols
Nix
O'Hara, Mich.
O'Konski
Olsen
O'Neal, Ga.
O'Neill, Mass.
Passman
Patman
Pepper
Perkins
Pickle
Poage
Podell
Price, Tex.
Pryor
Purcell
Randall
Rivers
Roberts
Ronan
Rooney, N.Y.
Rostenkowski
St. Onge
Scherle
Selden
Shriver
Sikes
Sisk
Skubitz
Slack
Smith, Iowa
Smith, Okla.
Staggers
Steed
Steiger, Ariz.
Stephens
Stubblefield
Sullivan
Talcott
Taylor
Teague, Tex.
Thompson, N.J.
Tunney
Udall
Ullman
Vigorito
Walker
Wampler
Watts
White
Whitener
Whitten
Willis
Winn
Wright
Young
Zwach

NOT VOTING—42

Baring
Barrett
Battin
Blanton
Bolton
Burke, Fla.
Cramer
Daddario
Davis, Wis.
Dent
Dole
Evins, Tenn.
Fallon
Flood
Frelinghuysen
Fulton, Tenn.
Gardner
Goodell
Gude
Hansen, Idaho
Hawkins
Hébert
Herlong
Holland
Karsten
King, Calif.
Kirwan
Lipscomb
Lukens
McDade
Miller, Calif.
Moore
Morse, Mass.
Quillen
Rarick
Resnick
Rhodes, Ariz.
Rhodes, Pa.
Schweiker
Stuckey
Waggonner
Watson

So the motion to recommit was agreed to.

The Clerk announced the following pairs:

Mr. Hébert with Mr. Goodell.

Mr. Kirwan with Mrs. Bolton.

Mr. Fallon with Mr. Gude.

Mr. Waggonner with Mr. Watson.

Mr. Miller of California with Mr. Battin.

Mr. Dent with Mr. Morse of Massachusetts.

Mr. Evins of Tennessee with Mr. Davis of Wisconsin.

Mr. Daddario with Mr. Quillen.

Mr. Barrett with Mr. Frelinghuysen.

Mr. Flood with Mr. Cramer.

Mr. Karsten with Mr. McDade.

Mr. Baring with Mr. Burke of Florida.

Mr. Rarick with Mr. Dole.

Mr. Blanton with Mr. Lukens.

Mr. Fulton of Tennessee with Mr. Hansen of Idaho.

Mr. King of California with Mr. Rhodes of Arizona.

Mr. Rhodes of Pennsylvania with Mr. Schweiker.

Mr. Herlong with Mr. Lipscomb.

Mr. Stuckey with Mr. Gardner.

Mr. Holland with Mr. Moore.

Mr. Hawkins with Mr. Resnick.

Mr. CELLER, Mr. BYRNE of Pennsylvania, Mr. DANIELS, and Mr. REINECKE changed their votes from "nay" to "yea."

Mr. O'KONSKI changed his vote from "yea" to "nay."

The result of the vote was announced as above recorded.

Mr. POAGE. Mr. Speaker, pursuant to the instructions of the House in the motion to recommit, I report back the bill H.R. 17126 with an amendment.

The SPEAKER. The Clerk will report the amendment.

The Clerk read as follows:

On page 2, immediately after line 10, insert:

"(b) Such Act is further amended by adding at the end of title VII thereof the following:

" 'Sec. 710. Notwithstanding any other provision of law, beginning with the 1970 crop years, payments aggregating more than $20,000 under all programs which are provided for or extended under the provisions of titles II through V of this Act may not be made to any producer. For the purposes of this section, payments include wool incentive payments, wheat marketing certificates, price support and diversion payments, and the dollar value (as determined by the Secretary of Agriculture) of any payments-in-kind made to a producer, but do not include the amount of any price support loan made to a producer.'

"Sec. 3. Section 402 of such Act is further amended by repealing, effective with the 1970 crop of upland cotton, section 103(d) (12) of the Agricultural Act of 1949, as amended."

The SPEAKER. The question is on the amendment.

The amendment was agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

Mr. GERALD R. FORD. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 213, nays 176, not voting 43, as follows:

[Roll No. 300]

YEAS—213

Abbitt
Albert
Anderson, Tenn.
Andrews, Ala.
Andrews, N. Dak.
Annunzio
Ashley
Ashmore
Aspinall
Ayres
Bennett
Berry
Betts
Bevill
Bingham
Blackburn
Blatnik
Boggs
Bolling
Brademas
Brasco
Brinkley
Brock
Brooks
Brotzman
Brown, Mich.
Brown, Ohio
Broyhill, N.C.
Burke, Mass.
Burleson
Burton, Calif.
Bush
Button
Byrne, Pa.
Byrnes, Wis.
Cabell
Carter
Casey
Celler
Conable
Conte
Culver
Cunningham
Curtis
Davis, Ga.
Dawson
de la Garza
Dellenback
Denney
Dickinson
Dingell
Dorn
Dow
Dowdy
Downing
Dulski
Duncan
Eckhardt
Edmondson
Edwards, La.
Eilberg
Esch
Evans, Colo.
Everett
Fascell
Fisher
Flynt
Foley
Ford, Gerald R.
Fountain

Fraser
Fuqua
Galifianakis
Garmatz
Gathings
Gettys
Gonzalez
Green, Pa.
Gross
Hagan
Hamilton
Hammer-schmidt
Hansen, Wash.
Hardy
Harrison
Hathaway
Henderson
Holifield
Horton
Hull
Hungate
Ichord
Jarman
Johnson, Calif.
Jonas
Jones, Ala.
Jones, Mo.
Jones, N.C.
Kastenmeier
Kazen
Kee
Kleppe
Kluczynski
Kornegay
Kuykendall
Kyl
Kyros
Laird
Landrum
Langen
Latta
Leggett
Lennon
Long, La.
McClure
McCulloch
McFall
McMillan
MacGregor
Madden
Mahon
Mathias, Calif.
Matsunaga
May
Mayne
Meeds
Miller, Ohio
Mills
Mink
Moorhead
Morgan
Moss
Murphy, Ill.
Murphy, N.Y.
Myers
Natcher
Nelsen
Nichols
Nix
O'Hara, Ill.
O'Hara, Mich.
O'Konski
Olsen
O'Neal, Ga.
O'Neill, Mass.
Passman
Patman
Patten
Pepper
Perkins
Pickle
Poage
Podell
Pollock
Price, Tex.
Pryor
Purcell
Quie
Randall
Reifel
Reuss
Riegle
Rivers
Roberts
Robison
Rogers, Colo.
Ronan
Rooney, N.Y.
Rooney, Pa.
Rostenkowski
Roush
Roybal
Schadeberg
Scherle
Schwengel
Selden
Shriver
Sikes
Sisk
Skubitz
Smith, Iowa
Smith, N.Y.
Smith, Okla.
Snyder
Springer
Stanton
Steed
Steiger, Ariz.
Steiger, Wis.
Stephens
Stubblefield
Stuckey
Sullivan
Taylor
Teague, Tex.
Thompson, N.J.
Thomson, Wis.
Tunney
Udall
Ullman
Vigorito
Walker
Watts
White
Whitener
Widnall
Willis
Winn
Wright
Wylie
Young
Zablocki
Zwach
Vander Jagt
Vanik
Waldie
Wampler
Watkins
Whalen
Whalley
Whitten
Wiggins
Williams, Pa.
Wilson, Bob
Wilson, Charles H.
Wolff
Wyatt
Wydler
Wyman
Yates
Zion

NAYS—176

Abernethy
Adair
Adams
Addabbo
Anderson, Ill.
Arends
Ashbrook
Bates
Belcher
Bell
Biester
Boland
Bow
Bray
Broomfield
Brown, Calif.
Broyhill, Va.
Buchanan
Burton, Utah
Carey
Cederberg
Chamberlain
Clancy
Clark
Clausen, Don H.
Clawson, Del
Cleveland
Cohelan
Collier
Colmer
Conyers
Corbett
Corman
Cowger
Daniels
Delaney
Derwinski
Diggs
Donohue
Dwyer
Edwards, Ala.
Edwards, Calif.
Erlenborn
Eshleman
Farbstein
Feighan
Findley
Fino
Ford, William D.
Friedel
Fulton, Pa.
Gallagher
Giaimo
Gibbons
Gilbert
Goodling
Gray
Green, Oreg.
Griffin
Griffiths
Grover
Gubser
Gurney
Haley
Hall
Halleck
Halpern
Hanley
Hanna
Harsha
Harvey
Hays
Hechler, W. Va.
Heckler, Mass.
Helstoski
Hicks
Hosmer
Howard
Hunt
Hutchinson
Irwin
Jacobs
Joelson
Johnson, Pa.
Karth
Keith
Kelly
King, N.Y.
Kupferman
Lloyd
Long, Md.
McCarthy
McClory
McCloskey
McDonald, Mich.
McEwen
Macdonald, Mass.
Machen
Mailliard
Marsh
Martin
Mathias, Md.
Meskill
Michel
Minish
Minshall
Mize
Monagan
Montgomery
Morris, N. Mex.
Morton
Mosher
Nedzi
Ottinger
Pelly
Pettis
Philbin
Pike
Pirnie
Poff
Price, Ill.
Pucinski
Railsback
Rees
Reid, Ill.
Reid, N.Y.
Reinecke
Rodino
Rogers, Fla.
Rosenthal
Roth
Roudebush
Rumsfeld
Ruppe
Ryan
St Germain
St. Onge
Sandman
Satterfield
Saylor
Scheuer
Schneebeli
Scott
Shipley
Slack
Smith, Calif.
Stafford
Staggers
Stratton
Taft
Talcott
Teague, Calif.
Tenzer
Thompson, Ga.
Tiernan
Tuck
Utt
Van Deerlin

NOT VOTING—43

Baring
Barrett
Battin
Blanton
Bolton
Burke, Fla.
Cahill
Cramer
Daddario
Davis, Wis.
Dent
Devine
Dole
Evins, Tenn.
Fallon
Flood
Frelinghuysen
Fulton, Tenn.
Gardner
Goodell
Gude
Hansen, Idaho
Hawkins
Hébert
Herlong
Holland
Karsten
King, Calif.
Kirwan
Lipscomb
Lukens
McDade
Miller, Calif.
Moore
Morse, Mass.
Quillen
Rarick
Resnick
Rhodes, Ariz.
Rhodes, Pa.
Schweiker
Waggonner
Watson

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Hébert for, with Mr. Dent against.

Mr. Waggonner for, with Mr. Holland against.

Mr. Kirwan for, with Mr. Barrett against.

Mr. Miller of California for, with Mr. Hawkins against.

Mr. Watson for, with Mr. Hansen of Idaho against.

Mr. Dole for, with Mr. Morse of Massachusetts against.

Mr. Quillen for, with Mr. McDade against.

Mr. Davis of Wisconsin for, with Mr. Lipscomb against.

Mr. Rhodes of Arizona for, with Mr. Devine against.

Mr. Burke of Florida for, with Mr. Gude against.

Mr. Blanton for, with Mrs. Bolton against.

Mr. Fulton of Tennessee for, with Mr. Batten against.

Mr. Rarick for, with Mr. Cramer against.

Until further notice:

Mr. Evins of Tennessee with Mr. Moore.

Mr. Fallon with Mr. Cahill.

Mr. Baring with Mr. Lukens.

Mr. Flood with Mr. Schweiker.

Mr. King of California with Mr. Frelinghuysen.

Mr. Daddario with Mr. Goodell.

Mr. Rhodes of Pennsylvania with Mr. Gardner.

Mr. Herlong with Mr. Karsten.

Mr. ST GERMAIN, Mr. HECHLER of West Virginia, Mr. ARENDS, and Mr. ASHBROOK changed their votes from "yea" to "nay."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

Mr. POAGE. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (S. 3590) to extend and improve legislation for maintaining farm income, stabilizing prices, and assuring adequate supplies of agricultural commodities, strike all after the enacting clause in the Senate bill and insert in lieu thereof the provisions contained in H.R. 17126 as just passed by the House.

The Clerk read the title of the Senate bill.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

Mr. FINDLEY. Mr. Speaker, I object.

The SPEAKER. Objection is heard.

GENERAL LEAVE TO EXTEND

Mr. POAGE. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the bill just passed and to include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

PERMISSION TO FILE CONFERENCE REPORTS ON H.R. 10864, EXTRA-LONG STAPLE COTTON—DIERKS FOREST; H.R. 15794, U.S. GRAIN STANDARDS ACT; AND S. 3638, DAIRY INDEMNITY PAYMENTS

Mr. POAGE. Mr. Speaker, I ask unanimous consent that the managers on the part of the House may have until midnight tonight to file conference reports on the following three bills: H.R. 10864, to authorize the Secretary of Agriculture to convey certain lands in Saline County, Ark., to the Dierks Forests, Inc., and for other purposes; H.R. 15794, to provide for U.S. standards and a national inspection system for grain, and for other purposes; and S. 3638, to extend for 3 years the authority of the Secretary of Agriculture to make indemnity payments to dairy farmers for milk required to be withheld from commercial markets because it contains residues of chemicals registered and approved for use by the Federal Government.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

CONFERENCE REPORT (H. REPT. No. 1826)

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 10864), to authorize the Secretary of Agriculture to convey certain lands in Saline County, Arkansas, to the Dierks Forests, Incorporated, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 4. Section 347(b) of the Agricultural Adjustment Act of 1938, as amended, is amended to read as follows:

"'(b)(1) The Secretary shall, not later than October 15 of each calendar year, proclaim the amount of the national marketing quota for the crop of cotton described in subsection (a) produced in the next succeeding calendar year in terms of the quantity of such cotton equal to the estimated domestic consumption plus exports for the marketing year which begins in such succeeding calendar year, less the estimated imports, plus such additional number of bales, if any, as the Secretary determines is necessary to assure adequate working stocks in trade channels until cotton from the next crop becomes readily available without resort to Commodity Credit Corporation stocks: *Provided*, That the Secretary may reduce the national marketing quota so determined for any crop for the purpose of reducing surplus stocks, but not below the minimum quota prescribed under paragraph (2) of this subsection.

"'(2) The national marketing quota for any crop shall not be less than the amount of the import quota in effect on August 1, 1967, for the year beginning on such date for extra long staple cotton (one and three-eighths inches or more) in pounds converted to standard bales of five hundred pounds gross weight, established pursuant to section 22 of the Agricultural Adjustment Act (of 1933), as amended.

"'(3) Notwithstanding the provisions of paragraph (1) of this subsection, the national marketing quota shall be the minimum quota under paragraph (2) of this subsection for each crop of such cotton for which the Secretary estimates that the carryover of American grown extra long staple cotton at the beginning of the marketing year for the crop for which the quota is proclaimed (excluding any such cotton in the stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act, as amended) will be more than 50 per centum of the estimated domestic consumption and exports of American grown extra long staple cotton for such marketing year: *Provided*, That the foregoing provisions of this sentence shall not apply for any crop for which the carryover so estimated is an amount equal to 50 per centum or less of the estimated domestic consumption and exports of American grown extra long staple cotton for the marketing year for such crop, and such provisions shall not apply to any crop following the first crop for which this proviso comes into operation.

"'(4) The provisions of paragraphs (1), (2), and (3) of this subsection shall apply to the 1969 and each succeeding crop of cotton described in subsection (a) of this section.'

"SEC. 5. Section 101(f) of the Agricultural Act of 1949, as amended, is amended by striking out all of the first sentence following the words 'except that', and substituting in lieu therefor the following: 'notwithstanding any other provision of this Act, price support shall be made available to cooperators for the 1968 and each subsequent crop of extra long staple cotton, if producers have not disapproved marketing quotas therefor, through loans at a level which is not less than 50 per centum or more than 100 per centum in excess of the loan level established for Middling one-inch upland cotton of such crop at average location in the United States (except that such loan level for extra long staple cotton shall in no event be less than 35 cents per pound) and, in addition, through price-support payments at a rate which, together with the loan level established for such crop, shall be not less than 65 per centum or more than 90 per centum of the parity price for extra long staple cotton as of the month in which the payment rate provided for by this subsection is announced. Such payment with respect to any farm shall be made on the quantity of extra long staple cotton, determined in accordance with regulations prescribed by the Secretary, equal to either (1) for a farm on which the acreage planted to such cotton does not exceed an acreage determined by multiplying the farm acreage allotment by the price-support payment factor established by the Secretary for each crop, the actual production of such cotton on the farm, or (2) for a farm on which the acreage planted to such cotton exceeds an acreage determined by multiplying the farm acreage allotment by the price-support payment factor but does not exceed the farm acreage allotment, the actual production of such cotton on the farm attributable to the number of acres determined by multiplying the farm acreage allotment by such price-support payment factor. The Secretary shall establish the price-support payment factor for each such crop of extra long staple cotton by dividing the 1966 national acreage allotment for such cotton by the national acreage allotment proclaimed for such crop, except that such factor shall not be more than one. The Secretary shall provide for the sharing of price-support payments under this subsection among producers on a farm on the basis of their respective shares in the crop of extra long staple cotton produced on the farm, or the proceeds therefrom. The provisions of subsection 8(g) of the Soil Conservation and Domestic Allotment Act, as amended (relating to assignment of payments), shall also apply to payments under this subsection. The Commodity Credit Corporation is authorized to utilize its capital funds and other assets for the purpose of making the payments authorized in this subsection and to pay administrative expenses necessary in carrying out this subsection."

"SEC. 6. Section 347 of the Agricultural Adjustment Act of 1938, as amended, is amended by adding the following new subsections at the end thereof to read as follows:

"'(f) Notwithstanding any other provision of law, beginning with the 1968 crop of extra long staple cotton, the Secretary, if he determines that it will not impair the effective operation of the program involved, (1) may permit the owner and operator of any farm for which an extra long staple cotton acreage allotment is established to sell or lease all or any part or the right to all or any part of such allotment to any other owner or operator of a farm for transfer to such farm; (2) may permit the owner of a farm to transfer all or any part of such allotment to any other farm owned or controlled by him. No allotment shall be transferred under this subsection to a farm in another State or to a person for use in another State. The Secretary shall prescribe regulations for the administration of this subsection and may prescribe such terms and conditions as he deems necessary.

"'(g) Notwithstanding any other provision of law, if the extra long staple cotton acreage allotment established for any farm for the 1968 and subsequent crops is greater than such allotment for the preceding crop, because of transfers under subsection (f) of this section or for any other reason, the soil conserving base established for the farm shall be reduced by the same number of acres that the allotment is increased for that year.'

"SEC. 7. Section 407 of the Agricultural Act of 1949, as amended, is amended by adding at the end thereof the following: 'Notwithstanding any other provision of this section, effective August 1, 1968, the Commodity Credit Corporation shall make available during each marketing year for sale for unrestricted use at market prices at the time of sale, a quantity of American grown extra long staple cotton equal to the amount by which the production of such cotton in the calendar year in which such marketing year begins is less than the estimated requirements of American grown extra long staple cotton for domestic use and for export for such marketing year: *Provided*, That no sales shall be made at less than 115 per centum of the loan rate for extra long staple cotton under section 101(f) of this Act beginning with the marketing year for the first crop for which the national marketing quota for extra long staple cotton is not established under paragraph (3) of section 347(b) of the Agricultural Adjustment Act of 1938, as amended. The Secretary may make such estimates and adjustments therein at such times as he determines will best effectuate the provisions of the foregoing sentence and such quantities of cotton as are required to be sold under such sentence shall be offered for sale in an orderly manner and so as not to affect market prices unduly.'

"SEC. 8. Section 3 of Public Law 88-638 (78 Stat. 1038) is hereby repealed effective August 1, 1968."

And the Senate agree to the same.

W. R. POAGE,
E. C. GATHINGS,
JOHN L. MCMILLAN,
PAGE BELCHER,
CHARLES M. TEAGUE,
Managers on the Part of the House.

ALLEN J. ELLENDER,
SPESSARD L. HOLLAND,
B. EVERETT JORDAN,
GEORGE D. AIKEN,
MILTON R. YOUNG,
Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the House to the bill, H.R. 10864, to authorize the Secretary of Agriculture to convey certain lands in Saline County, Ark., to the Dierks Forest, Inc., and for other purposes, submit the following statement and explanation of the effect of the action agreed upon by the conferees and recommended an accompanying conference report.

As passed by the House of Representatives, the bill authorized the Secretary of Agriculture to convey certain lands in Saline County, Ark., to the Dierks Forest, Inc. The Senate amendment to this bill added provisions amending the extra-long-staple cotton program. The Senate amendment provided for lower price-support loans, supplemented by price-support payments, so that the price of this kind of cotton would be more in line with the price of upland cotton, and would move into the market instead of into the hands of Commodity Credit Corporation. The Senate amendment also provided for a method of disposing of surplus stocks and increasing acreage allotments.

The conference substitute adopts all of the provisions of the Senate amendment except one, which would have increased the national acreage allotment for the 1968 crop by 6,800 acres. Because the crop has been planted since the Senate adopted this amendment and is now almost ready for harvest, this provision is no longer appropriate and the substitute properly strikes it out.

The committee of conference was mindful of the fact that both Houses have now passed H.R. 10915 which prohibits imports of extra-long staple cotton from countries which have severed diplomatic relations with the United States and which directs that, nowithstanding any other provision of law, the Secretary shall give domestic producers the opportunity to produce an amount of extra-long staple cotton, equal to the reduction in imports resulting from the enactment of H.R. 10915.

The conference agreement on H.R. 10864 will not in any way diminish the effect of the provisions of H.R. 10915 when that bill becomes law, or in any way interfere with the right of domestic producers to have the opportunity to produce and to receive price support on the quantity of extra-long staple cotton provided for therein. The acreage to produce such cotton is in addition to that acreage which would otherwise be established under section 347 of the Agricultural Adjustment Act of 1938, as amended, if H.R. 10915 had not been enacted. The extra-long staple cotton produced from the acreage made available under H.R. 10915 will be eligible for price support at the same level and rate of price support as that accorded cotton produced within the regular allotment, and the acreage provided pursuant to H.R. 10915 shall not be included in determining the price support payment factor under

SENATE

Aug. 1, 1968

The conference substitute amendment regarding authorization for flood protection in the Mo. River Basin with a requirement that there be mutual agreement between the States involved on a flood control plan for mitigation of fish and wildlife losses requires this agreement to be reached in 6 months following completion of the reservoir study. This bill will now be sent to the President.

24. FARM PROGRAM. Passed with amendment H. R. 17126, to amend the Food and Agriculture Act of 1965 (pp. S9998-99). Agreed to an amendment to strike all after the enacting clause of H. R. 17126 and insert the language of S. 3590 in lieu thereof (p. S9999). Conferees were appointed (p. S9999). House conferees have not been appointed.

25. FOOD STAMPS. Conferees were appointed on S. 3068, to amend the Food Stamp Act of 1964 (p. S9999). House conferees have not been appointed.

26. TRAILS. Conferees were appointed on S. 827, to establish a nationwide system of trails (pp. S10010-12). House conferees have not been appointed.

27. RECREATION. Sen. Moss called for legislation "to open up our national parks more widely" to serve more visitors. pp. S9928-31

28. FOREIGN TRADE. Sen. Young, Ohio, stated, "Increased trade from America with European Communist nations will also provide a powerful political tool to woo them toward peace, complete independence of Russia, and consumer orientation." pp. S9940-1

29. WILDLIFE. Sen. Yarborough inserted an article endorsing his bill to prevent the importation of endangered species of fish or wildlife into the U. S. p. S9945

30. PLANNING-PROGRAMMING-BUDGETING. Sen. Proxmire stated the Joint Economic Committee supported establishing a planning-programming-budgeting system within all agencies of the Federal Government and stated that the Budget Bureau has advised the committee of its efforts to assist the agencies to adopt appropriate discounting procedures. p. S9946

31. EDUCATION. Several Senators criticized withholding of appropriations to aid the education of children attending local schools that are federally affected. pp. S9954, S9955, S10017-8

EXTENSION OF REMARKS

32. RURAL AREAS. Sen. Randolph stressed the need to have rural areas livable and attractive enough to reverse the current population surge to congested urban centers. pp. E7203-5

33. CONSERVATION. Sen. Bayh stated that it is of prime importance that young Americans become acquainted with the values of conservation and inserted an

article on this subject. pp. E7209-10

34. TAXATION. Rep. Hunt stated that the "balloon of optimism" for the revenue-expenditure package is "beginning to deflate", and inserted an article on the plight of the individual taxpayer. pp. E7238-9

35. OPINION POLL. Rep. Helstoski inserted the results of a questionnaire which includes items of interest to this Department. pp. E7239-41

36. FOOD ADDITIVES. Rep. Hosmer criticized HEW for failing to comply with his request for a report on his proposed bill to curb Food and Drug Administration's power to regulate food supplements, including vitamins. pp. E7245-6

37. FORESTS; PEST CONTROL. Rep. Johnson, Calif., commended the development of improved techniques to "measure quickly and cheaply the extent of beetle infestation as a necessary step leading to salvage of the damaged timber." pp. E7246-7

BILLS INTRODUCED

38. TAXATION. S. 3966 by Sen. Hartke, to assist the cities of the United States to meet their needs for increased revenues by sharing with them a portion of the revenues derived from the Federal income tax; to Finance Committee. Remarks of author pp. S9938-9

H. R. 19182 by Rep. Horton, to amend the farm tax loss provision of the Internal Revenue Code; to Ways and Means Committee. Remarks of author, p. E7233

39. RECLAMATION. H. R. 19188 by Rep. Johnson, Calif., to authorize the Secretary of the Interior to construct, operate, and maintain the Consumnes River division, Central Valley project, California; to Interior and Insular Affairs Committee. Remarks of author pp. H8099-100

H. R. 19209 by Rep. White, to authorize the Secretary of the Interior to engage in a feasibility investigation of the Red Bluff rehabilitation project in Texas; to Interior and Insular Affairs Committee.

40. PROPERTY. H. R. 19192 by Rep. Brotzman, to provide for equitable acquisition practices, fair compensation, and effective relocation assistance in real property acquisitions for Federal and federally assisted programs; to Public Works Committee.

H. R. 19193 by Rep. Brotzman, to amend the Internal Revenue Code of 1954 and the Social Security Act to provide for more equitable treatment of persons affected by real property acquisitions in Federal or federally assisted programs; to Ways and Means Committee.

H. R. 19200 by Rep. St. Onge, to authorize the payment to local governments of sums in lieu of taxes and special assessments with respect to certain Federal real property; to Interior and Insular Affairs Committee.

41. RURAL AREAS. H. R. 19201 by Rep. Sandman, and H. R. 19205 by Rep. Kleppe, to establish a community self-determination program to aid the people of urban and rural communities in securing gainful employment, achieving the ownership and control of the resources of their community, expanding opportunity, stability, and self-determination, and making their maximum contribution to the strength and well-being of the Nation; to Ways and Means Committee.

Aug 1, 1968

5. WILDERNESS. The Interior and Insular Affairs Committee reported with amendment H. R. 13512, to designate the Mount Jefferson Wilderness, Willamette, Deschutes, and Mount Hood National Forests, Oreg., as wilderness areas (H. Rept. 1838). p. H8112

6. GRAIN INSPECTION. Agreed to the conference report on H. R. 15794, to revise the Grain Standards Act (p. H8023). See Digest 135 for conference report provisions. This bill will now be sent to the President.

7. COTTON; LANDS. Agreed to the conference report on H. R. 10864, to authorize the Secretary of Agriculture to convey certain lands in Saline Co., Ark., to the Dierks Forests, Inc. The bill contains an amendment to provide a price-support program for extra-long staple cotton. This bill will now be sent to the President. pp. H8023-4

8. APPROPRIATIONS. Both Houses agreed to the conference report on H. R. 18188, the Transportation Dept. appropriation bill, which includes funds for forest highways. This bill will now be sent to the President. pp. H7991-9, S9995-7

Both Houses agreed to the conference report on H. R. 17552, the Depts. of State, Justice, and Commerce, the judiciary, and related agencies appropriation bill, 1969. This bill will now be sent to the President. pp. H7999-8003, S10003-9

Received the conference report on H. R. 18706, the D. C. appropriation bill (H. Rept. 1841) pp. H8003-4

9. FISH AND WILDLIFE. Passed with amendments H. R. 11618, to prevent the importation of endangered species of fish and wildlife into the U. S., and to prevent the interstate shipment of reptiles, amphibians, and other wildlife taken contrary to State law. pp. H8024-9

10. RECREATION. The Interior and Insular Affairs Committee voted to report (but did not actually report) H. R. 15245, to establish the Flaming Gorge National Recreation Area, Utah and Wyo. p. D775

11. TAXATION. The Ways and Means Committee voted to report (but did not actually report) H. R. 14095, to make certain changes to facilitate the production of wine, and H. R. 17332, regarding taxes on gasoline and oils used for agricultural purposes. pp. D775-6

12. RECLAMATION. The conferees agreed to file a report on S. 1004, authorizing construction and operation of the central Arizona project, Ariz. and N. Mex. p. D776

13. FARM PROGRAM. Rep. Findley commended the subsidy payment-limitation amendment to the farm bill and recommended that Congress terminate the commodity management activities of this Dept., "especially Government buying, selling, and storage of grain." p. H8072

14. EDUCATION. Rep. Mink deplored the lapsing of funds for federally impacted school areas and called on her colleagues to join her in urging the President to reconsider the matter. pp. H8076-7

15. TRADE POLICY. Rep. Brown, Ohio, criticized the nation's trade policy and said we need to take necessary steps to correct the deficit in our balance-of-payments. pp. H8089-94

16. CONSUMERS. Rep. Patman praised and inserted the text of an article "Installment Credit and the Low-Income Consumer: A Case Study." pp. H8100-5

17. COOPERATIVES. Rep. Friedel inserted an editorial explaining the objectives of S. 752, the recently enacted so-called agricultural cooperative trucking bill. pp. H8107-8

SENATE

18. TRANSPORTATION. The Commerce Committee reported without amendment H. R. 159, to establish a Federal Maritime Administration as an independent agency (S. Rept. 1495). p. S9931

19. TAXATION. The Finance Committee reported with amendments H. R. 2767, to amend the Internal Revenue Code of 1954 to allow a farmer an amortized deduction from gross income for assessments for depreciable property levied by soil or water conservation or drainage districts (S. Rept. 1497). p. S9931

20. OCEANOGRAPHY. Both Houses received and the Senate agreed to the conference report on H. R. 13781, to authorize continuation of the sea-grant college program through fiscal 1969 and 1970 (H.Rept. 1837) (pp. S10017, H8061-2). Senate conferees agreed to the House language to authorize "not to exceed the sum of $6 million" for fiscal 1969, and the House conferees agreed to the Senate language to authorize "not to exceed the sum of $8 million" for fiscal 1970.

21. APPROPRIATIONS. Passed, 71-3, with amendments H. R. 18785, military construction appropriations (pp. S9958-77, S9979-94). This bill includes funds for payment to the Commodity Credit Corporation on the remaining indebtedness for housing constructed in foreign countries with foreign currencies derived from the sale of surplus commodities. Conferees were appointed (p. S9994). House conferees have not been appointed.

22. HEALTH. Conferees were appointed on H. R. 15758, to amend the Public Health Service Act to extend and improve the provisions relating to regional medical programs, to extend the authorization of grants for health of migratory agricultural workers, and to provide for specialized facilities for alcoholics and narcotic addicts (pp. S9994-5). House conferees have been appointed.

23. FLOOD CONTROL. Agreed to the conference report on S. 3710, to authorize the construction, repair, and preservation of certain public works on rivers and harbors for navigation, flood control, and for other purposes (pp. S9999-10002).

The legislative clerk read as follows:

Resolved, That the House recede from its disagreement to the amendment of the Senate numbered 20, to the aforesaid bill, and concur therein with an amendment, as follows: Change the section number to "210".

Mr. STENNIS. Mr. President, I move that the Senate concur in the amendment of the House to the amendment of the Senate numbered 20.

The motion was agreed to.

Mr. COTTON. Mr. President, I move that the vote by which the Senate agreed to the conference report and to the amendments be reconsidered.

Mr. STENNIS. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. STENNIS. Mr. President, I ask unanimous consent that there be printed in the RECORD at this point a tabulation on this bill reflecting the amounts appropriated for fiscal year 1968, the budget estimates for each item for fiscal year 1969, the amounts agreed to in the House, the amounts agreed to in the Senate, and the final conference figure.

There being no objection, the tabulation was ordered to be printed in the RECORD, as follows:

SUMMARY OF THE BILL, H.R. 18188

Item	New budget (obligational) authority, 1968	Budget estimates of new (obligational) authority, 1969	House bill	Senate bill	Conference action
TITLE I					
OFFICE OF THE SECRETARY					
Salaries and expenses	$7,475,000	$11,335,000	$9,800,000	$9,800,000	$9,800,000
Transportation research	5,950,000	7,000,000	6,000,000	6,000,000	6,000,000
Total, Office of the Secretary	13,425,000	18,335,000	15,800,000	15,800,000	15,800,000
COAST GUARD					
Operating expenses	347,351,000	391,560,000	362,000,000	362,000,000	362,000,000
Acquisition, construction, and improvements	107,014,000	107,000,000	90,000,000	90,000,000	90,000,000
Reserve training	24,300,000	(1)	25,000,000	25,000,000	25,000,000
Retired pay	48,199,000	51,056,000	51,000,000	51,000,000	51,000,000
Research, development, test, and evaluation	(2)	9,000,000	4,000,000	4,000,000	4,000,000
Total, Coast Guard	526,864,000	558,616,000	532,000,000	532,000,000	532,000,000
FEDERAL AVIATION ADMINISTRATION					
Operations	617,400,000	663,079,000	663,079,000	678,899,000	670,954,000
Facilities and equipment	54,000,000	70,000,000	65,000,000	191,500,000	120,000,000
Research and development	27,000,000	28,000,000	27,000,000	38,500,000	27,000,000
Operation and maintenance, National Capital airports	8,715,000	9,019,000	8,900,000	8,900,000	8,900,000
Construction National Capital airports	160,000	1,000,000	700,000	700,000	700,000
Grants-in-aid for airports:					
Fiscal year 1969	70,000,000				
Fiscal year 1970		65,000,000	(2)	65,000,000	30,000,000
Civil supersonic aircraft development	142,375,000	223,000,000			
Rescission of unobligated funds			(−30,000,000)	(−30,000,000)	(−30,000,000)
Total, Federal Aviation Administration	919,650,000	1,059,098,00	764,679,000	938,499,000	857,554,000
FEDERAL HIGHWAY ADMINISTRATION					
Limitation on general expenses	*(59,9[illegible]7,000)*	*(68,186,000)*	*(65,556,000)*	*(65,556,000)*	*(65,556,000)*
Federal-aid highways (trust fund—appropriation to liquidate contract authorization)	*4,170,872,000*	*4,158,000,000*	*4,155,370,000*	*4,155,370,000*	*4,155,370,000*
Highway beautification	1,200,000	1,508,000	1,000,000	1,000,000	1,000,000
Traffic and highway safety;					
Appropriation	21,034,000	30,305,000	26,500,000	26,500,000	26,500,000
By transfer	*(1,100,000)*	*(1,255,000)*	*(1,200,000)*	*(1,200,000)*	*(1,200,000)*
State and community highway safety (appropriation to liquidate contract authorizations)	*25,000,000*	*70,000,000*	*50,000,000*	*50,000,000*	*50,000,000*
Motro carrier safety	1,833,000	2,012,000	2,012,000	2,012,000	2,012,000
Forest highways (appropriation to liquidate contract authorization)	*32,000,000*	*33,000,000*	*26,000,000*	*33,000,000*	*29,000,000*
Public lands highways (appropriation to liquidate contract authorization)	*9,000,000*	*9,000,000*	*6,200,000*	*9,000,000*	*7,600,000*
Inter-American Highway	5,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Chamizal Memorial Highway	4,000,000	4,000,000			
Alaskan assistance	5,000,000				
Repair and reconstruction of highways	15,097,772				
Total, Federal Highway Administration	53,164,772	39,825,000	31,512,000	31,512,000	31,512,000
FEDERAL RAILROAD ADMINISTRATION					
Office of the Administrator, salaries and expenses	680,000	1,032,000	900,000	900,000	900,000
Bureau of Railroad Safety	3,414,000	3,820,000	3,700,000	3,700,000	3,700,000
High-speed ground transportation research and development	11,750,000	16,200,000	(3)	16,200,000	13,000,000
Railroad research	200,000	400,000	300,000	300,000	300,000
Total, Federal Railroad Administration	16,044,000	21,452,000	4,900,000	21,100,000	17,900,000
URBAN MASS TRANSPORTATION ADMINISTRATION					
Urban mass transportation grants:					
For fiscal 1969	175,000,000				
For fiscal 1970		230,000,000	(4)	200,000,000	175,000,000
ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION					
Limitation on administrative expenses	*(514,000)*	*(560,000)*	*(550,000)*	*(550,000)*	*(550,000)*
NATIONAL TRANSPORTATION SAFETY BOARD					
Salaries and expenses	4,057,000	4,706,000	4,500,000	4,500,000	4,500,000
Title I, new budget (obligational) authority	1,708,204,772	1,932,032,000	1,353,391,000	1,788,411,000	1,634,266,000
Consisting of—Appropriations:					
Fiscal year 1968	1,463,204,772				
Fiscal year 1969	245,000,000	1,637,032,000	1,353,391,000	1,523,411,000	1,429,266,000
Fiscal year 1970		295,000,000		265,000,000	205,000,000
Memoranda;					
Appropriations to liquidate contract authorizations	*4,236,872,000*	*4,270,000,000*	*4,237,570,000*	*4,247,370,000*	*4,241,970,000*
Rescission of unobligated funds			(−30,000,000)	(−30,000,000)	(−30,000,000)
Grand total	5,945,076,772	6,202,032,000	5,560,961,000	6,005,781,000	5,846,236,000

[1] $25,024,000 included under "Operating expenses."
[2] Included under "Operating expenses."
[3] Deferred.
[4] Not considered.

AMENDMENT OF THE FOOD AND AGRICULTURE ACT OF 1965

Mr. ELLENDER. Mr. President, as to the request I am about to make pertaining to H.R. 17126 and Senate bill 3590, I have consulted with the majority leader as well as the minority leader and the Senator from North Dakota [Mr. YOUNG] and the Senator from Vermont [Mr. AIKEN], who serve on the Committee on Agriculture and Forestry.

I ask the Chair to lay before the Senate a message from the House of Representatives on H.R. 17126.

The PRESIDING OFFICER laid before the Senate H.R. 17126, to amend the Food and Agriculture Act of 1965, which was read twice by its title.

Mr. ELLENDER. Mr. President, I ask unanimous consent that the Senate proceed to its immediate consideration.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. ELLENDER. Mr. President, yesterday the House passed a farm bill, which is before us now. The Senate farm bill was passed a few days ago.

I ask unanimous consent that all after the enacting clause of H.R. 17126 be stricken, and that the language of S. 3590 be placed in lieu thereof.

The PRESIDING OFFICER. The amendment will be read.

The legislative clerk proceeded to read the amendment.

Mr. ELLENDER. Mr. Preisdent, I ask unanimous consent to dispense with further reading of the amendment and ask unanimous consent that it be printed in the RECORD at this point.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

TITLE I—DAIRY

EXTENSION OF CLASS I—BASE PLAN AUTHORITY

SEC. 101. The class I dairymen's base plan is extended by striking out "December 31, 1969" and inserting "December 31, 1973" in section 103 of the Food and Agriculture Act of 1965.

RESEARCH, PROMOTION, AND ADVERTISING

SEC. 102. The Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937 and subsequent legislation is further amended, by adding at the end of subsection 8c(5) the following new subparagraph (I):

"(I) Establishing or providing for the establishment of marketing research and development programs, other research programs, and advertising (excluding brand advertising), sales promotion, educational, and other similar programs, designed to improve or promote the domestic marketing and consumption of milk and its products, to be financed by producers in a manner and at a rate specified in the order, or all producer milk under the order. Producer contributions under this subparagraph may be deducted from funds due producers in computing total pool value or otherwise computing total funds due producers and such deductions shall be in addition to the adjustments authorized by subparagraph (B) of this subsection 8c(5). Provision may be made in the order to exempt, or allow suitable adjustments or credits in connection with, milk on which a mandatory checkoff for advertising or research is required under the authority of any State law. Such funds shall be paid to an agency organized by milk producers and producers' cooperative associations in such form and with such methods of operation as shall be specified in the order. Such agency may expend such funds for any of the purposes authorized by this subparagraph and may designate, employ, and allocate funds to persons and organizations engaged in such programs which meet the standards and qualifications specified in the order. All funds collected under this subparagraph shall be separately accounted for and shall be used only for the purposes for which they were collected. Programs authorized by this subparagraph may be either local or national in scope, or both, as provided in the order, but shall not be international. Order provisions under this subparagraph shall not become effective in any marketing order unless such provisions are approved by producers separately from other order provisions, in the same manner provided for the approval of marketing orders, and may be terminated separately whenever the Secretary makes a determination with respect to such provisions as is provided for the termination of an order in subsection 8c(16)(B). Disapproval or termination of such order provisions shall not be considered disapproval of the order or of other terms of the order."

TITLE II—FEED GRAINS

EXTENSION OF CURRENT PROGRAM AUTHORITY

SEC. 201. The feed grain program is extended by striking out "1966 through 1969 crops" wherever it appears and substituting "1966 through 1973 crops" in the following provisions of law:

(1) Section 105(e) of the Agricultural Act of 1949, as amended.

(2) Section 16(i) of the Soil Conservation and Domestic Allotment Act, as amended.

AUTHORITY FOR PAYMENTS IN CASH OR KIND

SEC. 202. Effective beginning with the 1969 crop, section 105(e) cf the Agricultural Act of 1949, as amended, is amended by adding at the end thereof the following: "Notwithstanding any other provision of this subsection and section 16(i) of the Soil Conservation and Domestic Allotment Act, as amended, price support payments and diversion payments may be made in cash or in kind for the 1969 through 1973 crops of feed grains. Payment-in-kind certificates which the Commodity Credit Corporation acquired under the price support and diversion programs for feed grains through the 1968 crop in assisting producers in the marketing of such certificates and which are still on hand on September 30, 1969, shall not be marketed and shall be canceled."

TITLE III—COTTON

EXTENSION OF AUTHORITY FOR ALLOTMENT TRANSFERS, EXPORT MARKET ACREAGE, AND DOMESTIC ALLOTMENT

SEC. 301. The Agricultural Adjustment Act of 1938, as amended, is amended—

(1) By striking out "1966, 1967, 1968, and 1969" in section 344a(a) and inserting "1966 through 1973".

(2) By striking out "the 1966, 1967, 1968, and 1969 crops" in the first sentence of subsection (e) of section 346 and substituting "the 1966 through 1973 crops".

(3) By striking out "the 1966, 1967, 1968, and 1969 crops" in section 350 and substituting "the 1966 through 1973 crops".

EXTENSION OF AUTHORITY FOR PRICE SUPPORT AND DIVERSION PAYMENTS, LEASE OF ACREAGE NOT DIVERTED, AND EXTENSION OF CCC RESALE PRICE PROVISION

SEC. 302. Effective beginning with the 1969 crop, the Agricultural Act of 1949, as amended, is amended—

(1) By amending paragraph (1) of section 103(d) by striking out "the 1966, 1967, 1968, and 1969 crops" and substituting "the 1966 through 1973 crops".

(2) By striking out the first sentence in paragraph (6) of section 103(d) and substituting the following: "Where the farm operator elects to participate in the diversion program authorized in this subsection and no acreage is planted to cotton on the farm, diversion payments shall be made at the applicable rate or rates established under paragraph (4) on the quantity of cotton determined by multiplying that part of the farm acreage allotment diverted under the program by the projected farm yield, and the remainder of such allotment may be leased under the provisions of section 344a of the Agricultural Adjustment Act of 1938, as amended, subject to the conditions of that section, or may be released under the provisions of section 344(m)(2) of such Act. Such lease or release shall not result in reduction of the acreage eligible for diversion under this paragraph."

(3) By striking out "July 31, 1970" in the next to last sentence of section 407 and substituting "July 31, 1974".

EXTENSION OF CURRENT DEFINITION OF COOPERATOR

SEC. 303. Section 402(b) of the Food and Agriculture Act of 1965 is amended by striking out "1966 through 1969 crops" and substituting "1966 through 1973 crops", and by striking out "1967, 1968, and 1969 crops" and substituting "1967 through 1973 crops".

EXPANSION OF ALLOTMENT TRANSFER AUTHORITY

SEC. 304. Section 344a of the Agricultural Adjustment Act of 1938, as amended, is amended—

(1) By striking out in subsection (a) the following: "(excluding that part of the allotment which the Secretary determines was apportioned to the farm from the national acreage reserve)".

(2) By striking out the last sentence in subsection (b).

EXPORT MARKET ACREAGE

SEC. 305. Section 346(e) of the Agricultural Adjustment Act of 1938, as amended, is amended—

(1) By striking out in the third sentence thereof "For each subsequent crop—" and substituting "For the 1967 and 1968 crops—".

(2) By inserting after the table in the third sentence thereof, the following: "For the 1969 through 1973 crops the national export market acreage reserve shall be an amount prescribed by the Secretary, not to exceed 250,000 acres."

(3) By striking out in the tenth sentence thereof "of all cotton produced on such farm for such year" and substituting "of a quantity of cotton equal to the quantity of all cotton produced on such farm for such year".

TITLE IV—WHEAT

EXTENSION OF CURRENT WHEAT PROGRAM

SEC. 401. The wheat program is extended—

(1) By striking out "the calendar years 1964 through 1969" in amendment (7) of section 202 of the Agricultural Act of 1964, as amended by amendment (1) of section 505 of the Food and Agriculture Act of 1965, and substituting "1964 through 1973 calendar years".

(2) By striking out "the calendar years 1969 through 1969" in amendment (13) of section 202 of the Agricultural Act of 1964, as amended by amendment (2) of section 505 of the Food and Agriculture Act of 1965, and substituting "1965 through 1973 calendar years".

(3) By striking out "the calendar years 1964 through 1969" in section 204 of the Agricultural Act of 1964, as amended by amendment (3) of section 505 of the Food and Agriculture Act of 1965, and substituting "1964 through 1973 calendar years".

(4) By striking out "the calendar years 1966 through 1969" in section 332(d) of the Agricultural Adjustment Act of 1938, as amended, and substituting "1966 through 1973 calendar years".

(5) By striking out "the calendar years 1964 through 1969" in section 339(b) of the Agricultural Adjustment Act of 1938, as amended, and substituting "1964 through 1973 calendar years".

(6) By striking out "the calendar years 1966 through 1969" wherever they appear in section 502 of the Food and Agriculture Act of 1965, and substituting "1966 through 1973 calendar years".

(7) By striking out "1966 through 1969 crops" in section 506 of the Food and Agriculture Act of 1965, and substituting "1966 through 1973 crops".

PROJECTED FARM YIELD COMPUTATION

SEC. 402. Effective beginning with the 1969 crop, section 301(b)(13)(K) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out "three calendar years" and substituting "five calendar years".

WHEAT ALLOTMENT COMPUTATION

SEC. 403. Effective beginning with the 1969 crop, section 332(b) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out "owned by the Commodity Credit Corporation" and substituting "on hand in the United States".

COST OF WHEAT MARKETING CERTIFICATES TO PROCESSORS

SEC. 404. Section 379e of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out "1969" and substituting "1973".

DATE FOR DETERMINING WHEAT SUPPORT PRICE

SEC. 405. Effective beginning with the 1969 crop, section 107 of the Agricultural Act of 1949, as amended, is amended by inserting in paragraph (1)(a) after the words "100 per centum of the parity price" the following: "as of the beginning of the marketing year as estimated by the Secretary not earlier than May 1 preceding the beginning of such marketing year,".

TITLE V—WOOL

EXTENSION OF WOOL ACT

SEC. 501. Section 703 of the National Wool Act of 1954, as amended, is extended by striking out "December 31, 1969" and substituting "December 31, 1973".

TITLE VI—CROPLAND ADJUSTMENT

EXTENSION OF CROPLAND ADJUSTMENT PROGRAM

SEC. 601. Section 602 of the Food and Agriculture Act of 1965 is amended—

(1) By striking out "the calendar years 1965 through 1969" in subsection (a) and substituting "1965 through 1973 calendar years".

(2) By striking out "during any of the fiscal years ending June 30, 1966 through June 30, 1968 or during the period June 30, 1968 through December 31, 1969" in subsection (k) and substituting "during any of the fiscal years ending prior to July 1, 1972, or during the period July 1, 1972, through December 31, 1973".

ADVISORY COMMITTEE EXPENSES

SEC. 602. Section 602(p) of such Act is amended by striking out of the last sentence thereof the words "or expenses" and inserting "other than transportation expenses and per diem as provided by section 5703(c) of title 5, United States Code".

TERMINATION OF AGREEMENTS

SEC. 603. Section 602 of such Act is amended by adding a new subsection (r) as follows: "(r) The Secretary may terminate agreements which are entered into with producers after the effective date of this subsection if he determine such action to be in the national interest and gives public notice in ample time to permit producers a reasonable opportunity to make arrangements to return their land to agricultural production."

TITLE VII—RICE

EXTENSION OF CONTINGENT RICE ACREAGE DIVERSION PROGRAM

SEC. 701. Section 353(c)(7) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out "1966, 1967, 1968, or 1969" and substituting "1966 or any succeeding year up to and including 1973".

TITLE VIII—MISCELLANEOUS

EXTENSION OF TOBACCO ALLOTMENT LEASE AUTHORITY

SEC. 801. Section 316(a) of the Agricultural Adjustment Act of 1938, as amended, is amended by striking out of the first sentence thereof "1962 through 1969", and inserting "1962 through 1973".

RESTRICTION ON REDUCTION OF STATE AND COUNTY PROJECTED YIELDS

SEC. 802. Section 708 of the Food and Agriculture Act of 1965 is amended by adding at the end thereof the following: "The projected yield for any State or county for the 1969 and succeeding crops of any commodity shall not be less than 95 per centum of the yield established for such State or county for the preceding crop."

EXTENSION OF BOILED PEANUT EXEMPTION

SEC. 803. The last paragraph of the Act entitled "An Act to amend the peanut marketing quota provisions of the Agricultural Adjustment Act of 1938, as amended, and for other purposes," approved August 13, 1957 (7 U.S.C. 1359 note), is amended to read as follows: "This amendment shall be effective for the 1957 through 1973 crops of peanuts."

MARKETING ORDERS FOR APPLES PRODUCED IN COLORADO, UTAH, AND NEW MEXICO

SEC. 804. Clause (A) of the first sentence of section 8c (2) of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937 and subsequent legislation, is amended by striking out "and Connecticut" and inserting in lieu thereof "Connecticut, Colorado, Utah, New Mexico, Illinois, and Ohio".

ADVERTISING PROGRAMS FOR APPLES

SEC. 805. (a) Section 2(3) of the Agricultural Adjustment Act, as reenacted and amended by the Agricultural Marketing Agreement Act of 1937 and subsequent legislation, is amended by inserting ", such marketing research and development projects provided in section 8c(6)(I), and" immediately after "section 8c(6)(H)".

(b) The proviso at the end of section 8c (6)(I) of such Act, as amended, is amended by striking out "or avocados" and inserting in lieu thereof "avocados, or apples".

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

The PRESIDING OFFICER. The question is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time, and passed.

Mr. ELLENDER. Mr. President, I move that the Senate insist on its amendment, request a conference with the House of Representatives thereon, and that the Chair be authorized to appoint conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. ELLENDER, Mr. HOLLAND, Mr. TALMADGE, Mr. JORDAN of North Carolina, Mr. AIKEN, Mr. YOUNG of North Dakota, and Mr. BOGGS conferees on the part of the Senate.

AMENDMENT OF FOOD STAMP ACT OF 1964

Mr. ELLENDER. Mr. President, I ask the Chair to lay before the Senate a message from the House of Representaitves on S. 3068.

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 3068) to amend the Food Stamp Act of 1964, as amended which was, strike out all after the enacting clause, and insert:

That subsection (a) of section 16 of the Food Stamp Act of 1964 is amended (A) by deleting from the first sentence the phrase "not in excess of $225,000,000 for the fiscal year ending June 30, 1969;" and inserting in lieu thereof the following: "such sums as may be necessary for each of the fiscal years ending June 30, 1969, 1970, 1971, and 1972;" and (B) by adding at the end of the subsection the following sentence: "On or before January 20 of each year, the Secretary shall submit to Congress a report setting forth operations under this Act during the preceding calendar year and projecting needs for the ensuing calendar year." and section 5(b) of such Act is amended by adding at the end thereof the following: "Notwithstanding any other provision of law, any person who is engaged in a strike, labor dispute, or voluntary work stoppage shall be ineligible to participate in any food stamp program established pursuant to this Act: *Provided*, That if any such person was eligible for and was receiving food stamp assistance pursuant to the provisions of this Act prior to the existence of a strike, labor dispute, or voluntary work stoppage, such person shall not be ineligible for participation in the food stamp program solely as a result of engaging in such strike, labor dispute, or voluntary work stoppage. Notwithstanding any other provision of law, any person who is a student attending an institution of higher learning shall be ineligible to participate in any food stamp program established pursuant to this Act: *Provided further*, That if any such person was eligible for and was receiving food stamp assistance pursuant to the provisions of this Act prior to being enrolled as a student at an institution of higher learning, such person shall not be ineligible for participation in the food stamp program solely as the result of being a student attending an institution of higher learning."

Mr. ELLENDER. Mr. President, I move that the Senate insist on its amendments, request a conference with the House thereon, and that the Chair be authorized to appoint conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. ELLENDER, Mr. HOLLAND, Mr. TALMADGE, Mr. JORDAN of North Carolina, Mr. AIKEN, Mr. YOUNG of North Dakota, and Mr. BOGGS conferees on the part of the Senate.

OMNIBUS RIVERS AND HARBORS BILL—CONFERENCE REPORT

Mr. YOUNG of Ohio. Mr. President, I submit a report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 3710) authorizing the construction, repair, and preservation of certain public works on rivers and harbors for navigation, flood control, and for other purposes. I ask unanimous con-

sent for the present consideration of the report.

The PRESIDING OFFICER. The report will be read for the information of the Senate.

The legislative clerk read the report.

(For conference report, see House proceedings of July 29, 1968, pp. H7735–H7741, CONGRESSIONAL RECORD.)

The PRESIDING OFFICER. Is there objection to the present consideration of the report?

There being no objection, the Senate proceeded to consider the report.

Mr. YOUNG of Ohio. Mr. President, the report comes before the Senate by unanimous vote of the Senate conferees. It authorizes the construction, repair, and preservation of certain public works on rivers and harbors, for navigation, flood control, and other purposes.

The House and Senate conferees met on several occasions to consider, and they did consider fully, the differences in S. 3710, the rivers and habors-flood control omnibus bill.

We had long deliberations. The distinguished chairman of the Public Works Committee of the Senate, the Senator from West Virginia [Mr. RANDOLPH], guided the legislation very adroitly through the conference.

We of the Senate conferees obtained practically everything we sought to obtain, with the exception of a couple of matters to which I shall refer very briefly in a moment.

Mr. President, we have agreed on a substitute measure. In the judgment of the Senate conferees, it is a fair and equitable compromise.

The bill as agreed upon authorizes the construction of 73 meritorious projects, at an estimated cost of $1.2 billion. This brings the total cost of the bill, including the amount of $469 million authorized for projects in approved basin plans on which there was no disagreement, to $1.2 billion.

This amount is slightly more than the total approved by the House, and somewhat below the amount passed in the Senate when we acted on the legislation.

I am informed that in the House of Representatives the conference report was ratified within a few minutes yesterday, and without any controversy.

In most instances we of the Senate were successful in upholding the position of the Senate. However, the House conferees would not recede in their disagreement to three items. The Senate conferees tried to be most persuasive and persistent in our argument.

The items in which the House conferees would not concur with our views included restoration of the full amount for the Red River Waterway, transfer of the Yazoo River project from title I to title II, and the Devil's Jump Dam and Reservoir in Kentucky and Tennessee.

My colleague the distinguished Senator from Kentucky [Mr. COOPER] fought valiantly for the Devil's Jump Dam and Reservoir. He had the backing of every one of the Senate conferees, but there could be no agreement thereon.

In the case of the Red River Waterway, the Senate committee will give consideration to fully authorizing this project during consideration of the next omnibus bill. That item was worked out in that manner.

Further consideration will also be given at that time to the Mississippi River and tributary project.

With respect to the Devil's Jump Dam, for which we pressed so hard, and for which the Senator from Kentucky [Mr. COOPER] pressed eloquently and persistently, but without success, he finally brought in a substitute offer, and the conferees did agree to a restudy of the project, to be made by the Chief of Engineers and other Federal agencies.

This action, I feel, will be most helpful to Congress in its further consideration of the matter, and, in reality, I feel in the end it was a very substantial accomplishment on the part of our colleague, the Senator from Kentucky [Mr. COOPER].

Mr. President, I feel we have a good bill here, finally, and I recommend that the Senate agree to the conference report.

Mr. RANDOLPH. Mr. President, this afternoon, as we consider the conference report, I wish to express tribute to the distinguished Senator from Ohio [Mr. YOUNG] and the distinguished Senator from Kentucky [Mr. COOPER], the respective leaders in their parties in the conference, and to all those who joined in discussion with the House conferees of the projects that are included in the omnibus rivers and harbors bill.

Senator YOUNG and Senator COOPER and those who signed the report with them—five Democrats and three Republicans in all—were desirous of bringing back to the Senate a measure which retained, insofar as possible, the authorization for these projects, including the river basins—a total of $1.7 billion, approximately, with some 107 projects included in that figure.

I believe the Senator from Ohio handled the measure in conference in a very helpful and realistic manner. He was chosen as chairman of the conference. The Senate and House conferees worked with him in bringing the conference report into being. I know that I benefited from the give and take, as always in conference with House Members; but the fair and courteous conduct of our conference chairman, the Senator from Ohio [Mr. YOUNG] deserves our accolade at this time.

The other body had added a number of projects to the bill. All these added items were examined closely prior to our meeting. Most of the projects were meaningful, meritorious projects, and were acceptable to the Senate, the Senate having acted earlier on this legislation.

There were several projects, however, in addition to those which have been mentioned by the Senator from Ohio, which required the study and deliberation of the conferees. Included among these were the Port Jefferson Harbor in New York, the Charleston Harbor in South Carolina, the Navasota River in Texas, and the Wabash River in Indiana and Illinois.

The Port Jefferson Harbor project was included in the Senate bill on its merits. It has a benefit-cost ratio of 6 to 1. Of course, this is exceptionally high—almost unbelievably high. This project had the interest and support of the Senator from New York [Mr. JAVITS], of course, with the support of the State of New York through the Governor of that State, and was approved by all of the Federal agencies, including the Bureau of the Budget.

However, the House felt compelled to delete this item, for reasons other than the merits of the project, which I have indicated are very real. We discussed the project at length with our House counterparts. We indicated that we could not recede, in view of the case that had been established for the authorization.

As to the Charleston Harbor project, in the Senate version of the bill we provided only for negotiation between the Corps of Engineers and the South Carolina Power Authority to limit flow through that company's power facility to reduce silting in the harbor. The House has authorized, in addition to the negotiation feature, construction of a canal and a powerhouse to compensate that power company for loss of power in reducing flow on the Cooper River. This action was in accordance with the recommendation of the Corps of Engineers. The Senate conferees, after examining the factors associated with this proposal, felt justified in receding from objections to the House modifications. It was realized that the problem of silt in that harbor is most acute, and that we have a responsibility to deal with it as effectively as we can, and just as quickly as possible.

As to the Navasota River project in Texas, we feel that an adequate settlement has been made of that matter. The Senate expressed its approval of the project, providing construction of the Millican Dam, with the proviso that the Navasota No. 2 Reservoir project would be restudied prior to its construction. The conferees reached agreement by deleting the provisions of both of the Houses, and leaving the order of construction in accordance with the recommendations of the Chief of Engineers.

The Wabash River project is another one where the conferees established a high degree of understanding of the problem. Here we were faced with differences between the Senate and the House of Representatives, and there has been a controversy as to this project, as we know, with respect to the construction of the Big Walnut Dam and Reservoir.

Our Senate committee believed that it was best to defer this project—and the Senate concurred—until such time as we could have a mutually acceptable project developed by the Chief of Engineers. However, the House indicated that the project was merited at this site and that there was a need for flood control and water supply in that valley. Accordingly, construction was authorized, but not to be initiated until further and approval by the President.

I think that the conferees, the Senator from Ohio [Mr. YOUNG], the Senator from Kentucky [Mr. COOPER], and the others agree fully with my statement that we reached what we considered to be an equitable solution to a very pressing problem.

shall be upon the record upon which the determination and order are based. The provisions of section 204 of the Packers and Stockyards Act of 1921, as amended, shall be applicable to appeals taken under this section.'

"SEC. 17. Sections 19 through 22 of said Act (21 U.S.C. 468, 469, 451 note) are hereby redesignated as sections 25, 26, 28, and 29, respectively, and new sections 19, 20, 21, 22, 23, 24, and 27 are added to the Act to read, respectively:

" 'SEC. 19. Whenever any poultry product, or any product exempted from the definition of a poultry product, or any dead, dying, disabled, or diseased poultry is found by any authorized representative of the Secretary upon any premises where it is held for purposes of, or during or after distribution in, commerce or otherwise subject to this Act, and there is reason to believe that any such article is adulterated or misbranded and is capable of use as human food, or that it has not been inspected, in violation of the provisions of this Act or of any other Federal law or the laws of any State or Territory, or the District of Columbia, or that it has been or is intended to be, distributed in violation of any such provisions, it may be detained by such representative for a period not to exceed twenty days, pending action under section 20 of this Act or notification of any Federal, State, or other governmental authorities having jurisdiction over such article or poultry, and shall not be moved by any person, from the place at which it is located when so detained, until released by such representative. All official marks may be required by such representative to be removed from such article or poultry before it is released unless it appears to the satisfaction of the Secretary that the article or poultry is eligible to retain such marks.

" 'SEC. 20. (a) Any poultry product, or any dead, dying, disabled, or diseased poultry, that is being transported in commerce or otherwise subject to this Act, or is held for sale in the United States after such transportation, and that (1) is or has been processed, sold, transported, or otherwise distributed or offered or received for distribution in violation of this Act, or (2) is capable of use as human food and is adulterated or misbranded, or (3) in any other way is in violation of this Act, shall be liable to be proceeded against and seized and condemned, at any time, on a libel of information in any United States district court or other proper court as provided in section 21 of this Act within the jurisdiction of which the article or poultry is found. If the article or poultry is condemned it shall, after entry of the decree, be disposed of by destruction or sale as the court may direct and the proceeds, if sold, less the court costs and fees, and storage and other proper expenses, shall be paid into the Treasury of the United States, but the article or poultry shall not be sold contrary to the provisions of this Act, or the laws of the jurisdiction in which it is sold: *Provided*, That upon the execution and delivery of a good and sufficient bond conditioned that the article or poultry shall not be sold or otherwise disposed of contrary to the provisions of this Act, or the laws of the jurisdiction in which disposal is made, the court may direct that such article or poultry be delivered to the owner thereof subject to such supervision by authorized representatives of the Secretary as is necessary to insure compliance with the applicable laws. When a decree of condemnation is entered against the article or poultry and it is released under bond, or destroyed, court costs and fees, and storage and other proper expenses shall be awarded against the person, if any, intervening as claimant of the article or poultry. The proceedings in such libel cases shall conform, as nearly as may be, to the proceedings in admiralty, except that either party may demand trial by jury of any issue of fact joined in any case, and all such proceedings shall be at the suit of and in the name of the United States.

" '(b) The provisions of this section shall in no way derogate from authority for condemnation or seizure conferred by other provisions of this Act, or other laws.

" 'SEC. 21. The United States district courts, the District Court of Guam, the District Court of the Virgin Islands, the highest court of American Samoa, and the United States courts of the other territories, are vested with jurisdiction specifically to enforce, and to prevent and restrain violations of, this Act, and shall have jurisdiction in all other kinds of cases arising under this Act, except as provided in section 8(d) or 18 of this Act. All proceedings for the enforcement or to restrain violations of this Act shall be by and in the name of the United States. Subpenas for witnesses who are required to attend a court of the United States, in any district, may run into any other district in any such proceeding.

" 'SEC. 22. For the efficient administration and enforcement of this Act, the provisions (including penalties) of sections 6, 8, 9, and 10 of the Federal Trade Commission Act, as amended (38 Stat. 721–723, as amended; 15 U.S.C. 46, 48, 49, and 50) (except paragraphs (c) through (h) of section 6 and the last paragraph of section 9), and the provisions of subsection 409(l) of the Communications Act of 1934 (48 Stat. 1096, as amended; 47 U.S.C. 409(l)), are made applicable to the jurisdiction, powers, and duties of the Secretary in administering and enforcing the provisions of this Act and to any person with respect to whom such authority is exercised. The Secretary, in person or by such agents as he may designate, may prosecute any inquiry necessary to his duties under this Act in any part of the United States, and the powers conferred by said sections 9 and 10 of the Federal Trade Commission Act as amended on the district courts of the United States may be exercised for the purposes of this Act by any court designated in section 21 of this Act.

" 'SEC. 23. Requirements within the scope of this Act with respect to premises, facilities and operations of any official establishment, which are in addition to, or different than those made under this Act may not be imposed by any State or Territory or the District of Columbia, except that any such jurisdiction may impose recordkeeping and other requirements within the scope of paragraph (b) of section 11 of this Act, if consistent therewith, with respect to any such establishment. Marking, labeling, packaging, or ingredient requirements (or storage or handling requirements found by the Secretary to unduly interfere with the free flow of poultry products in commerce) in addition to, or different than, those made under this Act may not be imposed by any State or Territory or the District of Columbia with respect to articles prepared at any official establishment in accordance with the requirements under this Act, but any State or Territory or the District of Columbia may, consistent with the requirements under this Act, exercise concurrent jurisdiction with the Secretary over articles required to be inspected under this Act, for the purpose of preventing the distribution for human food purposes of any such articles which are adulterated or misbranded and are outside of such an establishment, or, in the case of imported articles which are not at such an establishment, after their entry into the United States. This Act shall not preclude any State or Territory or the District of Columbia from making requirement or taking other action, consistent with this Act, with respect to any other matters regulated under this Act.

" 'SEC. 24. (a) Poultry and poultry products shall be exempt from the provisions of the Federal Food, Drug, and Cosmetic Act to the extent of the application or extension thereto of the provisions of this Act, except that the provisions of this Act shall not derogate from any authority conferred by the Federal Food, Drug, and Cosmetic Act prior to enactment of the Wholesome Poultry Products Act.

" '(b) The detainer authority conferred by section 19 of this Act shall apply to any authorized representative of the Secretary of Health, Education, and Welfare for purposes of the enforcement of the Federal Food, Drug, and Cosmetic Act with respect to any poultry carcass, or part or product thereof, that is outside any official establishment, and for such purposes the first reference to the Secretary in section 19 shall be deemed to refer to the Secretary of Health, Education, and Welfare.

" 'SEC. 27. The Secretary shall annually report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture and Forestry of the Senate with respect to the slaughter of poultry subject to this Act, and the preparation, storage, handling, and distribution of poultry parts, poultry products, and inspection of establishments operated in connection therewith, including the operations under and the effectiveness of this Act.'

"SEC. 18. The heading 'Designation' preceding section 5 of said Act is hereby amended to read 'Federal and State cooperation'; the heading 'Labeling' preceding section 8 of said Act is hereby amended to read 'Labeling and containers; standards'; the heading 'Records of interstate shipment' preceding section 11 of said Act is hereby amended to read 'Articles not intended for human food; record and related requirements for processors of poultry products and related industries engaged in commerce; registration requirements for related industries engaged in commerce; regulation of transactions in commerce in dead, dying, disabled, or diseased poultry and carcasses thereof; authority to regulate comparable intrastate activities'; and the heading 'Violations by exempted persons' preceding section 16 of said Act is hereby amended to read 'Entry of materials into official establishments.'

"SEC. 19. If any provisions of this Act or of the amendments made hereby or the application thereof to any person or circumstances is held invalid, the validity of the remainder of the Act and the remaining amendments and of the application of such provision to other persons and circumstances shall not be affected thereby.

"SEC. 20. This Act shall become effective upon enactment except as provided in paragraphs (a) through (c):

"(a) The provisions of subparagraphs (a)(2)(A) and (a)(3) of section 9 of the Poultry Products Inspection Act, as amended by section 9 of this Act, shall become effective upon the expiration of sixty days after enactment hereof.

"(b) Section 14 of this Act, amending section 15 of the Poultry Products Inspection Act, shall become effective upon the expiration of sixty days after enactment hereof.

"(c) Paragraph 11(d) of the Poultry Products Inspection Act, as added by section 11 of this Act, shall become effective upon the expiration of sixty days after enactment hereof."

And the Senate agree to the same.

GRAHAM PURCELL,
FRANK A. STUBBLEFIELD,
THOMAS S. FOLEY,
CATHERINE MAY,
Managers on the Part of the House.

ALLEN J. ELLENDER,
SPESSARD L. HOLLAND,
HERMAN E. TALMADGE,
JOSEPH M. MONTOYA,
GEORGE D. AIKEN,
MILTON R. YOUNG,
J. CALEB BOGGS,
Managers on the Part of the Senate.

STATEMENT

The Committee of Conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 16363) to clarify and otherwise amend the Poultry Products Inspection Act, to provide for cooperation with appropriate State agencies with respect to State poultry products inspection programs, and for other purposes, submit the following statement in explanation of the effect of the Act agreed upon by the conferees and recommended in an accompanying conference report.

The House receded from its disagreement to the Senate amendment of Section 9(a), striking the word "knowingly" in order that the Poultry Act might conform to the corresponding section of the Federal Meat Inspection Act.

The Senate receded from its second amendment prohibiting the change in the official inspection legend for the reason that the Department had no present plans to change the same. It was the intent of the conferees and agreed in conference that the Secretary shall not require any change in the official inspection legend in use under this Act on the date of enactment of the Wholesome Poultry Products Act without reasonable notice to the processors and the opportunity for public hearing. If such change is made, ample time shall be provided for use by the processors of the supplies of labeling material on hand on the date of such change.

The Managers on the part of the House receded to the Senate amendment striking out the requirements that labeling information be arbitrarily placed on both the carcass and the container in the case of nonconsumer packaged carcasses. The conference language as agreed to would give the Secretary the discretion whenever such action was practicable and necessary to require nonconsumer packaged carcasses leaving the processing plant to bear directly thereon any information the Secretary might consider necessary from paragraph (h) of Section 4 of the Act, but not necessarily all or even a major portion of such information. In practice, it might be possible to require only the name and address of the processor but the conferees intend that such requirement be minimal.

The Managers on the part of the House receded to the Senate amendment which would provide interested parties with an opportunity to present their views orally with respect to proposed rule making under the Wholesome Poultry Products Act.

With the addition of the word "unduly", the conferees agreed to the amendment by the Senate prohibiting a State, territory or the District of Columbia from imposing storage or handling regulations. It was agreed in conference that the Secretary needed such authority to dictate storage or handling requirements or the removal thereof only where those requirements unduly interfered with the flow of poultry products in commerce.

Managers on the part of the House receded to the omission by the Senate of the House language limiting the Secretary of Agriculture's authority to regulate storage and handling under Section 13 of the Act to permit the regulation by States rather than the Federal Government of these steps by local retail stores, restaurants and similar local enterprises. This was considered as being on consonance with the previous change.

The Managers on the Part of the House receded to the inclusion as a part of the declaration of policy a statement to the effect that scientific fact, information or other criteria must support the condemnation of poultry or poultry products because of disease.

The Managers on the part of the Senate receded to the language of the House bill and struck its amendment to the import poultry section of the Poultry Products Inspection Act. It was agreed that imported poultry constituted a very small segment of the industry and that it presented no problem requiring legislation.

The conferees agreed to a new exemption category by the inclusion in the conference report of a new section, 15(c)(4). This provides for a complete exclusion from the provisions of the Act of all poultry producers with respect to poultry of their own raising on their own farms if such producers do not buy or sell poultry products other than those produced from poultry raised on their farms, and if none of such poultry moves in interstate commerce so long as such producer slaughters not more than 250 turkeys, or not more than an equivalent number of birds of all species during the calendar year the exemption is determined. For the purposes of this Act four birds of other species are deemed equivalent to one turkey. This would enable the producer of this category to slaughter not more than 1,000 chickens and still be exempt from the Act.

Subsection 15(c)(3) was amended in conference to provide that poultry producers or processors of 5,000 turkeys or an equivalent number of other poultry in the current calendar year (four birds of other species being equivalent to one turkey) might, by the regulation of the Secretary of Agriculture, under conditions of sanitary standards practices and procedures that he prescribed, be exempt from specific provisions of the Act. It was agreed that the Secretary shall exercise such authority over this category of producer or processor as may be necessary to assure consumers of wholesome poultry products processed under sanitary conditions. The conferees by this action intended that the exemption granted producers slaughtering their own birds in small numbers, 250 turkeys or 1,000 other birds, be absolutely immune to this Act but that limited authority be extended the Secretary over processors, or producers slaughtering their own birds, in amounts from 250 turkeys, or their equivalent, up to but not more than 5,000 turkeys or the equivalent number of birds of other species.

GRAHAM PURCELL,
FRANK A. STUBBLEFIELD,
THOMAS S. FOLEY,
CATHERINE MAY,
Managers on the Part of the House.

PARLIAMENTARY INQUIRY

Mr. MAYNE. Mr. Speaker, a parliamentary inquiry.

The SPEAKER pro tempore (Mr. HOLIFIELD). The gentleman will state the parliamentary inquiry.

Mr. MAYNE. Mr. Speaker, I wish to object to the filing of the conference report on the ground that it is not in proper form. I am a conferee and I have not had an opportunity to see the report.

The SPEAKER pro tempore. That is a matter that the gentleman should take up with the gentleman from Texas.

The Chair has no knowledge of the conference report except that it is being filed.

Mr. MAYNE. Mr. Speaker, I wish to have the record made clear that I do object to its filing for the reason that it is not in the proper form.

The SPEAKER pro tempore. The gentleman's statement will appear in the RECORD.

A PROMISING NEW FUTURE FOR THE AMERICAN FARMER

(Mr. FINDLEY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. FINDLEY. Mr. Speaker, yesterday the House marked an historic turning point that will open a promising new future for the American farmer.

In my view, in establishing a limitation on payments, the House took a position as significant to the future of American agriculture as the rejection in 1962 of mandatory acreage controls for feed grains.

I predict this action will lead to an early termination of production payments. This will be good news for the farmer, because under this authority, the Government has been able to keep market prices low and thus make many farmers dependent on Federal payments.

With the payment-dependency concept so plainly rejected on a record vote of the House, the Congress by necessity will turn to programs which have the objective of high, not low, market prices, with Government interference in cropland management decisions of the individual farmer kept at a minimum.

My recommendation is that the Congress terminate at the earliest possible date the commodity management activities of the Department of Agriculture, especially Government buying, selling, and storage of grain. At the same time, the Congress should fund the presently dormant cropland adjustment program, under which the Government can retire at reasonable cost cropland. Under it, unlike present commodity programs, emphasis can be placed on the retirement from production of entire farms, in order to achieve maximum results in terms of production cutback. Legislation I have introduced, H.R. 8001, would replace existing programs for feed grains and wheat, and provide a means of guaranteed harvest-time credit so the farmer can choose his own time to sell crops.

In the past 3 years I have offered four different payment limitation amendments to farm bills. Beginning May 22 this year I began a series of "Dear Colleague" letters in which I campaigned for the payment-limitation concept. During House action yesterday I offered a $10,000 limitation amendment, which was rejected by a 72 to 122 nonrecord vote, then supported Representative SILVIO CONTE, Republican, of Massachusetts, in the recommittal motion, which, 230 to 160, established the $20,000 payment limitation.

ATTORNEY GENERAL SHOULD TAKE ACTION: CARMICHAEL URGES TAKING POWER WITH GUNS

(Mr. GROSS asked and was given permission to address the House for 1 minute and to include a newspaper article.)

Mr. GROSS. Mr. Speaker, I see by the newspapers that the notorious black power fanatic, Stokely Carmichael, is out in public again advocating the overthrow by force of this Government.

If we had an Attorney General worthy of the name, or an administration with the spine to back him up, Carmichael would have been in jail long ago.

According to the Associated Press, this imported revolutionary last week urged a

90TH CONGRESS
2D SESSION

H. R. 17126

IN THE SENATE OF THE UNITED STATES

AUGUST 1, 1968

Received; read twice, considered, amended, read the third time, and passed

AN ACT

To amend the Food and Agriculture Act of 1965.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Food and Agriculture Act of 1965 is extended—

(1) by striking out "through 1969" wherever it appears and substituting "through 1970";

(2) by striking out "1966, 1967, 1968, and 1969" wherever it appears and substituting "1966 through 1970";

(3) by striking out "1969" in sections 103 and 201 and substituting "1970";

(4) by striking out "1967, 1968, and 1969" in

section 402 (b) and substituting "1967 through 1970";

(5) by striking out "1970" in section 404 and substituting "1971";

(6) by striking out "1966 through the 1969" in section 516 and substituting "1966 through the 1970";

(7) by striking out "1968" and "1969" wherever they appear in section 602 (k) and substituting "1969" and "1970", respectively; and

(8) by striking out "or 1969" in section 801 and substituting "1969, or 1970".

(b) Such Act is further amended by adding at the end of title VII thereof the following:

"SEC. 710. Notwithstanding any other provision of law, beginning with the 1970 crop years, payments aggregating more than $20,000 under all programs which are provided for or extended under the provisions of Titles II through V of this Act may not be made to any producer. For the purposes of this section, payments include wool incentive payments, wheat marketing certificates, price support and diversion payments, and the dollar value (as determined by the Secretary of Agriculture) of any payments-in-kind made to a producer, but do not include the amount of any price support loan made to a producer."

"SEC. 3. Section 402 of such Act is further amended by repealing, effective with the 1970 crop of upland cotton,

Section 103 (d) (12) of the Agricultural Act of 1949, as amended."

SEC. 2. (a) The Agricultural Adjustment Act, as re-enacted and amended by the Agricultural Marketing Agreement Act of 1937, as amended, is further amended by striking in subparagraph (B) of subsection 8c (5) all that part of said subparagraph (B) which follows the comma at the end of clause (c) and inserting in lieu thereof the following:

"(d) a further adjustment, equitably to apportion the total value of the milk purchased by any handler, or by all handlers, among producers and associations of producers, on the basis of their marketings of milk during a representative period of time, which need not be limited to one year, and further adjustments to provide for the accumulation and disbursement of a fund to encourage seasonal adjustments in the production of milk, and (e) a further adjustment, equitably to apportion the total value of the milk purchased by any handler, or by all handlers, among producers and associations of producers, on the basis of their marketings of milk during a representative period of time, which need not be limited to one year and which may be either a fixed period of one or more years, or a moving average of one or more years, as provided in the order, and which basis may be adjusted, and readjusted from time to time, to reflect

the utilization of producer milk by any handler or by all handlers in any use classification or classifications. In the event a producer holding a base allocated under this clause (e) shall reduce his marketings, such reduction shall not adversely affect his history of production and marketing for the determination of future bases, or future adjustments of bases, except that an order may provide that, if a producer reduces his marketings below his base allocation in any one or more use classifications designated in the order, the amount of any such reduction shall be taken into account in determining future bases or future adjustments of bases. Bases allocated to producers under this clause (e) may be transferable under an order on such terms and conditions as may be prescribed in the order if the Secretary of Agriculture determines, in connection with such order, that transferability will be in the best interest of the public, existing producers, and prospective new producers. Provision shall be made in the order for the allocation of bases under this clause (e) to new producers and for the alleviation of hardship and inequity among producers, and prescribing terms and conditions under which new producers may earn bases. Producers holding bases so allocated or earned shall thereafter participate pro rata in the market in the same manner as other producers. In

the case of any producer who during any accounting period delivers a portion of his milk to persons not fully regulated by the order, provision may be made for reducing the allocation of, or payments to be received by, any such producer under this clause (e) to compensate for any marketings of milk to such other persons for such period or periods as necessary to insure equitable participation in marketings among all producers. Notwithstanding the provisions of section 8c (12) and the last sentence of section 8c (19) of this Act, order provisions under this clause (e) shall not be effective in any marketing order unless separately approved by producers in a referendum in which each individual producer shall have one vote and may be terminated separately whenever the Secretary makes a determination with respect to such provisions as is provided for the termination of an order in subparagraph 8c (16) (B). Disapproval or termination of such order provisions shall not be considered disapproval of the order or of other terms of the order."

(b) Such Act is further amended (1) by adding to subsection 8c (5) the following new paragraph:

"(H) Marketing orders applicable to milk and its products may be limited in application to milk used for manufacturing."

and (2) by amending subsection 8c (18) by adding after

the words "marketing area" wherever they occur the words "or, in the case of orders applying only to manufacturing milk, the production area".

Passed the House of Representatives July 31, 1968.

Attest: W. PAT JENNINGS,

Clerk.

90TH CONGRESS
2D SESSION

H. R. 17126

AN ACT

To amend the Food and Agriculture Act of 1965.

AUGUST 1, 1968

Received; read twice, considered, amended, read the third time, and passed

House

 Aug 2 1968

28. RESEARCH. Agreed to the conference report on H. R. 13781, to provide for a 2-year continuation of the sea-grant college program. This bill will now be sent to the President. p. H8121

29. FARM PROGRAM. Rep. Findley objected to the Senate's request for a conference on the farm bill. p. H8120

Rep. Culver commended the cropland adjustment program and expressed the hope that full funding for this program will be provided. p. H8174

Rep. Randall favored extending the farm program for 4 years. pp. H8181-2

30. PERSONNEL. Rep. Betts expressed pleasure on the "opening of a complaint desk at the Civil Service Commission to receive complaints from Federal employees and the public involving the Federal personnel system." p. H8119

31. EDUCATION. Reps. Don H. Clausen, St Germain, and Pollock criticized the "refusal by the administration to release the $91 million approved by the Supplemental Appropriations Act...for school districts serving large numbers of military and civil service families." pp. H8149, H8151, H8155-6

Rep. Vanik inserted a table describing the major programs financed by the Federal Government which assist students in obtaining college, vocational, health professions, and military training. pp. H8159-60

32. HOUSING. Rep. Barrett commended passage of the housing bill and listed various housing programs over the past four years. pp. H8154-5

33. FOREIGN TRADE. Rep. Dorn inserted an explanation of the relationship between cotton exports and textile imports. p. H8155

Rep. Berry inserted a review of the tariff and trade policy and expressed the hope that when Congress returns a trade bill will be reported. pp. H8171-2

34. TRANSPORTATION. Rep. Schwengel stated while "we certainly do not see the wisdom in raising the weight, width, and length limits" of trucks on interstate highways "we certainly do see the wisdom in enacting laws which will make the trucking industry assume its fair share of the...road costs before giving it new benefits." pp. H8158-9

35. WORLD HUNGER. Rep. O'Hara, Ill, inserted an editorial on the famine in Biafra. pp. H8161-2

36. FUTURE FARMERS. Rep. Randall commended and inserted the speech of Paul Diehl, Butler, Mo., secretary of the Future Farmers of America, at a recent breakfast sponsored by the FFA. p. H8181

37. LEGISLATIVE RECORD. Rep. McCormack praised the "proud record of achievement" of the 90th Congress. pp. H8189-90

38. LEGISLATIVE PROGRAM. Rep. Albert announced the following program when the House reconvenes on Sept. 4: On Wed. and the balance of the week, amendments to the Manpower Development and Training Act, the crude pine gum price support bill and the bill to provide marketing orders on pears for canning or freezing. p. H8149

39. ADJOURNED, pursuant to H. Con. Res. 805, until Wed., Sept. 4. pp. H8193-4

EXTENSION OF REMARKS

40. OPINION POLL. Reps. Wydler, Rarick, Scott, Steiger, and Wylie inserted the results of opinion polls taken in their districts which contained items of interest to this Department. pp. E7252-3, E7253-4, E7275-6, E7294 and E7310

41. RECREATION. Rep. O'Hara (Mich.) inserted his testimony on behalf of the establishment of a Sleeping Bear National Lakeshore in Michigan. pp. E7254-5

42. POLLUTION. Rep. Ottinger inserted an article on pollution and the new meaning of conservation. pp. E7258-63

43. TAXATION. Rep. Ullman inserted an article on computer studies of tax depreciation policy. pp. E7277-80

    Rep. Cohelan inserted an article on the benefits that could be derived from a negative income tax program. pp. E7310-11

44. FOOD STAMPS. Rep. Zwach spoke in favor of the Sullivan amendment to the Food Stamp Act of 1964 and Rep. Miller spoke against the amendment. pp. E7282-3, E7291-2

45. FARM PROGRAM. Reps. Olsen and Culver spoke in favor of an extension of the Food and Agriculture Act of 1965 and Rep. Scott spoke against such an extension. pp. E7283, E7283-4, E7292-3

46. HUNGER. Rep. McClory spoke on the urgent need for assistance to the starving population of Biafra. pp. E7297-8

47. EDUCATION. Reps. Machen and Boland protested the freezing of funds for the impacted areas program. pp. E7272, E7276-7

48. STATE OF THE UNION. Rep. Ashbrook stated he would like to "juxtapose several statements which pointedly show the lack of effort on the part of the administration to carry out its political promises", and inserted the President's 1964 message. pp. E7301-3

BILLS INTRODUCED

49. CENSUS. H. R. 19325 by Rep. Mink and H. R. 19331 by Rep. Vanik, to amend title 13, United States Code, to limit the categories of questions required to be answered under penalty of law in the decennial censuses of population, unemployment, and housing; to Post Office and Civil Service Committee. Remarks of Rep. Mink p. H8179

50. VETERANS. H. R. 19312 by Rep. Ashley, to amend title 38, United States Code, to provide employment and relocation assistance for veterans; to Veterans' Affairs Committee. Remarks of author pp. H8178-9

51. PACKAGING. H. R. 19313 by Rep. Bell, to amend the Hazardous Substances Act to provide safe packaging of toxic household substances in order to protect children; to Interstate and Foreign Commerce Committee.

Resolved, That Robert O. Tiernan, of Rhode Island, be, and he is hereby, elected to the standing committee of the House of Representatives on Post Office and Civil Service.

The resolution was agreed to.

A motion to reconsider was laid on the table.

STEEL PRICE INCREASES ARBITRARY AND UNWARRANTED

(Mr. McFALL asked and was given permission to address the House for 1 minute, and to revise and extend his remarks.)

Mr. McFALL. Mr. Speaker, Americans are currently enjoying the longest, continuous economic expansion in our history. Wages are high. Employment is rising, and unemployment is steadily declining.

Whether we continue along this prosperous road depends on whether we can maintain the great partnership of management and labor and government which has largely created the expansion. The sudden, arbitrary, and unnecessary price increase announced, first by Bethlehem Steel, and then by other steel companies—at a time when profits are already soaring—is a grave threat to the equilibrium of the American economy.

I hope that the officers of those companies will heed the pleas of President Johnson and the sound advice of the Council of Economic Advisers to rescind this inflationary increase. A return to the old cycle of boom and bust, of inflation and recession, will profit no one—least of all the management and stockholders of the Nation's steel companies.

As President Johnson said:

> The price increase is unreasonable and just should not be permitted to stand.

COMPLAINT DESK ANNOUNCED FOR GOVERNMENT PERSONNEL

(Mr. BETTS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BETTS. Mr. Speaker, I am pleased to call attention to the opening of a complaint desk at the Civil Service Commission to receive complaints from Federal employees and the public involving the Federal personnel system. This office, which will report directly to Commission Chairman Macy, is an important development for two reasons. First, it is recognition that a governmentwide unit to consider greivances by public employees and private citizens is both feasible and a proper activity. The second is that there is a need for Civil Service Commission review of employee complaints implicit in the creation of this office.

This new channel for Government employees to express their problems, seek assistance, and determine their rights only partially covers problems about which a governmentwide complaint desk should investigate. Such a complaint desk should be created where Federal employees and other citizens can submit information about waste or inefficiency in the administration of Government programs. Management operations and expenditure of public funds are reviewed and audited by the General Accounting Office where this complaint desk should be formed. I have introduced H.R. 16754 which directs the Comptroller General to receive information and promptly investigate any statement, recommendation, or complaint submitted to him by any person concerning waste and inefficiency in the use of Government funds or property. I hope the House soon will give Government employees and concerned citizens their full opportunity to point out where problems exist so they may be ferreted out by the General Accounting Office and properly reported to Congress.

CALL OF THE HOUSE

Mr. MAYNE. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 305]

Ashley	Fulton, Tenn.	Machen
Baring	Gardner	Mathias, Md.
Battin	Goodell	Minshall
Blanton	Griffiths	Moore
Bolton	Gude	Morse, Mass.
Brock	Gurney	Morton
Brown, Mich.	Hall	Nix
Burke, Fla.	Halleck	Patman
Burton, Utah	Hansen, Idaho	Price, Ill.
Clancy	Hansen, Wash.	Quie
Collier	Hardy	Quillen
Conte	Harsha	Rarick
Cowger	Hathaway	Resnick
Cramer	Hébert	Rhodes, Ariz.
Davis, Ga.	Heckler, Mass.	Rosenthal
Davis, Wis.	Herlong	Rostenkowski
Dent	Holland	Roudebush
Devine	Jones, Mo.	Schadeberg
Diggs	Karsten	Selden
Dingell	Kirwan	Skubitz
Dole	Kluczynski	Taft
Edwards, Calif.	Kupferman	Talcott
Esch	Kuykendall	Waggonner
Eshleman	Lipscomb	Waldie
Evins, Tenn.	Long, La.	Watkins
Farbstein	Lukens	Watson
Feighan	McClory	Wright
Fino	McCulloch	Wylie
Flood	McDade	Zion
Frelinghuysen	MacGregor	

The SPEAKER. On this rollcall, 346 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

THE STEEL PRICE HIKE MUST BE BLOCKED

(Mr. MILLER of California asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MILLER of California. Mr. Speaker, certain steel companies seem to be acting as the bully boys of the American economy. They think that they are big enough to get away with economic aggression—to beat the consumer and the businessman and swagger off with the spoils of victory.

But this time they may be wrong. This time the greedy Goliaths will find millions of Davids united in their determination to keep prices down.

The people should refuse to be "patsies" for the profiteers of steel.

The consumer should refuse to buy the products that will cost him an extra $1.3 billion because of the steel price increase.

The homebuilder, the automaker, and the appliance manufacturer should all turn their irritation into counteraction—by adapting plastics, glass, concrete, aluminum, and other materials to their needs.

The Congress should refuse to offer protection from foreign competition to an industry that flouts the public interest at home.

The steel industry has played the bully boy long enough. It should learn to behave as a responsible sector of society. It should learn respect for the people and the Government—for the national interest that is now in jeopardy because the dollar may be weakened, the balance of payments threatened, the risk of inflation increased, the scales of price and wages upset, family budgets strained, and the tax bill made a mockery—all because some companies think they can walk over the rest of us.

It is time for us in Congress to stand up as elected leaders of the people—leaders who will do all in our considerable power to turn back this selfish and irresponsible action. The steel price increase must not be allowed to stand.

STEEL PRICE INCREASES ENDANGER THE NATION'S ECONOMIC WELFARE

(Mr. REES asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. REES. Mr. Speaker, the announced across-the-board price increases by several of the Nation's major steel companies pose a dire threat to the American economy and the security and welfare of all our people.

These companies have acted irresponsibly and without the slightest regard to the public interest. Their decision to increase prices is not justified by their profit staetments, and is unacceptable by any reckoning of the state of the overall economy.

I urge these steel firms to immediately rescind this extremely unfortunate and unreasonable decision.

Certainly, as business leaders the steel company executives must realize that their actions could lead to a dreadful inflationary spiral that will cripple the economy, and cause terrible hardship and suffering for millions of Americans. As a bellwether industry, steel has the responsibility of acting with caution and concern in considering any price increase.

It is obvious that they have not done so. And an aroused Nation is right in demanding that steel executives go back to their conference tables and reconsider, and rescind their price increases.

PERMISSION FOR COMMITTEE ON GOVERNMENT OPERATIONS TO FILE CERTAIN INVESTIGATIVE REPORTS UNTIL MIDNIGHT, AUGUST 9, AND FOR SAID REPORTS TO BE PRINTED AS REPORTS OF 90TH CONGRESS

Mr. HOLIFIELD. Mr. Speaker, I ask unanimous consent that notwithstand-

ing the adjournment of the House until September 4, 1968, the Committee on Government Operations be permitted to file certain investigative reports with the Clerk until midnight, August 9, and that said reports may be printed as reports of the 90th Congress.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

REQUEST FOR CONFERENCE ON H.R. 17126, TO AMEND THE FOOD AND AGRICULTURE ACT OF 1965

Mr. POAGE. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 17126) to amend the Food and Agriculture Act of 1965, with Senate amendments thereto, disagree to the Senate amendments, and agree to the conference asked by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

Mr. FINDLEY. Mr. Speaker, I object.

The SPEAKER. Objection is heard.

TO AMEND TITLE 38, UNITED STATES CODE, TO PROVIDE INCREASES IN RATES OF COMPENSATION FOR DISABLED VETERANS

Mr. TEAGUE of Texas. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 16027) to amend title 38, United States Code, to provide increases in rates of compensation for disabled veterans, and for other purposes, with Senate amendments thereto, concur in the Senate amendments Nos. 1 and 2, and disagree to the Senate amendment No. 3.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 4, after the line following line 3, insert:

"SEC. 4. (a) Section 314(q) and section 356 of title 38, United States Code, are hereby repealed.

"(b) The repeals made by subsection (a) of this section shall not apply in the case of any veteran who, on the date of enactment of this Act, was receiving or entitled to receive compensation for tuberculosis which in the judgment of the Administrator had reached a condition of complete arrest."

Page 4, after the line following line 3, insert:

"SEC. 5. Any veteran determined by the Administrator of Veterans' Affairs to have received overpayments of educational benefits under former chapter 33 of title 38, United States Code, in connection with the institutional on-farm training program conducted by the Tangipahoa Parish School Board, Amite, Louisiana, shall be relieved of all liability to the United States for the amount of such overpayment, remaining due on the effective date of this section, if he makes application for relief within two years following the date of enactment of this Act, and if the Administrator finds that such veteran—

"(1) owned, or operated under a valid lease, a farm which met the requirements of the law and implementing Veterans' Administration regulations;

"(2) was engaged in the cultivation of such farm and was not employed on a full-time basis in a non-farm occupation; and

"(3) participated in the institutional instruction furnished by the Tangipahoa Parish School Board in connection with the institutional on-farm training program, even though such instruction may not have met all of the requirements of the law and implementing Veterans' Administration regulations.

"In the audit and settlement of the accounts of any certifying or disbursing officer of the United States, credit shall be given for amounts for which liability is relieved by this section."

Page 4, after the line following line 3, insert:

"SEC. 6. (a) Chapter 34 of title 38, United States Code, is amended by adding at the end thereof of a new subchapter V as follows:

" 'Subchapter V.—Incentive Benefits for Veterans Serving as Teachers, Policemen, and Firemen in Certain Areas

" '§ 1690. Purpose; definitions

" '(a) This subchapter is intended to furnish special encouragement, by the payment of incentive benefits and supplementary training allowances, to veterans who are willing to serve for a prescribed period of time as teachers in certain elementary and secondary public schools or as policemen or firemen in deprived areas of the United States.

" '(b) For the purposes of this subchapter—

" '(1) The term "qualified veteran" means a veteran who is an "eligible veteran" as defined in section 1652(a) of this title.

" '(2) The term "deprived area" means any political subdivision of a State which has a crime rate of more than 1,500 per 100,000 population, as determined by the Administrator from year to year on the basis of the Crime Index contained in the Uniform Crime Reports, compiled and published annually by the Federal Bureau of Investigation, Department of Justice.

" '(3) The terms "policeman" and "fireman" mean persons employed as regular full-time policemen or firemen, as the case may be, by a State or local subdivision thereof.

" '(4) The term "at least two years" means not less than two consecutive academic years in the case of a qualified veteran who agrees to serve as a teacher under this subchapter, and not less than twenty-four consecutive months in the case of a qualified veteran who agrees to serve as a policeman or fireman under this subchapter.

" '§ 1691. Public service incentive benefits

" '(a) The Administrator may, by regulation, provide incentive benefits for qualified veterans who agree to serve for a period of at least two years——

" '(1) as a full-time teacher in an elementary or secondary public school which is receiving assistance under title I of the Elementary and Secondary Education Act of 1965, as amended;

" '(2) as a policeman in a deprived area; or

" '(3) as a fireman in a deprived area.

" '(b) Payment of incentive benefits under this section——

" '(1) may not exceed the rates set forth in section 1683 of this title and may not in the case of any qualified veteran be paid for more than twenty-four months;

" '(2) may not extend (A) over a period of more than three academic years in the case of a qualified veteran serving as a teacher, or (B) over a period of more than two years in the case of a qualified veteran serving as a policeman or fireman;

" '(3) may not be made to a qualified veteran serving as a teacher under this subchapter for any month or months following the end of the regular academic year of the school in which he has been teaching unless he is actually serving as a teacher in such school during such month or months; and

" '(4) may be paid only to a qualified veteran on the basis of his service as teacher, policeman, or fireman subsequent to the date of enactment of this section.

" '(c) The Administrator may continue to pay a qualified veteran incentive benefits under section 1691 of this title for the period covered by the agreement entered into between the Administrator and the veteran even though the school in which such veteran is teaching is no longer receiving assistance under title I of the Elementary and Secondary Education Act of 1965, as amended, or the area in which such veteran is serving as a policeman or fireman is no longer a deprived area for the purposes of this subchapter, if (1) at the time such veteran began teaching in such school pursuant to an agreement entered into under section 1691 of this title such school was receiving assistance under such Act, or the area in which such veteran is serving as a policeman or fireman was a deprived area for purposes of this subchapter at the time such veteran began his service therein pursuant to an agreement entered into under section 1691 of this title, as the case may be, and (2) such veteran otherwise qualifies for such benefits.

" '§ 1692. Supplementary training allowance

" '(a) Any qualified veteran who is pursuing, on a full-time basis, as defined by the Administrator, a program of education (or a combination of education and training) which would qualify him for service as a teacher, policeman, or fireman and who agrees to pursue such service for at least two years after the completion of his program (1) as a teacher in an elementary or secondary public school receiving assistance under title I of the Elementary and Secondary Education Act of 1965, as amended, or (2) as a policeman or fireman in a deprived area, as the case may be, may receive a supplementary training allowance of $50 per month while pursuing such program. Such supplementary training allowance shall be in addition to the educational assistance allowance to which the veteran is entitled under section 1682 of this title.

" '(b) No allowance authorized pursuant to subsection (a) of this section may be paid for any period of education or training longer than the period the qualified veteran has agreed to serve in a deprived area, and in no event shall a qualified veteran be paid a supplementary training allowance under this section for any period after his eligibility for education and training under this chapter has expired.

" '§1693. General provisions

" '(a) Notwithstanding any other provision of law, a qualified veteran employed by the District of Columbia to serve as a teacher, policeman, or fireman may receive an incentive benefit or a supplementary training allowance under this subchapter in addition to his compensation for such service.

" '(b) In the event a qualified veteran breaches his agreement to serve in a deprived area, any amount paid to him by way of supplementary training allowance pursuant to section 1692 of this chapter shall be considered an overpayment and recoverable as a debt to the Government unless waived pursuant to section 3902(a) of this title.'

"(b) The analysis at the beginning of chapter 34, title 38, United States Code, is amended by adding at the end thereof the following:

" 'SUBCHAPTER V.—INCENTIVE BENEFITS FOR VETERANS SERVING AS TEACHERS, POLICEMEN, AND FIREMEN IN CERTAIN AREAS

" '1690. Purpose; definitions.
" '1691. Public service incentive benefits.
" '1692. Supplementary training allowance.
" '1693. General provisions.' "

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Senate amendments Nos. 1 and 2 were concurred in.

we do finally have an official committee to investigate such matters.

It seems most reasonable to me that the gentleman from Iowa [Mr. SCHWENGEL] recently requested the Committee on Standards of Official Conduct to look into the allegations which have been made in the press concerning lobbying and campaign contributions by representatives of the trucking industry. I disagree completely with the unkind and inaccurate remarks which have been directed at the gentleman from Iowa.

It is my view that the Congress owes a debt of gratitude to the gentleman. He understands that the committee has a dual function and that in addition to monitoring conduct it can and should examine matters of this nature to determine the facts and then establish proper guidelines for both lobbyists and Members. The committee should be available for any Member to clarify such matters, and there remain many difficult grey areas in need of clarification. He did not, nor do I, suggest any knowledge of the facts in this matter or agreement with the press allegations. Rather he sought clarification of the matter by the appropriate committee.

The gentleman from Iowa has long been one of the leading proponents of congressional reform. Even before the creation of the Joint Committee on the Organization of Congress, back in the 87th Congress and before, he was waging what was then a little understood battle for increased committee staffing for minority Members of the House so that all sides of the issues that come before Congress could be made known to the people we serve. He has introduced a number of bills designed to improve the Congress and make it a more responsive, efficient and better-understood instrument for dealing with the Nation's problems.

The gentleman from Iowa has taken a special interest in other aspects of the operations of Congress. I point particularly to his efforts to bring about a greater utilization of the Library of Congress, and its Legislative Reference Service. The gentleman has not hesitated to wade in waist high to a tall elephant to the baffling, complex, brain-bending world of automatic data processing and the problems and promises it holds for support of congressional information handling.

The gentleman from Iowa, as much as any other individual Member of the Congress, has helped to preserve the proud history of Congress as a living part of our heritage through his stewardship as President of the U.S. Capitol Historical Society.

Mr. Speaker, I commend the gentleman from Iowa for his integrity, his courage, and his unflagging dedication to the proposition that this House, and all of us who serve in it, can do a better job to build a better America if only we will not neglect to do the necessary things that must be done, first, to bring about a better House of Representatives.

HIGHER EDUCATION ACT OF 1968

(Mr. DADDARIO asked and was given permission to extend his ramarks at this point in the RECORD.)

Mr. DADDARIO. Mr. Speaker, the legislation passed this last week represents a recognition of the crisis which exists in our national educational system that has grown increasingly in magnitude in the past decade and has continued to grow since the passage of the Higher Education Act of 1965. H.R. 15067, to amend the Higher Education Act of 1965 and other related acts, will aid in redressing imbalances which today are straining the financial and intellectual fabric of our public and private institutions of higher education.

For example: title III of this bill, which seeks to strengthen developing institutions; title VI, which provides financial assistance for the improvement of undergraduate instruction; title IX, which provides incentives for the exchange and sharing of educational resources among the institutions of higher learning; and title XI, which extends and broadens the Higher Education Facilities Act of 1965, deal with fundamental problems of higher education that are similar to those which have been the subject of intensive hearings during the past month by the Subcommittee on Science, Research, and Development of the Committee on Science and Astronautics. H.R. 875, which was the subject of these hearings, deals with institutional grants in the area of the sciences; but the same basic problems exist in the bill which the House has considered and passed.

It is trite to say that there is a crisis in higher education in the United States. Nevertheless, the crisis is real. In testimony before the Science, Research, and Development Subcommittee on H.R. 875, Dr. John N. Hobstetter, dean of the Graduate School of Arts and Sciences of the University of Pennsylvania on the 10th of last month stated:

> When we extrapolate our growth in cost and income for the past five years to some five years in the future, we find ourselves faced with an annual deficit gap of close to $10 million (at the University of Pennsylvania). It is clear that the pattern of the past simply cannot be permitted to prevail in the future.

Dr. Philip Handler, chairman of the National Science Board and chairman of the Department of Biochemistry of Duke University Medical School, further pointed out on July 17:

> Even as we discuss these matters, many universities, particularly those under private auspices, are finding an increasing disparity between their financial resources and the expectations of American society. A few are approaching insolvency. A half dozen, reportedly, are considering closing their medical schools unless public funds of substantial order become available.

Truly we have reached a crisis in American higher education. The rising cost of general operations and the rapid growth of undergraduate enrollment are matters of statistical record. Superimposed on this has been an even more rapid growth in graduate enrollment, reflecting the increasing complexity and specialization of our society. Statistics show that both operating costs and enrollment have been doubling approximately every 10 years for a century, and that graduate study today represents almost one-half of the total costs for higher education in our Nation.

In the area of higher education in the sciences—including the social sciences—H.R. 875 proposes to attack several of these underlying problems that we face in higher education. First, it provides continuing and predictable support for a 5-year period of institutional grants. The bill proposes $150 million for each of 5 years, to be distributed by a three-part formula. One third, or $50 million, would be distributed to institutions in proportion to the project awards made by the National Institutes of Health, the U.S. Office of Education, and the National Science Foundation in the preceding year. A second one-third—or $50 million—would be distributed each year on the basis of the number of high school graduates in a State as a proportion of the total high school graduates in the United States. That fraction of the total $50 million would be distributed within a State on the basis of the total number of credit hours taught in the sciences in an institution in proportion to the total number of credit hours taught in that State in the sciences. The final third—or $50 million a year—would be allocated on the basis of earned master's and doctor's degrees in the sciences awarded during the immediately previous 3 years by institutions of higher education.

Under this arrangement, for example, it has been estimated that institutions in my own State—Connecticut—would receive approximately $1,500,000 annually for both public and private institutions of higher learning, based on statistical information over the past several years. A larger and more populous State such as California, using the same statistical basis, would receive approximately $10,865,000 each year for the 5-year period of the bill. All of these funds would flow directly to the individual institutions, and as pointed out by the majority of the witnesses on H.R. 875 would provide a supplement to the project grant system which has been the backbone of institutional science support since World War II.

The nature of H.R. 875 is such as to provide a "pilot" or experimental program in institutional grants for the sciences. Conceivably it could serve as a model which could later be expanded to aid in meeting the needs, not only of the sciences and science-related programs, but also of the arts and humanities. Without exception the witnesses who testified before our subcommittee spoke to the needs of strengthening both the sciences and the humanities so that young men and women who are the product of our educational system will be, in fact, versatile and well-rounded citizens.

Dr. Harvey Brooks, dean of engineering and applied physics at Harvard University and a member of the faculty of public administration, aptly pointed out:

> My own belief is that a combination of many mechanisms will be required, and the sooner we start experimenting with several mechanisms the better position we will be in within a few years to decide the best mix.

Indeed, I must agree with Dr. Brooks in that the bill which was passed this

last week, H.R. 15067, and H.R. 875, which is under consideration by the Science, Research, and Development Subcommittee, are each a part of that mix.

The project grants and grants-in-aid system which has flourished in science and science-related Government-support programs has allowed our institutions of higher learning to meet the evergrowing scientific and technological demands of our society. However, it is clear from the testimony that a supplement to the project grant system is needed by those institutions in their scientific programs to provide institutional flexibility and balanced growth.

Dr. Fred Harvey Harrington, president of the University of Wisconsin, in testimony on H.R. 875 pointed out that the project grant system has served well and continues to serve well the functions of demonstration and innovation in our institutions of higher learning, but that it serves less well the function of continuing support. It is in this area that the institutional grants can serve an important function. This is true not only of H.R. 875 which limits itself to the sciences, but it is also true of the bill, H.R. 15067 passed this last week.

Our institutions of higher learning, from the community or junior college level, to the graduate level face a rapidly changing world. Our society is placing greater and greater demands on our colleges and universities. New emphasis and new directions are being determined for the solution of old problems, and new problems are developing which will require not only the disciplines now existing but the development of new disciplines and knowledge for their solution. As the record shows in the subcommittee's consideration of H.R. 875, it is essential that science and science-related efforts in our institutions of higher learning receive support on a broader institutional basis, if we are to cope with our societal changes of today and tomorrow. The need for new emphases and new directions has been recognized by the President in a committee which is now preparing a study of strategies for higher education and which should report its activities this fall. The recent hearings on H.R. 875 should serve to contribute to this study which is now underway and represents, in reality, a forerunner to that study in defining some of the problems that are extant in higher education today.

H.R. 15067, which has been passed by the House this last week, reflects the growing needs in education and reinforces the conviction that the crisis in education is real.

CROPLAND ADJUSTMENT PROGRAM AIDS FARMERS, TOWNSPEOPLE

(Mr. CULVER asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. CULVER. Mr. Speaker, the cropland adjustment program has provided significant assistance in my congressional district and in the country, not just to farmers but to rural and urban residents alike.

It is time the Congress recognized that on-again, off-again farm programs cannot solve what has come to be a continuing problem of threatened overproduction resulting from our achievements in agricultural technology. Our productive capacity is greater than we can efficiently employ now and for a number of years to come, and a failure to exercise adequate voluntary controls can only further depress already dangerously low farm prices.

And lower farm prices seriously and adversely affect not just farmers but our entire interdependent economy, which is based on the strength and stability of agriculture.

There are close to 450 million acres of cropland in this country, a little more than 300 million of which are presently required to produce an abundant supply of food and fiber for the American people and our friends abroad. The poverty and hunger which continues to exist in our Nation and the world are not the result of the failure of American agriculture to produce enough, but of a variety of other factors including efficient distribution and effective use of the food that is available.

I am convinced that we need long-term cropland diversion programs as an integral part of national agricultural policy so that farmers and the entire agribusiness structure can plan meaningfully and gear their operations to long-range objectives and goals.

Such programs are particularly meaningful for farmers who may wish to shift their farming operations, but cannot under their present circumstances. And they give older farmers who are finding it difficult to continue crop production a chance to retire, or turn to other agricultural enterprises.

Finally, diverted acres need not be idle land merely representing stored up agricultural productive capacity for future use. They can provide increased recreational opportunities for both rural and urban residents.

During the 2 years that the program was operational, more than 65.000 farmers placed over 4 million acres of cropland in the program, and some 12,000 opened more than a million diverted acres to the public for hunting, fishing, hiking, and trapping, free of any charge to the users.

Under Greenspan, State and local public agencies received assistance to acquire cropland for permanent diversion to recreation, open space, natural beauty, air and water pollution control, and wildlife benefits.

That program has been particularly meaningful in the Second District of Iowa, which received the first Greenspan funds and was one of the largest participants in the entire country. Awards totaling more than $116,000 have been made for the development of 1,400 acres in four counties—for community and county parks and recreation areas and for school playgrounds as well.

Nationally, 135 public agencies including school districts, conservation boards, recreational authorities, and city and county governments in 27 States applied for and received grants for playgrounds, picnic areas, ponds for fishing, boating and swimming, nature trails, wilderness camps, parks, golf course, baseball and softball diamonds, and water pollution control areas.

The record gives evidence of the significance and value of the cropland adjustment program, which benefits wide segments of our population beyond the farmer himself.

It enables farmers to retire or shift their farming operations; it provides outdoor recreational areas for our growing population; and it helps to keep crop production in balance with market demands, contributing total economic stability for the American free enterprise system.

In my judgment, Congress has been mistaken in refusing funds for the program. The House has affirmed its belief in the program by enacting H.R. 17126, which extends it under title VI, and I hope that full funding will be forthcoming at the earliest possible time.

A GUARANTEED MINIMUM INCOME FOR SENIOR CITIZENS

(Mr. PEPPER asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. PEPPER. Mr. Speaker, I have today introduced legislation designed to permit our senior citizens to earn whatever they can in their retirement years, if they wish to continue and are able to continue working; and to guarantee them a minimum income of $100 a month for an individual and $200 a month for a couple, if they are unable to work or do not wish to work beyond the age of 61 years. The text of the section of my bill dealing with the guaranteed minimum income is as follows:

The Social Security Act is amended by adding after title XIX thereof a new title XX as follows:

"TITLE XX—GUARANTEED MININMUM ANNUAL INCOME BENEFITS FOR THE AGED

"ELIGIBILITY FOR BENEFITS

"SEC. 2001. Every individual who—

"(1) has attained age 62,

"(2) is a resident of the United States (as defined in section 2009),

"(3) has an annual income (as determined pursuant to section 2004) of less than $2,400, in the case of an individual who is married and living with his spouse, or $1,200, in the case of any other individual,

"(4) has filed application for benefits under this title

shall (subject to the succeeding provisions of this title) be entitled to guaranteed minimum annual income benefits for the aged.

"PAYMENT OF BENEFITS

"SEC. 2002. (a) Benefits under this title shall be paid on a monthly basis, except that, if the benefit payable to an individual for any month is less than $5, such benefit may be paid on such other basis (but not less often than semiannually) as the Secretary shall by regulations provide.

"(b) Benefits under this title shall be payable to any individual only for months (1) after the month in which his entitlement thereto is established pursuant to an application therefor filed under section 2001, and (2) prior to the month in which such individual dies.

"(c) No married individual who is living with his spouse for any month shall be en-

receive the old standards, is now the 11th State to receive the new standards.

Governor Burns, it is my privilege and my pleasure now to present to you offically in behalf of the Government of the United States the standards and the instruments which provide the basis for measurement for your State, and which are symbolized by this plaque and by these certificates.

(Mr. MILLER of California asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

[Mr. MILLER of California's remarks will appear hereafter in the Extensions of Remarks.]

THE FUTURE FARMERS OF AMERICA HAS A PROUD EMBLEM

(Mr. RANDALL asked and was given permission to extend his remarks at this point in the RECORD, and to include extraneous matter.)

Mr. RANDALL. Mr. Speaker, not very long ago it was my privilege to be invited to a breakfast here on Capitol Hill sponsored by the Future Farmers of America.

When I arrived I learned I was not a run-of-the-mill guest among some of my colleagues but even some of the distinguished Members of the other body. I was permitted to sit at the speakers table because one of my constituents, Paul Diehl of Butler, Mo., is the national secretary of the Future Farmers of America.

Paul has served the past year as an able and excellent secretary of that great organization. More than that, he was an eloquent speaker at the breakfast. In fact, he was the principal speaker. His remarks were so well received by the Members of Congress that they sat with close attention as he continued through his speech. To demonstrate the effectiveness of my constituent as an orator it should be remembered some of those listening regard themselves as outstanding public speakers.

In the case of the breakfast speech, it was not only an instance of good delivery and top quality presentation but it was the thoughts which were contained in his remarks. For this reason I asked leave to incorporate his remarks in the RECORD in order that they may be shared by all of our colleagues as an example of what the Future Farmers of America have accomplished in terms of developing leadership among these young ruralists. Let us not forget these are the ones we must depend upon to feed America in the years ahead.

We in the FFA have a rich and glorious heritage. In fact, our entire program is built around the idea of improvement through competition. We as young men have the opportunity to accept challenges and take advantage of the many opportunities that are ours. As FFA members we wear he emblem of our organization and in this emblem are many symbols of the challenges we see in the world today. I would like to mention a few of these challenges that every Future Farmer proudly wears on his jacket.

The two most prominent words on this emblem are "vocational agriculture" and this is the key to our entire program. The vocational education program was started with the Smith-Hughes Act in 1917. From the very beginning these students of vocational education felt a sense of togetherness and comradeship due to their common background and experiences. This is also symbolized on our emblem by the cross section of the ear of corn, since corn is a crop grown in every State.

The integral part of this vocational agriculture, which vitalizes and rounds out the educational program is symbolized on our emblem by the letters "FFA." The FFA was organized in 1928 by progressive men and students who felt they were not obtaining maximum results from their classroom instruction. At the first national convention in Kansas City only 33 delegates were in attendance but last October over 12,000 FFA members crowded into Kansas City for this glorious event. Hence, our organization has grown and prospered because it provides challenging opportunities for youth.

As you know from reading the newspapers and magazines, there are many people who feel youth are not living up to their responsibilities and doing their share of the work. But we in the FFA believe in hard work, and this is represented on our emblem by the plow, which stands for labor and tillage of the soil. FFA members appreciate work and are willing to put in a good day's work for a day's wage. This we believe is the backbone of our American way of life.

Another criticism of most of today's youth is that they have little respect for their elders. But we as FFA members wear an owl on our jacket, which symbolizes our respect for adults. We believe that our contributions can be more valuable if they are enacted while considering the advice that we receive from adults concerned in our behalf. We recognize that adults possess this knowledge that can be gained only through experience. Also, this owl symbolizes our desire to strengthen our mental abilities by emphasizing good scholarship traits.

Another symbol on the background of our emblem which seems to illuminate the other parts of the emblem is the rising sun. This rising sun is a token of a new era in agriculture and a new day that will dawn when we are trained for our occupations and have learned to cooperate. We are concerned about our future and rightfully so, because as young people we will be spending most of our lives there. As young people we are enthused about the future and concerned as to how we will be able to make our best contribution to the American way of life.

The final part of our emblem that I would like to discuss is the American Eagle, and this represents the most exciting area to me. We wear the American Eagle because we believe in the United States of America and are proud to be citizens of this country. The FFA organization is 100% American in its ideals and purposes. We say the Pledge of Allegiance to the Flag at all of our meetings, and are proud of our American heritage.

This eagle also represents something else to me. Although I have a farm background, I have had no experience with poultry. However, I am told when a storm comes up, a chicken can muster up all of its strength and fly for a few short yards until it reaches shelter. It then hides until the storm blows over. Another bird, the turkey, behaves differently when a storm arrives. I am told turkeys crowd together during a storm and that many times they often suffocate as a result of this. The eagle, however, performs quite differently under these circumstances. Although engineers cannot explain why, the eagle flies to the fiercest part of the storm. It then positions its body in such a manner that it is able to soar above the turbulence. As Future Farmers we can draw many parallels from this illustration. Unlike chickens, FFA members do not hide when the going gets rough, but willingly face the challenges of life. Also, we shun from behaving like a turkey. We try to avoid being such a part of the crowd that we suffocate all talent that we might have to offer to our country. But we try to pattern our actions after that of the eagle—in this case, the American Eagle. We look upon our FFA participation as an opportunity to prepare ourselves so that we will be able to soar above the difficulties and obstacles that may confront us. In this way we can play our part as productive American citizens.

I stand before you representing 443,000 young men from all corners of our great land. We are aware that there are many problems confronting us today, but through the FFA we turn these problems into opportunities—the challenging opportunities such as maintaining farming and ranching as a way of life, developing our God-given talents and determining how we might make our best contributions. We are proud of our organization and eager to accept the challenge offered to us as youth to keep the United States of America the greatest nation in the world.

EXTENSION OF FOOD AND AGRICULTURE ACT OF 1965

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 17126) to amend the Food and Agriculture Act of 1965.

Mr. RANDALL. Mr. Chairman, I support H.R. 17126, the bill to amend and extend the Agriculture Act of 1965. I strongly favor the passage of this extension for several reasons. Foremost is my conviction that we must continue the farm program as an effort to prevent more persons from leaving our farms. If they continue to go to the cities this can only result in an intensification of urban problems.

The American farmer has accomplished a miracle of production. The word "subsidy" has been batted around with considerable carelessness. One of the really and truly great subsidies of our time has been the American farmer subsidizing the American consumer. Less than 10 short years ago, the consumer spent 25 percent of his disposable income on food. Today, 10 years later, he spends only 17 percent of his disposable income on food. Yet even with this great achievement, the 1967 farm income was down over the preceding year by $10 billion, due in part to the vicious cost-price squeeze in which the farmer finds himself.

There are many reasons the farm program should be extended, not just for 1 year but for 4 years, at this time. Farmers must plan just as business or industry must plan, if we expect to keep our country the best fed at the lowest cost of any country in the world. I think we must remember that agriculture is our largest industry. If it does not fare well or prosper, there will be repercussions in other areas of our economy. Those who would compartmentalize or cast into hard-and-fast categories our population, are shortsighted.

Let us never forget the urban areas are economically dependent upon the countryside because it is the farmers who buy the products made in our big cities. The truth is, we are interdependent upon each other because were it not for the farmer and his ability to produce, great populations could not continue to survive in our great cities. Ninety-four percent of our population seem to prefer to live in urban areas where they can enjoy what seems to be the excitement and attraction of big city life. But they must be fed from the farms.

When we support a farm program, we

are not paying back anyone for anything. We do not pass the farm program to reward anyone, but are only doing what is necessary to maintain a balanced economy. If the consumer expects to continue to receive the bargain he has enjoyed in the past in terms of bountiful foods produced by our farmers, then we must all see each other's needs and problems and most of all, understand that we are interdependent upon one another.

A lot has been accomplished over the last 8 years in solving the farmer's problem. It was not too long ago we were paying out huge amounts for storage of surplus commodities. We were also paying out billions of dollars to give away these surpluses overseas. Today these surplus quantities have been dramatically reduced.

Let us never forget the farm program is not a welfare program. It is an effort to solve a problem. It is a matter involving the entire national interest, not just the agricultural interest.

Yesterday, in the Committee of the Whole, I opposed the effort to limit payments because payments are not subsidies as such. If we impose limits on payments, we change the nature of the program and the nature of the program may become unworkable. If there are any who assume money will be saved by limiting payments, they are following false logic. The reason is that if one large farmer who has been foregoing production on 1,000 acres pulls out of the program, that means 100 small farmers will have to forego production of 10 more acres each to maintain supply and demand stability. Maybe this would not cost more in Federal dollars, but it would cost further curtailment of opportunity for a lot of smaller farmers.

One of the most disturbing aspects of the recent poor people's campaign was the charge that the present agriculture programs are not doing enough about rural poverty. They further charged that all we had been doing by our present agriculture program was to further enrich the affluent farmer who did not need or deserve any help. That charge was not only unjust but untrue. I hope every Member will have an opportunity to read Marion Clawson's new book, "Policy Directions for U.S. Agriculture."

He points out in this book the fact many farmers have a bad ratio of expenses to gross income and many operate at a loss. He shows that about one-half of all farms have an annual income below the $3,000 poverty line. His conclusion seems correct when he points out all available data reveals the extent of large numbers of low-income farmers, more moderate numbers of fair income farmers and only a relatively few farmers with good income. Even those who do seem to have a good income, he points out, are rewarded much less than their talents and capital deserve. Mr. Clawson makes a most interesting and certainly needed conclusion when he argues a great urban country should never become so complacent about what seems to be an inexhaustible food supply that it becomes indifferent to the farmer and rewards him less than their talents and capital deserve.

We must extend the agriculture program. We should extend it for 4 years. The farmers of our Nation have the capacity to produce more than our markets will absorb. The farmer has to sell at the world price. He must buy at the domestic level of prices, which includes all the built-in costs produced by such things as minimum wage laws and the inflationary spiral. In the field of industry and manufacturing, the producers there regulate production to prevent price disasters. Farmers, historically, have not been able to do this without a farm program. Our farm commodity programs today, which everyone should know are voluntary programs, permit our farmers to cooperate by diverting acreage from surplus crop production into soil conservation. To their credit, many of these farmers follows such a course at a financial sacrifice only because they understand that balanced supplies are in the interest of all.

Since 1960 we have come a long way to reduce the inventories of the commodity credit corporations from their peak of over $6 billion in value in October 1960, down to much less than $1 billion as of the end of May of this year.

When considering the farm bill, there are only a few alternatives available. One is to go back to huge surplus inventories of a few years ago with higher Federal costs. Another is to flood the market, producing an economic impact by overproduction which can only result in far wider woe for our farmers. The only sensible remaining alternative is to continue the commodity programs which allow for ample production to feed our population at a reasonable cost to the consumer and which hope to achieve a reasonable return for the farmer.

CURTAILING CREDIT FINANCING OF MILITARY EQUIPMENT TO UNDERDEVELOPED COUNTRIES

(Mr. MURPHY of New York asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. MURPHY of New York. Mr. Speaker, recent enactment of legislation curtailing credit financing covering sale of military equipment to underdeveloped countries has set the stage for a more comprehensive look at the entire military and commercial sales picture and the effect it will have on the United States, both on a long- and short-range basis. At all levels of government a carefully devised pattern for sale of this equipment—which plays so essential a role in the U.S. economy—seems to be taking shape. Since the Soviets have left no doubt they intend to supply weapons to aggressive Communist pockets in both large and small countries, it would seem highly essential that every thinking person study this complicated and intricate subject. Interavia Publications through its French, English, German, and Spanish editions has presented a meticulous status report on the legislative and administrative factors that figure in the U.S. developments. Harry L. Tennant, Interavia's correspondent, outlined the factors that producers of military and commercial equipment must cope with in continuing the industry at the high productive rate while remaining within the guidelines of U.S. policy. Not the least of these factors is the balance-of-payments deficit. I am hopeful that a realistic and effective long-range financing plan will emerge from a significant conference scheduled for my district in October when top defense and commercial aerospace producers meet with leaders of the banking industry to search for satisfactory avenues for financing these and allied products. Certainly such troublesome areas as the balance-of-payments deficit will figure in these and other discussions in the near future.

The entire picture is summed up by Mr. Tennant when he quotes Mr. Karl Harr, president of the Aerospace Industries Association, who believes that the balance-of-payments problem should not supersede the Defense Department's balance-of-power criteria.

The material referred to follows:

INTERAVIA AIR LETTER, THURSDAY, JULY 4, 1968

GENEVA.—It is apparent that decisive changes in pace and direction loom ahead for the programme governing sale of U.S. military and commercial products abroad. Equally significant, is the fact that U.S. defense and areospace manufacturers have chosen the present time to confront the Administration and Congress with a description of the dilemma experienced by U.S. business in meeting friendly and not so friendly competition. Their argument is that unless U.S. policy guiding military exports is revised and the aircraft commercial financing programme is improved, the present and future Administrations will encounter considerable barriers to any permanent solution to the present balance of payments deficit, if and after it has been corrected.

The view expressed to the Washington Air Letter Correspondent by top level government officials, as well as industry representatives is that the visible shift of the political-economic picture in the U.S. and abroad leaves the country no choice but to find an amicable and early solution to its own foreign sales dilemma.

A few days ago top level defense men urged the aerospace industry to support the 1969 Foreign Military Sales Act. This group, the Committee on Military Exports (COME) is the Subcommittee of the Defense Industry Advisory Council. The plea for support came from Henry J. Kuss, Jr., chief arms salesman for the U.S., officially known as Deputy Assistant Secretary for International Security Affairs. Kuss insisted that the revised measure had full approval of the State Department. It had adequate built-in provisions to satisfy those in Congress who historically oppose the U.S. role of selling weapons abroad.

Simultaneously, a long string of industry areospace experts has been pleading with the U.S. Trade Information Committee for the past few weeks to reverse the very apparent trend towards retreating behind protection walls. These industry men have assembled illuminating data spelling out developments in the military sales picture abroad and just how it can affect the U.S. This task has been doubly difficult because many U.S. firms manufacturing comercial products entirely, have been successful in convincing some influential quarters in Congress as well as the U.S. Tariff Commission that restrictions are a "must" to protect domestic employment rolls. Aerospace sources are also aware that mounting support for return of a more conservative government in the November elections would most certainly mean a more favourable reception in administraiton circles for higher tariffs. This will become more pronounced as the election nears even though none of the presidential candidates, including the late Robert Kennedy, advanced any impressive thoughts on the sale of equipment abroad.

House Sept 4, 1968

10. RECLAMATION. Received the conference report on S. 1004, to authorize the construction, operation, and maintenance of the central Arizona project, Ariz.-N. Mex. (H. Rept. 1861). pp. H8231-9

The Interior and Insular Affairs Committee reported S. 224, to provide for the rehabilitation of the Eklutna project, Alaska (H. Rept. 1852). p. H8301

11. WATER RESOURCES. The Interior and Insular Affairs Committee reported with amendment S. 3058, to revise the authorization of appropriations for administering the provisions of the Water Resources Planning Act (H. Rept. 1858).

Received the conference report on S. 20, to provide for a comprehensive review of national water resource problems and programs (H. Rept. 1862). p. H8239

12. FARM PROGRAM. Rep. Findley objected to the request for a conference on H. R. 17126, the farm bill (p. H8257), and stated several reasons for his objection (pp. H8296-7).

13. REPORTS. Received from the Government Operations Committee the following reports: "U. S. Aid Operations in Latin America Under the Alliance for Progress" (H. Rept. 1849). "Criteria for Support Service Cost Comparisions" (H. Rept. 1850). "Problem of the Poor: Supermarket Operations in Low-income Areas and the Federal Response" (H. Rept. 1851). p. H8301

14. PERSONNEL. The Post Office and Civil Service Committee reported with amendment H. R. 17954, to correct certain inequities and relieve certain liabilities arising out of overpayments of compensation to Government employees as a result of administrative error in the application of certain provisions of the Classification Act of 1949, the Federal Employees Salary Act of 1964, and other provisions of law (H. Rept. 1863). p. H8302

15. MANPOWER. Began debate on H. R. 15045, to extend certain expiring provisions under the Manpower Development and Training Act of 1962. pp. H8241-2, H8246-57

16. APPROPRIATIONS. Rep. Mahon summarized the unfinished appropriations business and stated that when the foreign assistance and the closing supplemental bills are reported the House will have reduced budgeted expenditures for 1969 by a figure approaching $4 billion. pp. H8239-40

17. APPLES. Rep. Horton announced preparations for the annual apple harvest festival next week in Wayne County, New York. pp. H8297-8

EXTENSION OF REMARKS

18. U. S.-MEXICAN AFFAIRS. Rep. Roybal commended and inserted the first annual report of the Federal Inter-Agency Committee on Mexican American Affairs. pp. E7629-33

19. FARM PRICES. Rep. Zwach stated that the "monthly USDA report on prices received by farmers in relation to farm costs reveal the deary news that the farm parity level remained frozen at near depression levels of 73 percent." p. E7638

20. FARM PROGRAM. Rep. Steed objected to a $20,000 payment limitation on the farm bill. p. E7639

21. RECREATION. Rep. O'Hara, Mich., requested immediate establishment of Sleeping Bear Dunes Recreation Area before it becomes "another of America's lost conservation opportunities." pp. E7643-4

22. PESTICIDES. Rep. Dingell stated that the growing use of pesticides and herbicides poses a greater threat to fish and wildlife resources, and inserted an article, "DDT Moves with Runoff Waters." p. E7654

23. REPORTS. Several Representatives reported on recent activities of the Congress. pp. E7654-5, E7655-6, E7670-1, E7672

24. WATER CONSERVATION. Rep. Ullman inserted an article, "A Farmer's View--Water Nee[ds] Call for Action." pp. E7660-1

Rep. Fuqua commended and inserted Hollis Williams', SCS, speech "as an outstanding speech on the organization and responsibilities of soil and water conservation districts." pp. E7663-4

25. MANPOWER. Rep. Scherle suggested that the manpower program needs a review and expressed his objection to the "administration of the program, and the lack of control and monitoring of expenditures." pp. E7665-6

BILLS INTRODUCTED

26. FARM CREDIT. S. 3986 by Sen. Ellender and H. R. 19418 by Rep. Poage, to amend the Federal Farm Loan Act and the Farm Credit Act of 1933, as amended, to expedite retirement of Government capital from Federal intermediate credit banks, production credit associations and banks for cooperatives; to S. Agriculture and Forestry and H. Agriculture Committees.

27. PERSONNEL. H. R. 19411 by Rep. Baring, to provide for improved employee-management relations in the Federal service; to Post Office and Civil Service Committee.

H. R. 19421 by Rep. Fulton, Pa., to amend the Federal employees and retired Federal employees health benefits programs to insure that retired Federal employees do not have to pay twice for benefits which are provided both under such programs and under the health insurance program for the aged under the Social Security Act; to Post Office and Civil Service Committee.

28. FISHERIES. H. R. 19414 by Rep. Monagan, to extend the provisions of the Commerical Fisheries Research and Development Act of 1964; to the Merchant Marine and Fisheries Committee.

SEC. 3. The Manpower Development and Training Act of 1962 is amended by inserting after section 308 the following new section:

"TRAINING AND RELATED TECHNICAL ASSISTANCE

"SEC. 309. The Secretary of Labor shall provide, directly or through grants or other arrangements, training and related technical assistance for specialized or other personnel which are needed in connection with the programs established under this Act or which otherwise pertain to the purposes of this Act. Upon request the Secretary may make special assignments of personnel to public or private agencies, institutions, or employers to carry out the purposes of this section; but no such special assignments shall be for a period of more than two years. Two per centum of the sums appropriated in any fiscal year for this Act shall be reserved to carry out the purposes of this section during such fiscal year."

SEC. 4. (a) Section 231 of the Manpower Development and Training Act of 1962 is amended by redesignating the existing provisions as subsection (a) and by adding a new subsection (b) as follows:

"(b) In making arrangements for institutional training financed in whole or in part with funds appropriated to carry out title I, and title II, parts A, B, C, and D of this Act, including but not limited to basic education, employability and communications skills, prevocational training, vocational and technical programs, and supplementary or related instruction for on-the-job training whether conducted at the job site or elsewhere, priority shall be given to the use of skill centers established under the authority of this section."

(b) Section 301 of the Act is amended by redesignating the existing provisions as subsection (a) and by adding a new subsection (b) as follows:

"(b) In order to make maximum utilization of previous investments of Federal funds made under this Act and to avoid unnecessary waste and duplication, the Secretary of Labor and the Secretary of Health, Education, and Welfare shall under the authority of this section and through the Cooperative Area Manpower Planning System (CAMPS), allocate sufficient funds and numbers of institutional trainees to insure a level of skill center operation in each State equal to that which existed on June 30, 1967, or June 30, 1968, whichever is the greater. In no event shall the overall allotments for instutional training be less than 65 per centum of the funds appropriated by the Congress to carry out title II of this Act. No new skill centers shall be established in an area already served by a skill center as defined by the Secretaries of Labor and Health, Education, and Welfare, nor shall an existing center be discontinued or curtailed as long as this Act is in force unless it has previously been established by the Secretary of Labor and the Secretary of Health, Education, and Welfare that, (1) an existing center is no longer able to either provide or arrange for needed training, (2) training of a similar nature previously provided has been ineffective, or (3) there is no longer a need for training based on labor market analysis or other pertinent data."

SEC. 5. (a) Section 202(a) of the Manpower Development and Training Act of 1962 is amended by striking out "and the Virgin Islands" and inserting in lieu thereof ", the Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands".

(b) The third sentence of section 231 of such Act is amended by inserting after "purposes of the Act" the following: ", and except that the State agency for the Trust Territory of the Pacific Islands may be paid up to 100 per centum of such costs".

(c) Section 308 of such Act is amended by striking out "and Guam" and inserting in lieu thereof "Guam, American Samoa, and the Trust Territory of the Pacific Islands".

Mr. PERKINS (during the reading). Mr. Chairman, I ask unanimous consent that the further reading of the substitute committee amendment be dispensed with, and that it be printed in the RECORD and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

Mr. PERKINS. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. MACDONALD of Massachusetts, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 15045) to extend certain expiring provisions under the Manpower Development and Training Act of 1962, as amended, had come to no resolution thereon.

REQUEST FOR CONFERENCE ON H.R. 17126, THE FOOD AND AGRICULTURE ACT OF 1965

Mr. GATHINGS. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 17126) to amend the Food and Agriculture Act of 1965, with a Senate amendment thereto, disagree to the Senate amendment, and agree to the conference asked by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

Mr. FINDLEY. Mr. Speaker, I object.

The SPEAKER. Objection is heard.

ELECTION CAMPAIGNS SHOULD DRAMATIZE THAT WHICH UNITES AMERICA

(Mr. O'HARA of Illinois asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. O'HARA of Illinois. Mr. Speaker, violence within a democracy is the poison of destruction.

Democracy is the child of reason. When passions fly uncurbed and tempers burn out the source material of reason, democracy is consumed in the flame.

This is the history of the world. It is the eternal tragedy in the story of the rise and fall of empires and of nations.

Now and in the weeks of the campaign ahead it is my hope and my prayer that the Members of this body, the House of Representatives of the Congress of the United States, will as much as is within their power and not to uncalled-for political disadvantage, concentrate on that which unites and avoid that which divides.

At the very beginning we have so much on which we can agree and in which we share a common pride. Our beloved majority leader, the able gentleman from Oklahoma [Mr. ALBERT], was the chairman of the Democratic Convention, and he performed as the master workman we in the House long have known him. If ever a chairman arose to every challenge in a convention where emotions reached both the ocean's bottom and the blue of the skies it was CARL ALBERT.

The beloved minority leader, the able gentleman from Michigan [Mr. FORD] was the chairman of the Republican Convention, and he too performed as the master workman we in the House always have known him. No one could have done a greater job in running with smoothness and fairness a great national convention.

The gentleman from Louisiana, the mighty HALE BOGGS, courteous always and eloquent, brought luster and glory to the Democratic Convention as chairman of the platform committee, and equal luster and glory was reflected on the Republican Convention by the gentleman from California [Mr. SMITH] as its parliamentarian. Others from this body contributed brilliantly to the Democratic Convention and the Republican Convention.

Mr. Speaker, these are the things that unite. I am as proud of the performance of the gentleman from Michigan as I am proud of the performance of the gentleman from Oklahoma, and I am as proud of the performance of the gentleman from California as I am of the brilliant performance of the gentleman from Louisiana.

Mr. Speaker, in the oncoming campaign, let us reach out to find and to dramatize those things which unite us as loyal Americans with whom love of country is an attribute akin to and as noble as love of home.

Mr. Speaker, as a humble Member of this body, its oldest in point of years, I feel happy and blessed in the reflected glory of my colleagues who did so much and so well the job of making democracy work at both conventions. After all, here in our United States of America, as well as in this, the greatest deliberative body in the world, there is so much to unite, so little to divide.

MAYOR DALEY KEPT HIS WORD

(Mr. HALEY asked and was given permission to address the House for 1 minute, to revise and extend his remarks, and to include extraneous matter.)

Mr. HALEY. Mr. Speaker, today I wish to insert in the CONGRESSIONAL RECORD an article by James A. Clendinen, editor of the Tampa Tribune, which appeared in that paper on September 1, 1968. The Tampa Tribune is, of course, one of the finest newspapers of Florida and our Nation, and Mr. Clendinen has written what I consider to be a fair and impartial editorial as to the situation that prevailed in Chicago recently.

In this editorial entitled "The Mayor Kept His Word," Mr. Clendinen very justly calls attention to the fact that it is time somebody said a good word for Chicago and Mayor Daley. The disrupting events which occurred while the Democratic National Convention was being held—although nonetheless disturbing and regretful—were at the same time met with a resistance backed by a promise from the mayor of Chicago that violence would not prevail. I think this editorial is a fine commentary by a distin-

guished Florida editor, and I respectfully call it to the attention of my colleagues of the House. The editorial follows:

THE MAYOR KEPT HIS WORD

(By James A. Clendinen)

It's time somebody said a good word for Chicago and Mayor Daley.

Unquestionably, Chicago police in some instances were needlessly brutal in dealing with young demonstrators. This conduct cannot be condoned.

But to keep the picture in focus it is necessary to remember that 10,000 police were on duty during the five-day convention period and only a few were guilty of unnecessary roughness.

It is also necessary to remember that:

Leaders of the radical anti-war groups went to Chicago for the stated purpose of disrupting and, if possible, preventing the Democratic convention. Their followers included hot-eyed Marxists and anarchists for whom chaos is the goal.

For those who seek to destroy the American system, Chicago offered a tempting target.

If the convention could be physically interrupted by mass demonstrators supposedly representing popular opinion, if the city itself could be bloodied by riots, both the hated Johnson Administration and the American system could be discredited.

This was the grand objective.

It was only partly accomplished. The clashes with police—which were deliberately provoked—embarrassed Chicago and its strong-minded Mayor, opened new quarrels between Democrats and generated sharp criticism by the foreign press of "police state" tactics.

But critics ignore the fact that for five days police and National Guardsmen had to protect Presidential candidates, delegates and the convention itself against danger of attack from emotionally-charged mobs and individual plotters.

Dignitaries, delegates and the convention were protected. No one was shot; no one was killed; no hotels or stores were burned or looted.

Considering the possibilities for death and disaster in this situation, the police and Guardsmen did a commendable job.

The mob which daily assembled to demonstrate, and to challenge police lines, had its share of daisy-pickers but it also had professional revolutionaries and long-haired toughs looking for trouble. Some of these "peaceful" protesters hurled obscene insults at police and occasionally more bruising objects—rocks and bottles. Eighty policemen were reported injured in the several clashes.

The planned character of the harassment of the convention was shown in the stink-bombing of the principal hotels housing the delegates. This was no college-boy prank; it was sabotage of a vicious kind.

Beginning Wednesday morning, a foul odor permeated the huge Conrad Hilton, the convention headquarters, and the Palmer House, where delegates from Florida and 10 other states were quartered. The smell was enough to drive outside anyone with normal sensibilities. In the Hilton, the effect was as though someone had been sick in all 2,700 rooms.

Police on Friday announced the arrest of three young women from Newark, N.J., on charges of perpetrating this offense. Investigators said they found in their purses small vials of a chemical (vituric acid) which was used to create the odor; in a locker rented by one of the trio was a jug of the stuff—enough presumably to have made the convention hall itself unbearable.

One of the women—all in their mid-twenties—was identified as a close friend of Tom Hayden, a founder of the Communist-connected Students for a Democratic Society who was one of the organizers of the Chicago demonstrations. The SDS played a large part in the turmoil which virtually wrecked Columbia University last spring. Another of the accused stink-bombers admitted she had been arrested in the Columbia disorders and in disturbances in three other cities.

Said Hayden in a press conference several weeks before the convention opened: "We are planning tactics of prolonged direct action to put heat on the government and its political party". Fouling the air of the hotels was part of the action, as was the provocation of police and the repeated effort to penetrate police lines for a mass march on the convention hall.

Critics, especially among television commentators, sneered at "Fortress Chicago" and decried strict security measures around the hall.

The fact is that anyone with proper credentials had no more trouble getting into the convention at Chicago than into the Republican meeting place at Miami Beach.

There were more police guards, yes, but there was good reason to have them—just as there was good reason to enclose the sprawling grounds of the convention hall with that much-photographed fence. It was a practical means of limiting access to the hall and to the parking areas where busses unloaded delegates and newsmen.

Why Mayor Daley insisted on having the convention, with all its headaches, in Chicago he probably now wonders himself. He was abetted in this error by President Johnson and the Democratic National Committee—they should have moved the convention to Miami Beach.

But as a condition of keeping the convention in Chicago, Mayor Daley pledged to protect it against violence.

Give the man credit for keeping his word.

THE FUNDAMENTAL "RIGHT OF ASSEMBLY" WAS CHALLENGED AT THE CHICAGO CONVENTION

(Mr. TALCOTT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. TALCOTT. Mr. Speaker, with all of the talk and criticism of the recent Democratic National Convention in Chicago, I would like to comment on several rather important fundamental concepts which have been generally ignored by the news media and which therefore might go unnoticed by the general public and the average citizen.

National nominating conventions have two essential purposes: First, to draft a party platform and, second, to nominate their party candidates for President and Vice President. For such important assemblages there must be rules of procedure and conduct. Without rules there could be no orderly meeting and no decisions could be reached.

There are two basic objectives of the rules of procedure and conduct of the House of Representatives and of the national conventions: First, to insure that the majority—even a slim majority—can work its will and, second, to insure a minority—even a small minority—the right to be heard.

Obviously the election of delegates and the presentation of views can and should be improved. But it should be clearly known that anyone who wanted to present any idea or proposition for the platform had an opportunity—the minority, as well as the majority—to be heard and, second, that the majority prevailed by open vote.

Certainly we must all believe in orderly parliamentary processes, in the establishment of fair rules and the compliance therewith, and in decision by majority vote after full discussion.

Simply because one person—or a group—may have what seems to him—or the group—to be a good idea does not mean that any others—or especially a majority—will, or should, accept it.

Simply because one candidate loses, or one policy is not adopted, is no justification for denouncing or destroying the representative, parliamentary system.

Attempts to delay or disrupt the meeting do not contribute to fair hearings or reasoned deliberations. The alternative to representative government could be mob rule, anarchy, then totalitarianism. The alternative to parliamentary procedure could be endless, decisionless, riotous debacles where only the physically strong or treacherous could prevail.

Candidates or delegates who are defeated and then try to destroy the system because they lost are immature and dangerous to society— somewhat akin to the student body which burns their stadium after losing a game or smashes the auditorium after losing the school debating championship.

I am also convinced that any cause supported by vulgarities and obscenities—so gross they could not be portrayed audibly or visibly by the TV or photographic media—can never accomplish anything constructive—but it can destroy. It is somewhat akin to guerrilla warfare—devastatingly destructive of both victim and perpetrator, and wholly without social value. Vulgarity destroys subtly but inexorably—first morality, then institutions; next government, then society—unless, of course, decent countermeasures and attitudes can prevail.

Hopefully, most American citizens will not deem every objective which they desire at the moment as justification for the common use of obscenities, vulgarities, mob rule, or anarchy. Any cause can be achieved better and more expeditiously within the free representative, parliamentary system of a civilized society.

Many reporters, commentators, delegates and demonstrators talked incessantly about "rights" of one kind or another, but the first foremost "constitutional right" involved at Chicago was the "right of assembly."

Every "right" has a correlative duty and a concomitant responsibility—if the responsibility is shirked, the right may be lost.

Our "right of assembly," for instance, implies and must include the right of others also to assemble without molestation. If two or more groups desire to assemble at the same time and place there must be rules for determining the priorities—and there are.

The National Democratic Party made arrangements many months ago, before all others, to assemble in Chicago. They had the prior "right of assembly."

The city of Chicago undertook to guarantee safe conduct and personal security

Court should be slow to interfere with state legislation calculated to protect that morality."

The voice is that of Associate Justice John Marshall Harlan, speaking in the Roth-Alberts case. That justice went on to say:

"The state can reasonably draw the inference that over a long period of time the indiscriminate dissemination of material, the essential character of which is to degrade sex, will have an eroding effect on moral standards."

Accordingly, it is Justice Harlan's view, as stated in the Jacobellis case, that "as to the state, I would make the federal test one of rationality. It would not prohibit them from banning any material which, taken as a whole, has been reasonably found in state judicial proceedings to treat with sex in a fundamentally offensive manner, under rationally established criteria for judging such materials." It was Justice Harlan who voted to affirm the state determinations in the Keney, Freedman, Ratner, Cobert, Shepherd, Lewis, Bloomberg, Avansino, Cessa, Strombellene, Gaggi, Costanza, Corinth, Rosenbloom, Quantity of Books, Shackman, and Landau cases.

As noted by Justice Harlan in Alberts, the interest which the obscenity statutes protect are primarily matters of state concern, for each state is the primary guardian of the moral standards of its citizens. It is that justice's view that the great strength of our federal system is that we have, in the 50 states, 50 experimental social laboratories. If a mistake is encountered in the New York or California jurisdictions in setting the limit too low, as at hard-core pornography, that is something which can be more readily controlled by government in action, with all of its competing forces, within that state. The social experiments in other states go on undisturbed. Were this error to be made at the federal level, as in these 26 cases, the corrosion infects each state within the Union with disastrous results. The recovery there is not so easy to come by.

The Kentucky jurisdiction, the Arkansas jurisdiction, the New York jurisdiction, the California jurisdiction, each should have the power to control the moral destiny of its own community. No state government should be forced to accept girlie magazines like "Spree" and "High Heels", or books like "Lust Pool" and "Shame Agent", or strip-tease film like "D–15", "O–7", and "O–12", against the express wishes of its citizenry. To hold otherwise is to censor the voice of the community and impair its moral development, for by its jury verdict in an obscenity trial, the jury is actually "speaking out" in the constitutional sense.

Our forefathers in Article 3, Section 2, wisely provided the necessary check and balance against an arbitrary judiciary. That section reads:

"The Supreme Court shall have appellate jurisdiction, both as to law and fact, *with such exceptions, and under such regulations as the Congress shall make.*" (Our emphasis.)

Congress can, through legislation in implementation of Justice Harlan's view, withdraw appellate jurisdiction from the United States Supreme Court and give it back to the state supreme courts where it belongs. Had such legislation existed in May of 1967, the result in these cases would have been different, and the Nation would be well on its way to a solution of the obscenity problem—a solution mandated by the people in their verdicts in these 26 cases.

In conclusion, we emphasize that vice and pornography are not new to our scene. Such is but a recurrence in the cycle of history and the nature of man. For those of this audience who will say we have treated the United States Supreme Court with irreverence in this documentary, we would point to the moral problems this Nation faces and adopt the wise words and strong argument of Alexander Pope, a contemporary of Sedley and Curl, speaking in his Essay on Man, in 1705, of the same battle being waged in that century:

"Vice is a monster of so frightful mien as to be hated, only needed to be seen, yet seen too oft, familiar with her face, we first endure, then pity, then embrace."

The evidence is all around us that this Nation in 1967 has embraced the monster vice. Those statistics are well known. Since 1957, the juvenile delinquency cases have almost doubled, to more than 1.1 million in 1965. Between 1960 and 1966, juvenile arrests for homicide went up 31.3%, rape 34%, robbery 55%, and aggravated assault 115%—many of the latter offenses involving brutal and wanton beatings of helpless persons. During this period of time, Americans aged 10 to 17 increased by less than 20%. The spiralling climb of illegitimate births is told in these figures: In 1950 about one out of 25 children born in the United States was illegitimate. By 1960 the figure was one out of 19, by 1965 it was one out of 15 American births. If trends continue at the recent rate, at some time in the 1970's one out of every 10 American babies will be born out of wedlock. Already in some major cities, far more than 10% of all new babies are illegitimate. It was in this setting that the United States Supreme Court wrote its decision in these cases.

It is not to be expected that the parents of the 12-year-old girl who was raped on the city streets by a 20-year-old boy with a girlie magazine in his hip pocket will show reverence for a Court which reversed the State ruling which sought to control the girlie magazine problem.

The parents of the 7 teen-agers, who sexually attacked a 12-year-old girl, will not be able to understand the logic of a Court whose actions have neutralized State efforts to control the runaway distribution of subject matter which instructs, in enticing terms, that perversion is acceptable—material which the youths themselves indicated was their book of instruction for the sexual crimes they committed.

The parents of a 19-year-old girl who was raped and murdered by a youth, who forcibly entered her car at an intersection in the afternoon, after spending a morning watching lewd motion picture films, will be unable to accept a Court's determination which holds such films to be constitutionally protected, against the contrary demands of the State governments.

It is not our purpose to draw in question in any way the good faith of the justices of the United States Supreme Court. It is just that, in the sick climate in which we are now suffering, it is no defense that the Court acted with good intentions. That a Court, in acting beyond the scope of its powers, may do so with good intentions is unimportant. On this matter, Daniel Webster had the following to say:

"Good intention will always be pleaded for every assumption of power * * *. It is hardly too strong to say that the Constitution was made to guard the people against the dangers of good intentions. There are men in all ages who mean to govern well, but they mean to govern. They promise to be good masters, but they mean to be masters."

CASE NO. (1966 TERM) AND DATE FILED, TITLE, AND CASE EXHIBITS

2(39) (793), Dec. 29, 1964, Keney v. N.Y. (jury): 3 paperback books (Nightstand and Midnight Reader) "Lust School" and "Lust Web" (MR–484), copyright 1963, Midnight Reader; "Sin Servant" (NB–1651), copyright 1963, Nightstand Books, Reversed, 18 L. Ed. 2d 1302 (June 12, 1967).

3(72) (1073), Redrup v. N.Y. (court): 2 paperback books "Lust Pool" and "Shame Agent," Ember Book (EB 943, copyright 1964 by Ember Books. Reversed, 18 L. Ed. ad bib (May 8, 1967).

7(137) (1161), May 13, 1965, Friedman v. N.Y. (court): 9 bondage books and magazines "Bondage Boarding School," "English Spanking School," "Bound and Spanked," "Sweeter Gwen," "Traveling Saleslady Gets Spanked," "Bound to Please," "Bizarre Summer Rivalry," "Heat Wave," and "Escape Into Bondage," book No. 2. Reversed, 18 L. Ed. 2d 1303 (June 12, 1967).

10(285), June 24, 1965, Ratner v. Calif. (jury): Girlie film "Honey Bee." Reversed 18 L. Ed. 2d 1305 (June 12, 1967).

16(453), Aug. 13, 1965, Austin v. Ky. (jury): 2 girlie magazines "High Heels," vol. 2, No. 6 and "Spree," No. 38. Reversed, 18 L. Ed. 2d 515 (May 8, 1967).

2(544), Sept. 7, 1965, Cobert v. N.Y. (court): 3 girlie films "June Palmer," No. 2, "M. Jordan," and "June Tracy." Opinion below reported in 15 N.Y. 21020, 207 N.E. 2619. Reversed, 18 L. Ed. 2d 1305 (June 12, 1967).

26(626), Sept. 28, 1965, Sheperd v. N.Y. (court): Bondage book "Promenade Bondage," vol. 4. Lewis v. N.Y. (court): Nude photos and 2 bondage books "Bondage Annual," No. 1, and "Spanking Sisters." Bloomberg v. N.Y. (court): 2 bondage books "Bondage Annual," No. 1, and "Spanking Sisters." All reversed, 18 L. Ed. 2d 1306 (June 12, 1967).

50(874), Jan. 4, 1966, Gent v. Arkansas (jury): 8 girlie magazines "Cavalcade," "Gentlemen," "Ace," "Sir," "Gent," "Swank," "Modern Man," and "Bachelor." Opinion below reported in 239 Ark. 474, 393 5W2 219. Reversed 18 L. Ed. 2d 535 (May 8, 1967).

72(1008), Feb. 11, 1966, Avansino v. N.Y. (court): Nude photographs of females in provocative poses. Reversed, 18 L. Ed. 2d 1308 (June 12, 1967). Sessa v. N.Y. (court): Case 1, nude color photos (female); case 2, nude photos (females). Reversed, 18 L. Ed. 2d 1308 (June 12, 1967). Stombelline v. N.Y. (court): Case 1, Bondage book "Promenade Bondage"; case 2, nude photos (female). Reversed, 18 L. Ed. 2d 1308 (June 12, 1967). Gaggi v. N.Y.: Nude photos (female). Reversed, 18 L. Ed. 2d 1308 (June 12, 1967). Costanza v. N.Y. (court): Same as above.

149 (1329), May 18, 1966, Aday v. U.S. (jury): Paperback book "Sex Life of a Cop," Saber Book (SA–11), copyright 1958, Fresno, Calif. Opinion below reported in —F2—. Reversed, 18 L. Ed. 2d 1309 (June 12, 1967).

227 (1409), June 13, 1966, Corinth Publications, Inc. v. Wesberry (court): Paperback book "Evening Reader" (ER–768), "Sin Whisper," copyright 1964, Corinth Publications, San Diego, Calif. Opinion below reported in 221 Ga. 704 146 S.E. 2 764. Reversed, 18 L. Ed. 2d 1310 (June 12, 1967).

323, July 8, 1966, Books, Inc. v. U.S. (jury): Paperback book "Lust Job." Opinion below reported in — F2 —. Reversed, 18 L. Ed. 2d 1311 (June 12, 1967).

332, July 9, 1966, The Bookcase, Inc. v. Leary (court): Declaratory judgment re statute opinion below reported in— N.E. 2 —. Dismissed for lack of proper question, 17 L. Ed. 2d 111 (Oct. 10, 1966).

366, July 19, 1966, Rosenbloom v. Va. (court): Nudist magazines "Solis" plus others. Reversed, 18 L. Ed. 2d 1312 (June 12, 1967).

616, Sept. 30, 1966, Wenzler v. Pitchess (court): Girlie film "First Fling." A habeas corpus action brought by the defendant after the U.S. Supreme Court refused to grant certiorari in Wenzler v. Calif., 12 L. Ed. 2d 1047 (June 22, 1964); rehearing denied in 13 L. Ed. 2d 77 (Oct. 12, 1964). Petition for certiorari again denied in 18 L. Ed. 2d 1351 June 12, 1967).

660, Oct. 11, 1966, Jacobs v. N.Y. (court): Underground art film "Flaming Creatures." Held to be "moot," 18 L. Ed. 2d 1294 (June 12, 1967).

865, Dec. 14, 1966, A Quantity of Books v. Kansas (court): 11 Nightstand-type paperbacks (Idlehour, Ember Book, Evening Reader, Sundown Reader, Leisure Book) "Sin

Hooked," "Bayou Sinners," "Lust Hungry," "Shame Shop," "Flesh Pot," "Sinners Seance," "Passion Priestess," "Penthouse Pagans," "Shame Market," "Sin Warden," and "Flesh Avenger." Opinion below reported in 197 Kans. 306, 416 P2 703. Reversed, 18 L. Ed. 1314 (June 12, 1967).

896, Dec. 22, 1966, Mazes v. Ohio (jury): Paperback book "Orgy House," Merit Books, published by Camerarts Publishing Co., 2715 North Pulaski Rd., Chicago, Ill. Opinion below reported in 3 Ohio app. 2 90, 209 N.E. s2 496 and 7 Ohio St. 136 218 N.E. 2 725. Reversed, 18 L. Ed. 2d 1315 (June 12, 1967).

971,[1] Interstate Circuit, Inc. v. Dallas: Involving constitutionality of Dallas movie classification ordinance. No disposition during October term, 1966. Opinion below reported in — F2 —, certiorari granted and judgment reversed, 20 L. Ed. 2 — (May 6, 1968).

978,[2] Dallas v. Interstate Circuit, Inc.: Involving constitutionality of Dallas movie classification ordinance. No disposition during October term, 1966. Opinion below reported in — F2 —, Certiorari granted and judgment reversed, 20 L. Ed. 2 — (May 6, 1968).

993, Tannenbaum v. N.Y. (court): Sale of girlie magazine "Candid" to 17-year-old minor in violation of sec. 484–1 (New York minor's statute) held to be "moot." Opinion below reported in 18 N.Y. 2, 268, 220 N.E. 2 783. Reversed by 18 L. Ed. 2d 1300 (June 12, 1967).

995, Jan. 23, 1967, Shackman v. Calif. (jury): 3 girlie films D–15, O–7, and O–12. No opinion below, but see 258 F. Supp. 983. Reversed, 18 L. Ed. 2d 1316 (June 12, 1967).

1022,[3] Feb. 11, 1967, Ginsburg v. N.Y. (court): Sale of girlie magazines "Mr. Annual," fall 1965, and "Sir, Decals" to 16-year-old minor in violation of sec. 484–H (New York minor's statute).

1088, Feb. 23, 1967, Holding v. Blankinship: Involving action taken by Oklahoma Censor Board. Opinion below reported in 259 F. Supp. 694. Reversed, 18 L. Ed. 2d 585 (May 15, 1967).

1089, Feb. 23, 1967, Blankenship v. Holding: Involving action taken by Oklahoma Censor Board. Opinion below reported in 259 F. Supp. 694. Oklahoma statute held unconstitutional, 18 L. Ed. 2d 686 (May 15, 1967).

56, 1109,[4] Interstate Circuit, Inc. v. Dallas (court): Application of Dallas movie classification ordinance to film "Viva Maria." Opinion below reported in 402 S.W. 2 779.

64, 1155,[4] United Artists Corp. v. Dallas (court): Ditto.

1164, Mar. 18, 1967, Landau v. Fording (court): Declaratory judgment that underground art film, "Un Chant D'Amour" was obscene. Opinion below reported in 245 Calif. App. 2 —, 54 Cal. Rptr. 177. Judgment affirmed, 18 L. Ed. 2d 1317 (June 12, 1967).

1186, Mar. 24, 1967, Shackman v. Arneberg (court): Federal court action attacking prosecution of 3 girlie films D–15, O–7, and O–12. Opinion below reported in 258 F. Supp. 983. Appeal dismissed for lack of jurisdiction, 18 L. Ed. 2d 865 (May 29, 1967).

1189, Mar. 24, 1967, Luros v. Superior Court of Calif. (court): Attempt to halt criminal prosecution; petition for certiorari denied, 18 L. Ed. 2d 597 (May 8, 1967).

1187,[5] Apr. 17, 1967, Fort v. City of Miami (court): Miami sculptors outdoor display of figures depicting sex acts (cunnilingus, fellatio, etc). No disposition during October term, 1966.

1394,[6] May 15, 1967, Potomac News Co. v. U.S. (court): Nudist magazine "Hellenic Sun" No. 2. Opinion below reported in 373 F. 2 635. No disposition during October term, 1966.

306, miscellaneous, Conrad Chance v. Calif. (jury): Criminal prosecution. 12 photos of female nudes. Certiorari granted. Judgment reversed, 19 L. Ed. 2d 256 (Nov. 6, 1967). No opinion reported below.

259, June 19, 1967, Glen Conner v. City of Hammond (jury and court): Sale of girlie magazines "Escapade," December 1964, "Dude," November 1964, "Rogue," December 1964, "Gent," November 1964, "Cavalier," October 1964, "Knight," vol. 41, issue 9. Certiorari granted. Judgment reversed, 19 L. Ed. 2d 47 (Oct. 23, 1967). Judgment below unreported.

260, June 19, 1967, I. M. Amusement Corp. v. Ohio (court): Exhibition of 16-mm. girlie film "Artists Models." Judgment below, 266 N.E. 2d 567. Appeal granted. Judgment reversed 19 L. Ed. 2d 776 (Jan. 15, 1966).

323, July 3, 1967, Ramona Bennett and Moira C. Morse v. Calif. (jury): Topless bar case. Prosecution under "Sir Charles Sedley's statute" lewd exhibition. Certiorari denied, 19 L. Ed. 2d 478 (Dec. 4, 1967). Judgment below unreported.

368, July 14, 1967, Central Magazine Sales, Ltd. v. U.S. (court): Girlie magazine "Exclusive" and male nudist magazines "Revenue International," vol. 6, and "International Nudist Sun," vol. 16. Opinion below reported in 373 F. 2d 633. Certiorari granted. Judgment reversed, 19 L. Ed. 49 (Oct. 23, 1967).

430, July 28, 1967, G. I. Distributors, Inc. v. N.Y. (court): Criminal prosecution. "Grecian Guild Studio Quarterly." Opinion below reported in 228 N.E. 2d 787. Certiorari denied, 19 L. Ed. 2d 219 (Oct. 16, 1967).

594, Sept. 8, 1967, Arthur Levin v. Maryland (court): Criminal prosecution. 3 sets of nude male photos. Opinion below reported in 228 A. 2d 487. Certiorari denied, 19 L. Ed. 2d 840 (Jan. 15, 1968).

611, Sept. 13, 1967, Rabeck v. Beck N.Y. (court): Sale of girlie magazines "Snap," vol. 2 No. 8, and "Trojan," vol. 3, No. 4, to minor in violation of sec. 484–i (New York minor's statute). (See Tannenbaum v. N.Y. (supra) Cf. Ginsberg v. N.Y. (supra).) No opinion below. Appeal granted. Judgment reversed (May 27, 1968), B2 188.

679, Oct. 3, 1967, Robert-Arthur Management Corp. v. Tennessee ex rel Phil M. Canale, Dist. Atty General (court): Injunction. 35-mm. motion picture film "Mondo Freudo." Opinion below reported in 414 S.W. 2d 638. Appeal granted. Judgment reversed, 19 L. Ed. 2d 777 (Jan. 15, 1968).

729, Oct. 16, 1967, Samuel Ratner v. Calif. (Jury): Criminal prosecution. Count I Bondage book "Bondage Cabin." Count II, 8-mm. bondage film, "The Count." Count III advertising brochure. (Special advertising statute, Jan. 29, 1968). No opinion below. Certiarari denied, 19 L. Ed. 2d 983.

787, Nov. 6, 1967, Teitel Film Corp v. Cusack (court): Motion picture censor board refused to grant license, 35-mm. motion picture films, "Rent-A-Girl" and "Body of a Female." Appeal granted. Opinion below reported in 230 N.E. 2d 241. Judgment reversed on procedural grounds. No determination on obscenity issue, 19 L. Ed., 2d 966 (Jan. 29, 1968).

880, Dec. 4, 1967, Wm. C. Bray v. Calif. (Jury): Criminal prosecution. Sale of paperback book "Just for Kicks," Satan Press 114. No opinion below. Certiorari denied, 20 L. Ed. 2—(Mar. 18, 1968).

921, Dec. 16, 1967, Samuels v. Calif. (Jury): Aggravated assault (sadism and masochism in films). Opinion below reported in 58 Calif. Rptr. 439. Certiorari denied, 20 L. Ed. 2—(Apr. 22, 1968).

932, Dec. 18, 1967, Percy Henry v. Louisiana (court): Criminal prosecution. Sale of girlie magazines "Gem," vol. 7, No. 3; "Carnival," vol. 12, No. 1; "Rogue," vol. 10, No. 1; "Sir," vol. 21, No. 6; "Ace," vol. 8, No. 4; "Caper," vol. 11, No. 2; "Jaguar," vol. 1, No. 2; "Gent," vol. 8, No. 9; "Wildcat," vol. 5, No. 6; "Sir Year Book," fall 1964; and "Nugget," vol. 9, No. 4. Opinion below reported in 198 So. 2d 889. Appeal dismissed but certiorari granted and judgment reversed. 20 L. Ed. 2—(June 19, 1968).

934, Dec. 21, 1967, Felton v. City of Pensacola (court): Criminal prosecution. Sale of nudist magazines. Opinion below reported in 200 So. 2d 842. Certiorari granted. Judgment reversed, 20 L. Ed. 3—(Mar. 11, 1968).

966, Dec. 28, 1967, Pennsylvania v. Dell Publications, Inc. (court): Petition for certiorari by district attorney of Philadelphia County, Pa., to review Pennsylvania Supreme Court determination holding "Candy" not obscene. Denied 20 L. Ed. —, certiorari (Mar. 4, 1968).

997, Jan. 8, 1968, Lee Art Theater, Inc. v. Virginia (jury): Criminal prosecution. 35-mm. motion picture films "Erotic Touch of Hot Skin" and "Rent-A-Girl." As to latter film, see Teitel Film Corp. v. Cusack, supra. No opinion below. Certiorari granted and judgment reversed on search and seizure grounds only, 20 L. Ed. 2—(June 19, 1968).

1092, Feb. 7, 1968, Reed Enterprises v. Clark (court); Constitutionality of Federal statute permitting prosecution in juris of distribution. Affirmed, 20 L. Ed. 2—(Mar. 25, 1968).

1124, Feb. 15, 1968, California v. Noroff (court): Petition for certiorari by Los Angeles City attorney to review California Supreme Court's decision holding male nudist magazine "International Nudist Sun," vol. 1, No. 5, protected. Conflicting opinions, 58—Calif. Rptr. 172 and 63 Calif. Rptr. 575. Compare Central Mag. Sales v. U.S. supra. Certiorari denied, 20 L. Ed. 2—(Apr. 8, 1968).

1235, Mar. 15, 1968, Sturman v. U.S. (court): Petition for certiorari to review Circuit Court of Appeals, 6th Circuit, decision against Sturman's appeal of grand jury subpenas. Certiorari denied, 20 L. Ed. 2—(May 6, 1968).

[1] Redesignated as case No. 42 on October term, 1967 calendar.

[2] Redesignated as case No. 44 on October term, 1967 calendar.

[3] Jurisdiction noted in 18 L. Ed. 2d 1344 (June 12, 1967). Redesignated as case No. 47 on October 1967 calendar. Oral arguments heard Jan. 16, 1968. Affirmed, 20 L. 2d —.

[4] Jurisdiction noted in 18 L. Ed. 2d 620 (May 15, 1967). Redesignated as case Nos. 56 and 64 on October term, 1967 calendar. Oral arguments heard Jan. 16, 1968. Reversed, 20 L. Ed. 2 —.

[5] Redesignated as case No. 91 on October term, 1967 calendar. Certiorari denied, 19 L. Ed. 2d 498 (Dec. 4, 1967).

[6] Redesignated as case No. 164 on October term, 1967 calendar. Certiorari granted and judgment reversed, 19 L. Ed. 2d 46 (Oct. 23, 1967).

STATUS OF FARM BILL

(Mr. FINDLEY asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. FINDLEY. Mr. Speaker, as the Congress resumes its work, the fate of the farm bill, the proposed extension of the Agricultural Act of 1965, is very much in question.

The version enacted by the House specified a $20,000 limitation on the amount of payments any single recipient may get and authorized only a 1-year extension.

The Senate version provided for a 4-year extension, and during its consideration all proposals to establish a limitation on payments to single recipients were rejected.

During the days immediately before the August recess I blocked requests to go to conference on these bills. I did so for several reasons. Among them:

First. The Agricultural Act of 1965 is a failure and should not be extended. To illustrate, corn is now selling for only 60 percent of parity—lowest point since March 1962. Wheat, at $1.16 a bushel, is the lowest in 26 years. Parity ratio for Illinois farmers is 67, national parity ratio, even though higher than Illinois at 3, is the lowest since the depression thirties.

Surely Congress can do better than authorize an extension of the legislation under which the farm economy has fallen to its present low ebb.

Second. Under present circumstances, the limitation on payments fixed by the House—or any other limitation—has little chance to survive House-Senate conference. All members of the House Agriculture Committee likely to serve on the conference committee—except one—voted against the $20,000 payment limitation. Support for a limitation would, if anything, be even skimpier on the Senate side.

If the act is extended, I feel a payment limitation is highly desirable.

In all candor, therefore, the House should expect that the conference will drop all language expressing a limitation on payments.

Third. The August recess gave many members an opportunity to hear from their farmers and other constituents concerning the proposed extension, and the question of payment limitation.

For my part, I can report that a tour of every major post office in my district disclosed strong support from farmers and others for a payment limitation. The only criticism of the $20,000 limitation, now in the House bill, I heard was to the effect that the amount was too high. Several farmers said they thought it should be not more than $5,000 or $10,000. I also received strong and numerous expressions of encouragement in my battle against extension of the Agricultural Act of 1965. Only one person, a farmer, said he felt the existing programs should be extended.

COTTON A SPECIAL PROBLEM?

During consideration of the farm bill by the House several Members expressed to me their objection to bringing the cotton program under the limitation on payments, stating that, in their opinion, cotton constituted a special problem and should be excluded. Their rationale was based on the fact that under the existing authority cotton farmers have no freedom to plant. They must abide by acreage allotments in order to grow cotton. This of course is true, and this makes cotton different in important respects from feed grains and wheat.

However, the payment limitation would not, in my view, constitute an unfair burden to cotton growers.

Cotton farmers are presently getting market prices much higher than contemplated when the present program was enacted. The price is about 27 cents a pound, whereas the program was based on an assumed market price of 21 cents. Efficient growers testified to the House Agriculture Committee in very recent years that they can make money at 21 cents.

In addition to the possibility of above-average income from the market, each cotton grower would be entitled to payments up to $20,000. That sum is hardly a poverty-size chunk of money. The big operators, whose payments under present law would exceed $20,000, presumably are on a more efficient basis than the small ones and thus financially better able to accept the limitation on money from the U.S. Treasury.

Moreover, between now and the effective date of the proposed limitation, growers will have the opportunity to reject the whole program, acreage limits and all, by referendum.

Therefore, I feel that an exception should not be made of cotton. The cost of the cotton program has grown completely out of reason. Last year it exceeded the total market value of the crop. A substantial trimming is in order.

The $20,000 limitation now in the House bill would adversely affect only a few farmers in feed grains and wheat growing areas. Its main impact would be on cotton growers where astronomical payments are the order of the day.

Regionally it would hit Texas the hardest, because 28 percent of all payments now flowing under the program authorized in this bill go into the pockets of Texas farmers. From this, I can fully understand why several Texas Congressmen were vehement in opposition to the payments limitation.

APPLE HARVEST IN WAYNE COUNTY

(Mr. HORTON asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. HORTON. Mr. Speaker, it is appropriate that we take some time in the midst of our legislative schedule to mark this time of year when the fruits of the spring planting are reaped. Harvest time reminds us that even in this ever advancing space age man is dependent on the earth for sustenance.

Rural America with its orchards, fields, meadows, ranches, muck farms, and fruit and dairy farms feeds the Nation. It is in rural America that the pageantry so important to our heritage is being preserved.

Harvest time means so much to the people of smaller communities and our countryside. It is a sign of accomplishment. The harvest should also have great importance for urban Americans, who reap its benefits at mealtime every day.

In the northeast corner of my 36th Congressional District of New York the people of the bustling community of Wolcott are preparing for their annual apple harvest festival next week. Wolcott is a town of 3,500 persons in the heart of one of the United States' finest fruit producing areas.

Wolcott is part of the world famous fruit belt along Wayne County's northern tier.

The county's location on the southern shore of Lake Ontario enhances its climate by providing a growing season long enough to insure the maturing of the fruit and vegetable crops. It is particularly favorable to apples, cherries and peaches.

EXTENSIVE ORCHARD LANDS

growing lands are in the towns of Sodus, growing lands are in the towns of Sodus, Ontario, Williamson, Huron, Wolcott, Rose, Butler, Marion, and Walworth.

In 5 years the apple harvest festival has become one of New York State's outstanding pageants. Over 100 young ladies throughout the State will compete for the title of Miss Apple Harvest Festival. Local officials say they expect more than 50,000 persons to turn out for a week of activities, including 25,000 persons at the grand parade on the final day.

I have participated in the parade in past years and again this year I have been honored by being selected as the parade's grand marshal.

It is a pleasure for me to share with you the efforts of those responsible for the apple harvest festival. Douglas A. Douglas is general chairman of the festival. He is assisted by the board of directors of the Wolcott Chamber of Commerce, which includes Walter Dobbin Charles Coman, Edwin McQueen, and Terrence Connelly.

Other festival officials include John DeWispelaere, Robert Delf, Robert Smith, Philip Kyle and William Reynolds.

AMONG AMERICA'S MOST PRODUCTIVE

Apples are a major part of the life of Wayne County. This county, the only full county in my 36th Congressional District, is the most concentrated fruit producing area in New York State and probably one of the most productive in the country. It produces 45 percent of all the apples in western New York and a quarter of all the apples produced in the State.

Five to six million bushels of apples are produced annually. I have been privileged to share with many of my colleagues here the delicious tree-ripened apples from Wayne County. I do not think I stand alone when I say they are the best in the world.

Wayne County also produces 65 percent of the cherries in New York State.

The Sodus Fruit Farm, the county's largest orchard, is famed for its fruit and its modern processing methods.

The many canners and processors in the area make New York State the largest producer of apple sauce, apple juice, and frozen apple slices in the Nation.

WORLD FAMOUS PROCESSORS

The products of Wayne County apple growers and processors are on shelves of supermarkets and grocery stores all over the country. I am sure all of you are familiar with many of the labels which originate along the shore of Lake Ontario.

They include Boekhout Farms, Cahoon Farms, Comstock-Greenwood Foods Division of the Borden Co., Curtice-Burns, Duffy-Mott, Fruit Belt Preserving Co., H. C. Hemingway, Hopkins of Sodus, Marion Canning Co., Seneca Foods, Sodus Fruit Farm, Sterling Cooperative, Waterman Fruit Products, and Wayne Packing Co.

The apple and cherry processors are ably represented by the New York State Canners and Freezers Association, which has its headquarters in Rochester.

Apple growers are well represented by Western New York Apple Growers Association.

LOCAL PEOPLE CREDITED

A lot of credit must also go to the elected town officials in the area, particularly the supervisors. Donald G. Colvin, of Savannah, is chairman of the board of supervisors.

Other orchard area supervisors include Jay Robinson of Wolcott, Marion I. Crane of Butler, Robert Virts of Rose, Russell Freer of Huron, George Arney, Jr., of Sodus, Ward J. Marcellus of Williamson, Ralph Bushart of Marion, Charles Hack of Walworth, and Bruce Thompson, of Ontario.

There are many other community and organization leaders who work hard to make Wayne County a good place to live and work. I know I cannot name them all here, but I would like to mention a few such as Ernest Hack, president of the Wayne County Farm Bureau; R. Gerald Bishop, Wayne County Pomona Grange master; New York State Assemblyman Joseph Finley, of Walworth; and Mark Buckman, manager of the Sodus Fruit Farm, and adviser to New York Gov. Nelson A. Rockefeller on matters concerning agricultural labor.

Beside the growers and processors, the seasonal and full-time farmworkers who pick and process the fruit deserve special mention. It is their skill which moves the ready product from the fields, through the canneries and on its way to consumers.

Special praise should go to the news media throughout Wayne County for their efforts to keep the public well informed.

The weekly and daily newspapers and broadcasters have been diligent in giving the harvest festival and other events full local coverage. These include the Red Creek Herald, Lake Shore News in Wolcott, Sodus Record, Williamson Sun, Wayne County Mail in Ontario, Palmyra Courier-Journal, Newark Courier-Gazette, Lyons Republican, Wayne County Herald-Eagle in Clyde, Geneva Times, Wayne County News Service of the Gannett Newspapers and radio station WACK in Newark.

HARVEST FESTIVAL SCHEDULE

The people of Wayne County join me in extending an invitation to you to join us in this festival, and I would like to share with you the schedule of events for the festival week, which starts Tuesday, September 10.

The opening day program will feature a "beach party" bathing suit competition. There will also be an all-star revue, a highly popular program under the direction of Mrs. Pat Allen. Twenty local girls will compete for Miss Wolcott honors.

Sue Welch, 1967 apple harvest festival queen, and Tamara Fisher, 1967 apple harvest festival princess, will reign over all events.

Mr. Dobbin, chairman of the queen competition, will be master of ceremonies.

The 2-hour parade, which I will lead, starting at 2:30 p.m. Saturday, September 14, the final day, will include bands, drum and bugle corps, color guards, military drill teams, floats, and volunteer fire companies from all over New York.

Climaxing the festival will be the grand harvest ball at the Leavenworth School Gymnasium where 1968 queen and princess will be selected.

COMPANION APPLE FESTIVAL

A comparison event to the apple harvest festival is held each spring in Williamson to the west of Wolcott. This is the annual apple blossom festival, which is a highlight of spring in Wayne County, drawing tens of thousands of onlookers and participants.

Mr. Speaker, these two pageants are proud reminders of our rural heritage. I want to thank you for allowing me to share this portion of rural Americana with you and my colleagues.

I know each and every one of you will be welcome any time you would like to come to Wayne County. I also hope you will join with me in wishing the Wolcott Apple Harvest Festival great success this year and in the years to come.

The legend of Johnny Appleseed lives on in America. The quality and size of the Wayne County apple harvest, and the enthusiasm and feasting which will accompany it, would certainly make this orchard-planter from New England proud.

(Mr. HAYS asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous material.)

[Mr. HAYS' remarks will appear hereafter in the Extensions of Remarks.]

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mrs. HANSEN of Washington (at the request of Mr. ALBERT), for today, and the balance of the week, on account of official business.

Mr. ROUDEBUSH (at the request of Mr. GERALD R. FORD), for an indefinite period, on account of hospitalization and recovery from recently sustained injuries.

Mr. PIRNIE (at the request of Mr. GERALD R. FORD), from September 4, 1968, through September 13, 1968, an account of official business.

Mr. LANDRUM (at the request of Mr. ALBERT), for September 4 through September 13, on account of official business.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

Mr. PUCINSKI, for 1 hour, today; to revise and extend his remarks and include extraneous matter.

(The following Members (at the request of Mr. DUNCAN) to revise and extend their remarks and to include extraneous matter:)

Mr. SMITH of Oklahoma, for 1 hour, on September 5.

Mr. HALPERN, for 1 hour, on September 5.

Mr. SCHWENGEL, for 1 hour on September 4, 5, and 6.

Mr. MATHIAS of Maryland, for 15 minutes, today.

EXTENSIONS OF REMARKS

By unanimous consent, permission to extend remarks was granted to:

Mr. MONAGAN.

Mr. FUQUA and to include extraneous matter.

Mr. MICHEL in four instances and to include editorials.

Mr. HORTON and to include extraneous matter.

Mr. DEVINE to revise and extend his remarks and include extraneous matter.

Mr. STEIGER of Wisconsin (at the request of Mr. AYRES) during general debate on the Manpower Development and Training Act of 1962.

Mr. BROYHILL of Virginia and to include extraneous matter during general debate on H.R. 15045.

(The following Members (at the request of Mr. DUNCAN) and to include extraneous matter:)

Mr. RHODES of Arizona in five instances.

Mr. ZWACH.

Mr. UTT.

Mr. MATHIAS of Maryland in five instances.

Mr. SPRINGER.

Mr. SMITH of Oklahoma.

Mr. SCHERLE in two instances.

Mr. KUYKENDALL in three instances.

Mr. MIZE in two instances.

Mr. HORTON.

Mr. RUMSFELD in four instances.

Mr. THOMPSON of Georgia.

Mr. ANDERSON of Illinois.

Mr. KUPFERMAN in five instances.

Mr. LLOYD.

Mr. ASHBROOK in two instances.

Mr. ESCH in two instances.

Mr. VANDER JAGT.

Mr. BATTIN in two instances.

Mr. WYMAN in three instances.

Mr. QUILLEN in four instances.

Mr. MINSHALL.

Mr. MILLER of Ohio.

(The following Members (at the request of Mr. MORGAN) and to include extraneous matter:)

Mr. MCFALL.

Mr. CORMAN in five instances.

Mr. KYROS in two instances.

Mr. TEAGUE of Texas in eight instances.

Mr. PUCINSKI in 12 instances.

Mr. VANIK in three instances.

Mr. LONG of Maryland.

Mr. FEIGHAN in five instances.

Mr. STEED in two instances.

Mr. HUNGATE in three instances.

Mr. CHARLES H. WILSON.

Mr. MOORHEAD.

Mr. EILBERG in three instances.

Mr. ROONEY of New York.

Mr. FASCELL in two instances.

Mr. TENZER in 10 instances.

Mr. BROWN of California in two instances.

Mr. SELDEN in two instances.

Mr. ULLMAN in five instances.

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued September 18, 1968
For actions of September 17, 1968
90th-2nd No. 151

CONTENTS

HIGHLIGHTS: House conferees were appointed on farm bill and instructed to insist on extension of program for 1 year only.

HOUSE

1. FARM PROGRAM. By a 223-123 vote, agreed to a motion by Rep. Poage to send to conference H. R. 17126, to continue the Food and Agriculture Act of 1965. In reply to Rep. Findley's question as to whether the House conferees will "insist upon the provision of the bill which establishes a $20,000 limitation on payments," Rep. Poage stated that the rules of the House "require the conferees on any bill at any time to make a serious effort to sustain the position of the House" and also that the purpose for a conference is to try to work out the differences between the two Houses which means that "somewhere there must be some give on the part of each..." Agreed to a motion by Rep. Mayne that the House conferees insist that the Food and Agriculture Act

be extended for 1 year only. House conferees were then appointed. Senate conferees have been appointed. pp. H8813-15

2. APPROPRIATIONS. Received the conference report on H. R. 18785, the military construction appropriation bill, 1969 (H. Rept. 1896). This bill includes funds for payment to the Commodity Credit Corporation on the indebtedness for housing constructed in foreign countries with foreign currencies derived from the sale of surplus commodities. pp. H8783-4
   Conferees were appointed on H. R. 18037, the Labor, HEW, and related agencies appropriation bill, 1969. Senate conferees have not been appointed. p. H8786

3. REORGANIZATION. Reps. Railsback, MacGregor, and Brock urged that the legislative reorganization bill be brought to the floor before final adjournment. pp. H8785, H8819-20, H8840-75

4. RENEGOTIATION. Conferees were appointed on H. R. 17324, to extend and amend the Renegotiation Act of 1951. Senate conferees have not be appointed. p. H8784

5. ROADS. Rep. Morris, N. M., expressed alarm that the administration "would once again attempt to hold back highway funds for the Federal-aid highway program." p. H8818

6. FOREIGN TRADE. Rep. Dent discussed "international trade problems in general and the makeup of the trade panel recently named by the President." pp. H8829-39

7. LEGISLATIVE PROGRAM. Rep. Albert announced that the conference reports on the military construction and national trails bills will be ready for Wed. and that the conference report on the foreign aid authorization bill will be held over until Thurs.; also that on Wed. the supergrades and civil service retirement financing bills will be considered. p. H8816

SENATE

8. LANDS. Concurred in House amendment to S. 220, to authorize the Secretary of the Interior to sell certain parcels of land upon which an agricultural trespass has been recently discovered. This bill will now be sent to the President. p. S10907

9. INTERGOVERNMENTAL COOPERATION. Conferees were appointed on S. 698, to strengthen State and local governments and improve the relations between those governments and the Federal Government through closer cooperation and coordination of policies and activities, particulary in the administration of Federal grant and loan programs for development assistance and by other means. House conferees have not been appointed. pp. S10914-16

10. HIGHWAYS. Received from GAO a report on the opportunity to increase highway trust fund investment income by revising Federal reimbursement policy, Federal Highway Administration, Transportation Department. p. S10850

DR. JACQUES CHARBONNIEZ

The Clerk called the bill (H.R. 18174) for the relief of Dr. Jacques Charbonniez.

There being no objection, the Clerk read the bill, as follows:

H.R. 18174

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of the Immigration and Nationality Act, Doctor Jacques Charbonniez shall be held and considered to have been lawfully admitted to the United States for permanent residence as of June 29, 1962.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

REDDICK B. STILL, JR., AND RICHARD CARPENTER

The Clerk called the bill (H.R. 3193) for the relief of Reddick B. Still, Jr., and Richard Carpenter.

Mr. HALL. Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Missouri?

There was no objection.

FRANCIS M. ROGALLO AND GERTRUDE S. ROGALLO

The Clerk called the bill (H.R. 9566) for the relief of Francis M. Rogallo and Gertrude S. Rogallo.

Mr. EDWARDS of Alabama. Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Alabama?

There was no objection.

MAE LAMA MINING CO., LTD.

The Clerk called the bill (H.R. 11255) for the relief of Mae Lama Mining Co., Ltd.

Mr. EDWARDS of Alabama. Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Alabama?

There was no objection.

DR. AUGUSTO USATEGUI

Mr. FASCELL. Mr. Speaker, I ask unanimous consent to return for immediate consideration to Private Calendar No. 552, the bill (H.R. 14016) for the relief of Dr. Augusto Usategui.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Florida?

Mr. TALCOTT. Mr. Speaker, reserving the right to object, I would like to state that I previously asked that the bill be passed over without prejudice. I would now like to withdraw that request.

The SPEAKER. Is there objection to the request of the gentleman from Florida?

There being no objection, the Clerk read the bill, as follows:

H.R. 14016

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of the Immigration and Nationality Act, Doctor Augusto Usategui shall be held and considered to have been lawfully admitted to the United States for permanent residence as of November 2, 1960.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

APPOINTED OF CONFEREES ON H.R. 17126, EXTENSION OF FOOD AND AGRICULTURE ACT OF 1965

Mr. POAGE. Mr. Speaker, pursuant to rule XX of the rules of the House and at the unanimous direction of the Committee on Agriculture, I move to take from the Speaker's table the bill (H.R. 17126) to amend the Food and Agriculture Act of 1965, with Senate amendments thereto, disagree to the Senate amendments, and agree to the conference asked by the Senate.

The SPEAKER. The Clerk will report the motion.

The Clerk read as follows:

Mr. POAGE moves to take from the Speaker's table the bill (H.R. 17126) to amend the Food and Agriculture Act of 1965, with Senate amendments thereto, disagree to the Senate amendments, and agree to the conference asked by the Senate.

Mr. FINDLEY. Mr. Speaker, a parliamentary inquiry. I could not hear the proceedings, Mr. Speaker. My question is what is the parliamentary status at this point?

The SPEAKER. The Chair is about to put the question on the motion.

Mr. TALCOTT. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Will the gentleman withhold that until the gentleman from Illinois has a chance to explore his parliamentary inquiry?

Mr. TALCOTT. I cannot hear the parliamentary inquiry, Mr. Speaker.

Mr. FINDLEY. Mr. Speaker, will the gentleman from Texas yield to me?

The SPEAKER. The gentleman from Texas under the rules would be entitled to 1 hour.

Mr. FINDLEY. Yes. Will the gentleman from Texas yield to me at this point?

The SPEAKER. Is the gentleman making a parliamentary inquiry?

Mr. FINDLEY. My first inquiry was as to the status of the parliamentary situation, which I understood the Chair to say that the Chair was about to call for a vote on the motion to go to conference. I understand that. My question now is whether the gentleman from Texas [Mr. POAGE] will yield to me.

Mr. POAGE. Mr. Speaker, do I have the floor?

The SPEAKER. The gentleman from Texas is recognized for 1 hour.

Mr. FINDLEY. Will the gentleman yield?

Mr. POAGE. I yield to the gentleman for a question only.

Mr. FINDLEY. Can the gentleman give any guarantees to the Members of this body that the conferees on this bill will insist upon the provision of the bill which establishes a $20,000 limitation on payments? I ask this for the reason that the prospective conferees, as I know them to be identified, have each, with the exception of one on our side of the aisle, expressed their own personal objection to a limitation provision in the law or in the program. In the light of this objection so vehemently stated by each of them, with that one lone exception, I would like to have some assurance from the gentleman that the House conferees will, indeed, make a strenuous effort to insist on all provisions of the House measure, including the limitation on payments.

Mr. POAGE. I can answer to the gentleman it is my understanding that the rules of the House require the conferees on any bill at any time to make a serious effort to sustain the position of the House. It is my intention to seek to sustain the position of the House on this bill or any other on which I am appointed as a conferee on the conference. But it is also my understanding that the only purpose for a conference is to try to work out the differences between the two Houses which, of necessity, means that somewhere there must be some give on the part of each of the bodies. Undoubtedly that will be the case here.

I can no more predict than can the gentleman from Illinois what will finally be the result. But I do think that if we are to have any kind of orderly legislation that there must be a way whereby the representatives of this body and the representatives of the other body can meet and seek to work out their differences.

Mr. FINDLEY. Mr. Speaker, may I ask one question?

Mr. POAGE. Certainly. I yield for a question only.

Mr. FINDLEY. Can the gentleman from Texas give us assurance that the customary procedural handling of the conference papers will be adhered to?

The reason I raise that question is that there is within the rules of the House even though the Senate asks for the conference for the Senate to act first on the conference papers. In that event the Senate could accept the conference report on the part of its conferees and then the House conferees would bring the report here and then the question before the House at that point would be simply yes or no on the entire conference report. In other words, this would preclude any move to see that the $20,000 limitation is not dropped—this would preclude the House conferees from going back to conference and insisting upon that position.

I realize that the customary procedure would be for the conference papers to come first to the House.

I would like the assurance of the gentleman from Texas that that procedure will be adhered to.

Mr. POAGE. I can assure the gentleman that we are going to carry out this conference according to the rules of the

House and the Senate, because I have never heard of carrying on the practice which the gentleman suggests. It may be a good one and maybe we ought to adopt it. But it has not occurred to me to engage in any chicanery that the gentleman suggests.

Mr. FINDLEY. It is entirely legal. We are following custom.

Mr. POAGE. We will follow the rules of the House and of the Senate.

Mr. FINDLEY. Is this procedure the usual procedure?

Mr. POAGE. I assume that the House procedure has been in accordance with the rules. I have never had any occasion to doubt the propriety of the procedures of the House. If the gentleman feels that the House procedures are out of order, we will try to correct them.

The SPEAKER. The question is on the motion offered by the gentleman from Texas [Mr. POAGE].

The question was taken; and the Speaker announced that the ayes appeared to have it.

Mr. FINDLEY. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 223, nays 85, not voting 123, as follows:

[Roll No. 339]

YEAS—223

Abbitt
Abernethy
Albert
Andrews, Ala.
Andrews, N. Dak.
Arends
Ashbrook
Ashley
Aspinall
Ayres
Barrett
Battin
Belcher
Bennett
Berry
Betts
Bevill
Blanton
Blatnik
Boggs
Bolling
Bow
Brademas
Brinkley
Brock
Brooks
Brotzman
Brown, Ohio
Broyhill, N.C.
Broyhill, Va.
Burke, Mass.
Burleson
Burton, Calif.
Byrnes, Wis.
Carter
Casey
Cederberg
Chamberlain
Clausen, Don H.
Collins
Colmer
Corbett
Culver
Cunningham
Curtis
Davis, Ga.
Davis, Wis.
de la Garza
Delaney
Dellenback
Denney
Dickinson
Diggs
Dole
Dorn
Dow
Dowdy
Downing
Dulski
Duncan
Dwyer
Edmondson
Edwards, Ala.
Edwards, La.
Eilberg
Erlenborn
Esch
Eshleman
Evans, Colo.
Everett
Fascell
Feighan
Flood
Flynt
Foley
Ford, Gerald R.
Fountain
Fraser
Frelinghuysen
Fuqua
Galifianakis
Gallagher
Gathings
Gibbons
Gray
Green, Oreg.
Griffin
Gross
Hagan
Haley
Hall
Hamilton
Hammer-schmidt
Hanna
Hardy
Harsha
Harvey
Hathaway
Hays
Hechler, W. Va.
Howard
Hull
Hutchinson
Ichord
Irwin
Jarman
Johnson, Calif.
Jones, Ala.
Jones, Mo.
Jones, N.C.
Karth
Kastenmeier
Kazen
Kee
Kleppe
Kornegay
Kuykendall
Kyl
Kyros
Laird
Langen
Latta
Lennon
Long, La.
Lukens
McCloskey
McCulloch
McFall
McMillan
Mahon
Marsh
Martin
Mathias, Calif.
Matsunaga
May
Mayne
Meeds
Michel
Miller, Ohio
Mills
Mink
Mize
Montgomery
Morgan
Morris, N. Mex.
Murphy, Ill.
Murphy, N.Y.
Myers
Natcher
Nedzi
Nichols
Nix
O'Hara, Mich.
O'Neal, Ga.
O'Neill, Mass.
Passman
Patman
Patten
Perkins
Pickle
Poage
Poff
Price, Ill.
Price, Tex.
Pucinski
Purcell
Quie
Quillen
Randall
Reid, Ill.
Reifel
Reuss
Rhodes, Pa.
Riegle
Roberts
Rogers, Colo.
Ronan
Rooney, N.Y.
Rooney, Pa.
Rosenthal
Rostenkowski
Roush
Roybal
Ruppe
Schadeberg
Scherle
Schwengel
Scott
Selden
Shriver
Sikes
Skubitz
Slack
Smith, Iowa
Snyder
Springer
Stanton
Steed
Steiger, Ariz.
Steiger, Wis.
Stubblefield
Stuckey
Talcott
Taylor
Tenzer
Thompson, N.J.
Thomson, Wis.
Tuck
Tunney
Udall
Van Deerlin
Vigorito
Waggonner
Waldie
Wampler
Watson
White
Wilson, Charles H.
Winn
Wyman
Young
Zablocki
Zwach

NAYS—85

Adair
Addabbo
Anderson, Ill.
Baring
Bates
Biester
Bray
Burke, Fla.
Button
Byrne, Pa.
Cahill
Carey
Clancy
Clark
Cleveland
Cohelan
Collier
Conable
Cowger
Cramer
Daniels
Dent
Derwinski
Devine
Farbstein
Findley
Fino
Ford, William D.
Fulton, Pa.
Giaimo
Gonzalez
Goodling
Grover
Gude
Halleck
Halpern
Hanley
Horton
Hunt
Jacobs
Joelson
King, N.Y.
Lipscomb
Long, Md.
McClory
McDade
McEwen
Madden
Mailliard
Meskill
Minshall
Monagan
Mosher
Ottinger
Pelly
Pike
Pirnie
Railsback
Reid, N.Y.
Reinecke
Robison
Rodino
Rogers, Fla.
Roth
Rumsfeld
Ryan
St Germain
St. Onge
Sandman
Saylor
Scheuer
Schneebeli
Shipley
Smith, Calif.
Smith, N.Y.
Taft
Teague, Calif.
Thompson, Ga.
Tiernan
Watkins
Whalen
Whalley
Wolff
Wyatt
Wydler

NOT VOTING—123

Adams
Anderson, Tenn.
Annunzio
Ashmore
Bell
Bingham
Blackburn
Boland
Bolton
Brasco
Broomfield
Brown, Calif.
Brown, Mich.
Buchanan
Burton, Utah
Bush
Cabell
Celler
Clawson, Del
Conte
Conyers
Corman
Daddario
Dawson
Dingell
Donohue
Eckhardt
Edwards, Calif.
Evins, Tenn.
Fallon
Fisher
Friedel
Fulton, Tenn.
Gardner
Garmatz
Gettys
Gilbert
Green, Pa.
Griffiths
Gubser
Gurney
Hansen, Idaho
Hansen, Wash.
Harrison
Hawkins
Hébert
Heckler, Mass.
Helstoski
Henderson
Herlong
Hicks
Holifield
Hosmer
Hungate
Johnson, Pa.
Jonas
Karsten
Keith
Kelly
King, Calif.
Kirwan
Kluczynski
Kupferman
Landrum
Leggett
Lloyd
McCarthy
McClure
McDonald, Mich.
Macdonald, Mass.
MacGregor
Machen
Mathias, Md.
Miller, Calif.
Minish
Moore
Moorhead
Morse, Mass.
Morton
Moss
Nelsen
O'Hara, Ill.
O'Konski
Olsen
Pepper
Pettis
Philbin
Podell
Pollock
Pryor
Rarick
Rees
Resnick
Rhodes, Ariz.
Rivers
Roudebush
Satterfield
Schweiker
Sisk
Smith, Okla.
Stafford
Staggers
Stephens
Stratton
Sullivan
Teague, Tex.
Ullman
Utt
Vander Jagt
Vanik
Walker
Watts
Whitener
Whitten
Widnall
Wiggins
Williams, Pa.
Willis
Wilson, Bob
Wright
Wylie
Yates
Zion

So the motion was agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. Hébert for, with Mr. Conte against.
Mr. Cabell for, with Mrs. Heckler of Massachusetts against.
Mr. Brasco for, with Mr. Kupferman against.
Mr. Annunzio for, with Mr. Mathias of Maryland against.
Mr. Fisher for, with Mr. Morse of Massachusetts against.
Mr. Fulton of Tennessee for, with Mr. Widnall against.
Mr. Gettys for, with Mr. Bob Wilson against.
Mr. Jonas for, with Mr. Adams against.
Mr. Rhodes of Arizona for, with Mr. Stratton against.
Mr. Henderson for, with Mr. Broomfield against.
Mr. Holifield for, with Mr. Johnson of Pennsylvania against.
Mr. Smith of Oklahoma for, with Mr. Podell against.
Mr. Hungate for, with Mr. Utt against.
Mr. Nelsen for, with Mr. Minish against.
Mr. Kirwan for, with Mr. Williams of Pennsylvania against.
Mr. Pepper for, with Mr. Del Clawson against.
Mr. Leggett for, with Mr. Vander Jagt against.
Mr. Pryor for, with Mr. Hosmer against.
Mr. Pollock for, with Mr. Gilbert against.
Mr. Moore for, with Mr. Brown of California against.
Mr. Miller of California for, with Mr. Conyers against.
Mr. Rivers for, with Mr. Edwards of California against.
Mrs. Sullivan for, with Mr. Hawkins against.
Mr. Morton for, with Mr. Helstoski against.
Mr. Blackburn for, with Mrs. Kelly against.
Mr. Buchanan for, with Mr. McCarthy against.
Mr. Teague of Texas for, with Mr. Rees against.
Mr. Whitener for, with Mr. Resnick against.
Mr. Ashmore for, with Mr. Vanik against.
Mr. Celler for, with Mr. Yates against.

Until further notice:

Mr. Whitten with Mr. Bell.
Mr. Philbin with Mr. Gardner.
Mr. Donohue with Mr. Hansen of Idaho.
Mr. Boland with Mr. Brown of Michigan.
Mr. Macdonald of Massachusetts with Mr. Gubser.
Mr. Garmatz with Mr. Burton of Utah.
Mr. Fallon with Mr. Gurney.
Mr. Friedel with Mr. Bush.
Mr. Dingell with Mr. Harrison.
Mr. Moorhead with Mr. Keith.
Mr. Kluczynski with Mr. Lloyd.
Mr. Anderson of Tennessee with Mr. McClure.
Mr. Corman with Mr. McDonald of Michigan.
Mr. Landrum with Mr. Schweiker.
Mr. Olsen with Mr. MacGregor.
Mr. Satterfield with Mr. O'Konski.
Mr. Green of Pennsylvania with Mr. Pettis.
Mr. Staggers with Mr. Roudebush.
Mrs. Hansen of Washington with Mr. Stafford.
Mr. Hicks with Mr. Wiggins.
Mr. Sisk with Mr. Wylie.
Mr. Evins of Tennessee with Mr. Zion.
Mr. Moss with Mr. Dawson.
Mr. O'Hara of Illinois with Mr. Machen.
Mr. King of California with Mr. Ullman.
Mr. Willis with Mr. Eckhardt.
Mrs. Griffiths with Mr. Herlong.
Mr. Stephens with Mr. Rarick.
Mr. Wright with Mr. Walker.
Mr. Watts with Mr. Karsten.

Messrs. MAILLIARD, BURKE of Florida, McDADE, GUDE, LONG of Maryland, SCHEUER, DERWINSKI, CAREY, and MONAGAN changed their votes from "yea" to "nay."

The result of the vote was announced as above recorded.

The doors were opened.

A motion to reconsider was laid on the table.

PREFERENTIAL MOTION OFFERED BY MR. MAYNE

Mr. MAYNE. Mr. Speaker, I offer a preferential motion.

The Clerk read as follows:

Mr. MAYNE moves that the managers on the part of the House, at the conference on the disagreeing votes of the two Houses on the bill H.R. 17126 be instructed to insist on the provisions of the first section of the House bill which read as follows:

"That the Food and Agriculture Act of 1965 is extended—

"(1) by striking out 'through 1969' wherever it appears and substituting 'through 1970';

"(2) by striking out '1966, 1967, 1968, and 1969' wherever it appears and substituting '1966 through 1970';

"(3) by striking out '1969' in sections 103 and 201 and substituting '1970';

"(4) by striking out '1967, 1968, and 1969' in section 402(b) and substituting '1967 through 1970';

"(5) by striking out '1970' in section 404 and substituting '1971';

"(6) by striking out '1966 through the 1969' in section 516 and substituting '1966 through the 1970';

"(7) by striking out '1968' and '1969' wherever they appear in section 602(k) and substituting '1969' and '1970', respectively; and

"(8) by striking out 'or 1969' in section 801 and substituting '1969, or 1970'."

Mr. MAYNE. Mr. Speaker, the effect of this motion is to instruct the House conferees to insist that the Food and Agriculture Act of 1965 be extended for 1 year only. This body voted for a 1-year extension when the matter came before the House on July 31 of this year. As a practical matter we all know that a 1-year extension is the only extension which would have any chance of passage in this session.

Furthermore, a 1-year extension will carry out the bipartisan agreement which was carefully worked out in the House Committee on Agriculture by Members on both sides of the aisle—Members who recognized that the terrible predicament of our farm families is far too serious to be kicked around as a political football in this election year.

A 1-year extension will give a new Congress, a new President and, hopefully, a new Secretary of Agriculture sufficient time next year to work on and to consider improved farm programs on the merits and free from the political temptations and pressures of an election year.

Therefore, Mr. Speaker, I urge all Members who are seriously interested not only in helping the American farmers, but who want to preserve and strengthen the economy of our entire Nation, to vote in favor of this motion.

Mr. GERALD R. FORD. Mr. Speaker, will the gentleman yield?

Mr. MAYNE. I am happy to yield to the distinguished minority leader for the purpose of asking a question.

Mr. GERALD R. FORD. First let me express my appreciation for the opportunity to ask a question. May I also say, however, that I approve of the course of action taken by the gentleman from Iowa. I want his reassurance, however, because the motion to instruct is highly technical, whether it is a fact that its effect is to extend the legislation now on the statute books for 1 year?

Mr. MAYNE. That is correct.

Mr. GERALD R. FORD. I thank the gentleman for yielding.

Mr. MAYNE. Mr. Speaker, I move the previous question on the preferential motion.

The previous question was ordered.

The SPEAKER. The question is on the preferential motion offered by the gentleman from Iowa [Mr. MAYNE].

The preferential motion was agreed to.

The SPEAKER. The Chair appoints the following conferees: Messrs. POAGE, GATHINGS, PURCELL, FOLEY, BELCHER, TEAGUE of California, and Mrs. MAY.

DISPENSING WITH BUSINESS IN ORDER UNDER CALENDAR WEDNESDAY RULE TOMORROW

Mr. ALBERT. Mr. Speaker, after consulting with the distinguished Members of the minority leadership, I now renew my unanimous-consent request that the business in order under the Calendar Wednesday rule be dispensed with tomorrow.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

Mr. RUMSFELD. Mr. Speaker, I reserve the right to object.

Mr. Speaker, the gentleman from Minnesota [Mr. MACGREGOR] objected to a similar request last week. Unfortunately, he is unavoidably absent from the Chamber this evening.

We recall that the reason for his objection last week was a sincere attempt to use the procedures of the House to bring to the floor the bill to amend the Federal election laws.

The reason for his objection was the fact that the so-called election reform legislation has not been scheduled for floor consideration during the course of this year, and the Calendar Wednesday procedure was available under the rules.

However, for this procedure to work, of course, it requires that there be some cooperation by the chairmen of the committees and the Members of the House to reach, through the call of the roll, on Calendar Wednesday, through the Committee on Agriculture, the Committee on Armed Services and the various other committees down to the Committee on House Administration so that that committee could then call up for consideration the election reform legislation.

Those of us who share the desire, to use the Calendar Wednesday procedure to gain floor consideration of the election reform bill have reviewed the number of bills that are eligible under the Calendar Wednesday procedure and it appears that the Committee on Agriculture has some eight bills that can be called up; the Committee on Armed Services has one bill; the Committee on Banking and Currency has seven bills; the Committee on the District of Columbia has five bills; the Committee on Education and Labor has nine bills; the Committee on Foreign Affairs has two bills; the Committee on Government Operations has six bills; and the Committee on House Administration has one bill in addition to the election reform legislation that that committee could call up.

It is clear that by using the Calendar Wednesday procedure, under these circumstances, with some 39 or 40 bills that could be called up tomorrow, we would not be able to achieve the goal that the gentleman from Minnesota and others of us have; namely, to bring to the floor the election reform legislation.

That being the case, and since none of us have any desire to delay the proceedings of the House or to engage in a futile act by using a procedure to attempt to bring up a bill which it is impossible for the House to have a chance to consider under that procedure—for that reason, we have no desire to continue to object.

I would like to say there still is a strong desire on the part of many Members on this side and I am sure on the part of Members on the other side for the House to have the opportunity to consider the election reform legislation this year, as well as the Legislative Reform Act.

For myself, and I know the gentleman from Minnesota, we intend to continue to use the procedures of the House and the rules of the House to see if we can bring about floor scheduling of those two bills before this House adjourns.

Mr. PUCINSKI. Mr. Speaker, will the gentleman yield?

Mr. RUMSFELD. I yield to the gentleman.

Mr. PUCINSKI. Mr. Speaker, what is the status of the gentleman's discharge petition?

Mr. RUMSFELD. There is a discharge petition filed with the Committee on Rules with respect to the Legislative Reorganization Act. It is my understanding, and the gentleman asked me off the floor just before we came into the Chamber the same question and I answered him the same way that I am now answering him, that within a matter of days a discharge petition will be available for the Reorganization Act at the Clerk's desk.

With respect to a discharge petition for the election reform legislation, it was our thought that we would attempt to use the Calendar Wednesday procedure. We have attempted that. It is clear to me at least that there is no chance for the election reform legislation to be brought up under this procedure.

The gentleman is correct if he is suggesting that a next logical step is a discharge petition.

Mr. CURTIS. Mr. Speaker, will the gentleman yield?

Mr. RUMSFELD. I yield to the gentleman from Missouri.

Mr. CURTIS. I am not quite sure I agree completely with what has been said. I believe I heard it said that because there are these bills that have been hoarded up in these various committees, therefore, the Calendar Wednesday procedure would not be an effective one to use.

I have no knowledge that any of the chairmen of these committees have been desirous of using Calendar Wednesday. If there were an attempt at this late date for them to use Calendar Wednes-

day, I would suggest that it would obviously be for other purposes; namely, to effect a delay in the consideration of the election reform bill.

I would observe further that the real problem that I think faces us, as far as having the election reform bill on the floor, is that the chairman of the House Administration Committee—and this is the word that is around and I presume it is true—would not attempt to call it up. The main thing is that Calendar Wednesday can be used if a majority so desires. But it is clear to me, at any rate—and this I do share with my friend from Illinois in respect to his views—it is clear the majority of those who control the committees have no desire to bring this matter up, and therefore Calendar Wednesday, under the circumstances, would be ineffective only because the chairman of the Committee on House Administration would not bring it up, and the possibility that the chairmen of other committees would seek to subvert the intention of the use of Calendar Wednesday.

Mr. RUMSFELD. I agree with the gentleman from Missouri, and that is my information. I would like to inquire and confirm of the majority leader, is it not a fact that chairmen of committees have indicated to you that it is their intention to use the opportunity that could conceivably come tomorrow under Calendar Wednesday to call up bills from committees other than the Committee on House Administration and, in fact, committees that would precede House Administration on the call of Calendar Wednesday?

Mr. ALBERT. Mr. Speaker, will the gentleman yield?

Mr. RUMSFELD. I am happy to yield to the gentleman from Oklahoma.

Mr. ALBERT. The answer is "Yes." Committee chairmen have advised me that if this procedure is used, they intend to take advantage of it to call up certain bills.

Mr. RUMSFELD. I thank the gentleman for his comments, and I withdraw my reservation.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

LEGISLATIVE PROGRAM

(Mr. GERALD R. FORD asked and was given permission to address the House for 1 minute.)

Mr. GERALD R. FORD. Mr. Speaker, I take this time for the purpose of asking the distinguished majority leader the program for tomorrow as best he can foresee it at this point.

Mr. ALBERT. Mr. Speaker, will the distinguished minority leader yield?

Mr. GERALD R. FORD. I yield to the gentleman from Oklahoma.

Mr. ALBERT. Mr. Speaker, after consulting with the distinguished chairman of the Committee on Foreign Affairs, we have put over until Thursday the calling of the conference report on the Foreign Assistance Act. We do, however, have two conference reports ready for tomorrow, one on military construction and one on national trails. There are additional bills which we have programed for the balance of the week. We would like to consult with the chairmen of the committees reporting those bills early in the morning before deciding which of them will follow the conference reports.

Mr. GERALD R. FORD. I thank the distinguished majority leader.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. GERALD R. FORD. I yield to the gentleman from Iowa.

Mr. GROSS. May I ask the distinguished majority leader whether he plans to alter the order of the bills as set forth other than as indicated in the announcement just made.

Mr. ALBERT. The gentleman will recall that when we announced the program, we were confronted with a long Private Calendar day, which we have had, and with a Calendar Wednesday program. We said at the time, in view of that, if a change occurred in the programing of either or both of those matters, there might be some changes in the order in which the other bills on the program would come up.

Mr. GROSS. Mr. Speaker, will the gentleman give us the ones he thinks will come tomorrow?

Mr. ALBERT. Mr. Speaker, I have given the gentleman the two conference reports.

There has been some request that we bring up the Federal Magistrates Act—S. 945—as soon as possible. Before answering the gentleman's question directly, I should like to consult with the chairman of the Committee on the Judiciary, as well as the chairman of the Committee on Post Office and Civil Service, as to which one of these bills might be called first tomorrow.

Mr. GROSS. Mr. Speaker, what bill did the gentleman say would come from the Post Office and Civil Service Committee?

Mr. ALBERT. There are two. First is the bill concerning additional positions in certain executive agencies—H.R. 15890; second is civil service retirement financing—H.R. 17682.

Mr. GROSS. Mr. Speaker, is that the so-called supergrades bill?

Mr. ALBERT. Mr. Speaker, the gentleman is correct. The first one is the supergrade bill. There is also S. 2484, the extension of New Senate Office Building site, from the Committee on Public Works.

Mr. GROSS. Mr. Speaker, if the gentleman will bear with me, it is not the purpose then to bring up the conference report on the foreign aid bill until Thursday?

Mr. ALBERT. Mr. Speaker, the gentleman is correct.

Mr. GROSS. And the appropriation bill, the gentleman would think, would come this week?

Mr. ALBERT. I should think that would come early next week.

CORRECTION OF VOTE

Mr. GALIFIANAKIS. Mr. Speaker, on rollcall No. 333 I am recorded as not voting. I was present and voted "nay." I ask unanimous consent that the permanent RECORD be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. GALIFIANAKIS. Mr. Speaker, on rollcall No. 337, I am recorded as not voting. I was present and voted "yea." I ask unanimous consent that the permanent RECORD be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

CORRECTION OF VOTE

Mr. KYROS. Mr. Speaker, on rollcall No. 329, I am recorded as not voting. I was present and voted "yea." I ask unanimous consent that the permanent RECORD and Journal be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from Maine?

There was no objection.

PERSONAL EXPLANATION

Mr. KASTENMEIER. Mr. Speaker, on rollcall No. 329, on September 16, 1968, I am recorded as not voting. I was unavoidably absent from the Chamber. Had I been present, I would have voted "yea."

TRIBUTE TO THE MEMBERS OF THE DESOTO HISTORICAL SOCIETY OF MANATEE COUNTY, FLA.

(Mr HALEY asked and was given permission to address the House for 1 minute, to revise and extend his remarks, and to include extraneous matter.)

Mr. HALEY. Mr. Speaker, I have requested this time to pay tribute to a group of outstanding citizens of my congressional district, the members of the DeSoto Historical Society of Manatee County, more popularly known as the Conquistadores.

This group of business and professional men has done more to build good international relations than any single group of private citizens I have ever known.

Not only do the Conquistadores annually sponsor the DeSoto Celebration at Bradenton, Fla., reenacting the landing of Hernando DeSoto on Florida soil in 1539, but also they have an active relationship with Bradenton's sister city, Barcarrota, Spain, the birthplace of Bernando DeSoto. The Conquistadores have made three goodwill trips to Spain, visiting Barcarrota, Madrid, and other Spanish cities, strictly at their own expense. The Spanish people have reciprocated by sending descendants of Hernando DeSoto and representatives of the Spanish Government and the city of Barcarrota to the United States to participate in the annual celebration.

I include in the RECORD at this time a letter from Dr. W. D. Sugg, who has given outstanding leadership in this people-to-people program, and a translation of the article which appeared in the Sunday A.B.C. of May 14, 1967, featuring the Conquistadores and their 1967

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued September 19, 1968
For actions of September 18, 1968
90th-2nd No. 152

CONTENTS

HIGHLIGHTS. House received conference report recommending 1 year extension of farm program. Senate ordered school lunch bill to lie on table. House agreed to conference report on trails bill. House rejected resolution to clear supergrades bill. Conferees agreed to file report on scenic rivers bill. Senate concurred in House amendment to N. J. wilderness bill. Senate committee reported Davis nomination to be Assistant Secretary of USDA. Rep. Tunney introduced and discussed bills to provide rural-urban balance.

HOUSE

1. FARM PROGRAM. Received the conference report on H. R. 17126, the farm bill (H. Rept. 1905). The conference substitute extends the Food and Agriculture Act of 1965 for 1 year and omits all other amendments. p. H8952

2. TRAILS. Agreed to the conference report on S. 827, to establish a nationwide system of trails (pp. H8884-6). See Digest 148 for provisions of conference report.

3. SUPERGRADES. Rejected, 134-221, a resolution for the consideration of H. R. 15890, to provide for additional supergrade positions in certain executive agencies. pp. H8889-94

4. SCENIC RIVERS. Conferees agreed to file a report on S. 119, to reserve certain public lands for a national wild rivers system. p. D845

5. BUDGET. Rep. Curtis claimed that the cutback of $6 billion required in the tax increase and expenditure control bill "has been reversed" and that the net total budgeted outlays are now estimated to be $191 billion for fiscal year 1969. p. H8882

6. TAXATION. The Ways and Means Committee reported with amendment H. R. 17332, to amend the Internal Revenue Code of 1954 regarding taxes on gasoline and oils used for agricultural purposes (H. Rept. 1901); and with amendments H. R. 14095, to make certain changes to facilitate the production of wine (H. Rept. 1899). p. H8961

7. FARM CREDIT. The Agriculture Committee reported without amendment H. R. 19418, to expedite retirement of Government capital from Federal intermediate credit banks, production credit associations, and banks for cooperatives (H. Rept. 1897). p. H8961

8. PERSONNEL. Agreed to a resolution for the consideration of H. R. 17682, civil service retirement financing (pp. H8898-900). This bill includes provisions that the period for determining average salary for annuity computation purposes would be changed from 5 years to 3 years, that unused sick leave would be added to the actual length of service for computing the annuity of an employee retiring or the annuity of the survivors of an employee dying in service, and that an extra 1 percent would be added to each annuity increase resulting from changes in the Consumer Price Index.

Concurred in Senate amendments with an amendment, to H. R. 13844, to provide additional leave of absence for Federal employees in connection with the funerals of their immediate relatives who died while on duty in the Armed Forces. p. H8888

9. RESEARCH STATION. A subcommittee of the Agriculture Committee approved for full committee action H. R. 14388, to convey certain real property in the Agricultural Research Center, Beltsville, Md. p. D844

10. EDUCATION. The conferees agreed to file a report on S. 3769, the proposed Higher Education Amendments of 1968. p. D845

11. APPROPRIATIONS. Both Houses agreed to the conference report on H. R. 18785, the military construction appropriation bill, and agreed on the amendment in disagreement (pp. H8883-4, S10944-5). This bill includes funds for payment to the Commodity Credit Corporation on the indebtedness for housing constructed in foreign countries with foreign currencies derived from the sale of surplus commodities. The bill will now be sent to the President.

Received the conference report on H. R. 17023, the independent offices and HUD appropriation bill, 1969 (H. Rept. 1904). p. H8961

90TH CONGRESS
2d Session
HOUSE OF REPRESENTATIVES
REPORT
No. 1905

FOOD AND AGRICULTURE ACT OF 1965

SEPTEMBER 18, 1968.—Ordered to be printed

Mr. POAGE, from the committee of conference,
submitted the following

CONFERENCE REPORT

[To accompany H.R. 17126]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 17126), to amend the Food and Agriculture Act of 1965, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *That the Food and Agriculture Act of 1965 is extended—*

(1) by striking out "through 1969" wherever it appears and substituting "through 1970";

(2) by striking out "1966, 1967, 1968, and 1969" wherever it appears and substituting "1966 through 1970";

(3) by striking out "1969" in sections 103 and 201 and substituting "1970";

(4) by striking out "1967, 1968, and 1969" in section 402(b) and substituting "1967 through 1970";

(5) by striking out "1970" in section 404 and substituting "1971";

(6) by striking out "1966 through the 1969" in section 516 and substituting "1966 through the 1970";

(7) by striking out "1968" and "1969" wherever they appear in section 602(k) and substituting "1969" and "1970", respectively; and

(8) by striking out "or 1969" in section 801 and substituting "1969, or 1970".

98–006

And the Senate agree to the same.

W. R. POAGE,
E. C. GATHINGS,
GRAHAM PURCELL,
THOMAS S. FOLEY,
PAGE BELCHER,
CATHERINE MAY,
Managers on the Part of the House.

ALLEN J. ELLENDER,
SPESSARD L. HOLLAND,
HERMAN E. TALMADGE,
B. EVERETT JORDAN,
GEORGE D. AIKEN,
MILTON R. YOUNG,
J. CALEB BOGGS,
Managers on the Part of the Senate.

STATEMENT OF MANAGERS ON THE PART OF THE HOUSE

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill, H.R. 17126, to amend the Food and Agriculture Act of 1965, submit the following explanation of the effect of the act agreed upon by the conferees and recommended in an accompanying conference report.

The Senate receded from its amendment extending the Food and Agriculture Act of 1965 for 4 years. The act as extended by the conference committee would be extended for 1 year.

The conference substitute omits all other amendments.

W. R. POAGE,
E. C. GATHINGS,
GRAHAM PURCELL,
THOMAS S. FOLEY,
PAGE BELCHER,
CATHERINE MAY,
Managers on the Part of the House.

291.2 million equivalent square yards set in January 1968.

Cotton textile imports were 135 million equivalent square yards in July of this year, a 5-percent increase above the 128.8 million square yards imported in July 1967.

Wool textile imports during July 1968, were 21.5 million equivalent square yards, an increase of 46.3 percent over July 1967.

Manmade fiber textile imports during July 1968, were 142 million equivalent square yards, an increase of 19.2 percent over the previous high of 119.1 million equivalent square yards set in January of this year. In July 1968, imports of manmade fibers were 96.9 percent greater than July 1967. July 1968, was the first month that manmade fiber textile imports exceeded cotton textile imports.

Mr. Speaker, I fail to see how any person can objectively examine the statistics I have just quoted without coming to the conclusion that the American textile industry is being seriously harmed by an ever-increasing amount of imports. How anyone can believe that the industry can continue to withstand the economic impact of such imports is beyond my comprehension.

The only reason that the domestic textile industry has been able to survive is because the industry has been manned by outstanding executives and a dedicated group of employees.

I do not believe that any other industry in the Nation could survive the tremendous problems which our unwise international trade policy has created for the textile industry. It is a tribute to the industry and to the millions of people employed in it that in spite of the obstacles free trade proponents have created, over 4 million Americans are still able to earn their livelihood in textile plants.

Mr. Speaker, I deeply regret that in the appointment of the advisory committee the President could not have selected more representatives from those industries experiencing severe economic pressures under present trade policies. Anyone familiar with the public records and the views expressed by the majority of the members of the committee can, with reasonable certainty, predict the recommendations that will be transmitted through the Special Representative for Trade Negotiations to the President.

Once again the Government proposes to find the solution for a very serious domestic problem through the appointment of another committee. Like other commissions, committees, panels, and study groups before it, the advisory committee appointed on August 30 will not, in my opinion, give the answer to the myriad problems created by unrealistic trade relations abroad.

The answer lies not in administrative action, but with the Congress. Unless the legislative arm of the Government reasserts its constitutional prerogative and once again assumes jurisdiction over foreign trade we will continue to have unproductive bureaucratic investigations and ultimate economic disaster for a number of basic American industries.

(Mr. WHITENER asked and was given permission to revise and extend his remarks.)

THE NEW LOOK AT COMMERCE UNDER LYNDON JOHNSON

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from West Virginia [Mr. STAGGERS] is recognized for 10 minutes.

Mr. STAGGERS. Mr. Speaker, the Department of Commerce is not exactly what one would call a glamour agency. Few of its achievements, vital though they are to the growth of the private economy and the conduct of the public business, are rewarded with headlines or public acclaim. Nevertheless, it has had, over the years, a record of steady accomplishment in its many and remarkably diverse areas of responsibility. And never have these accomplishments been greater or more far reaching than during the 5 years of President Johnson's administration.

Under the leadership of President Johnson, the Department of Commerce has taken on many new challenges.

The Department is charged with promoting and fostering the foreign and domestic commerce of the Nation, and for many years this responsibility was discharged in a more or less passive manner. For too long, the Department was largely a statistical and housekeeping agency of the Federal Government. Needless to say, this approach did not fit the activist style of Lyndon Johnson—and so, the Department took on a new look and a new perspective of its role in the Nation.

No longer does it see itself as simply the business agency of the Federal Government, narrowly concerned with safeguarding and promoting only profits and production. The Commerce Department today operates on the premise that the true business of business is America, and that the condition of our social and physical and economic environment is every bit as important to business as cost and price structures and market research.

As a result, in the new Environmental Science Services Administration, the Department is applying the scientific resources of the Federal Government to an extensive and a coordinated study of our physical environment. New knowledge is being generated and information channeled to serve agriculture and transportation and communications, as well as industry in general. The urgency of this task cannot be exaggerated as the balance of nature becomes increasingly endangered because of air and water pollution and other ill effects of an increasingly industrialized and manmade world.

Recognizing that economics vitally concerns people and the way they live, the Department of Commerce developed a compassionate program to revitalize economically depressed communities that have been bypassed by prosperity and technological change. Building on the work of the Area Redevelopment Administration, President Johnson in 1965 asked Congress to establish the Economic Development Administration to offer economic assistance to distressed cities and counties.

More than 1,300 areas, with a population of 50 million people, were identified as having an unemployment rate of over 7.5 percent. In just 2 years, 579 of these areas had sufficiently improved their economies so that they no longer needed assistance.

This was no program of Federal handouts. It was a grassroots program that called for local initiative, local planning, and community participation in the form of local nonprofit development groups.

The Economic Development Administration also seeks to identify centers for future economic growth in many of our smaller cities—cities that can serve as economic engines for regional economic growth. This is a program that will greatly benefit the Nation in the years to come by lessening the economic and population pressures on our major metropolitan areas.

Under Lyndon Johnson, the Commerce Department became more active in the field of consumer protection. It has been carrying out the Fair Packaging and Labeling Act, working with business to insure that the American consumer will be able to shop with confidence and without confusion as to the quality and content of what he or she buys.

Under the Fire Research and Safety Act passed by this Congress, the Department is conducting research into fire protection and prevention. The importance of this work is underlined by the enormous toll in lives and property that fires exact every year—12,000 deaths and $2 billion in property losses in a single year.

The Department is also conducting research into the fire hazards of fabrics and other materials which pose a threat to the American consumer.

These are just a few of the highlights of the Department's new look that has been fashioned under the leadership of President Johnson. And while carrying out these new responsibilities, it has neglected none of its more traditional duties in the areas of patents, maritime affairs, the keeping of the Nation's accounts and census taking.

The Patent Office is a good example of the new approach at Commerce. The patent system has remained essentially unchanged for 130 years, while the winds of technological change swirled around it. One result is that the backlog of pending patent applications has been more than 200,000 and the waiting time between filing and final disposition of a patent application averages two and a half years.

Consequently, in 1965, President Johnson issued an Executive order creating the President's Commission on the Patent System which was directed to recommend steps to ensure that the patent system will be more effective in serving the public interest in view of the rapidly changing and complex technology of our times.

In December 1966, the Commission issued a report containing no less than 35 recommendations for modernizing the procedures of the patent system. These were incorporated into the patent reform bill which the President sent to the Con-

gress in February of 1967. This legislation, with various modifications and amendments, is still under discussion in the Congress, but there is no doubt that the final version when passed will greatly improve the patent system.

The Commerce Department also made great strides in the dissemination of scientific and technological information. Invention is the seed of technological progress, but the seed grows only through the application of the new technology to production. New processes must be made available to the producers before invention can bear economic fruit.

To facilitate this essential transfer of new technology, the President in 1964 asked the Congress to establish the Office of State Technical Services to stimulate the flow of new technological information into the business community.

In signing the legislation that resulted from this request, the President said:

> This bill will do for American businessmen what the great Agriculture Extension Service has done for the American farmer. It will result in the creation of new industries and the expansion of old ones.

This new Office does not attempt to extend the powers of the Federal Government. It acts primarily as a catalyst for state programs, offering matching funds and technical support. Some 200 colleges and universities are participating in all of our States and territories, and more than 1,500 research projects are now underway in a wide variety of essential industries, bringing the genius of American technology to every business firm that wants it.

Under President Johnson, the Department of Commerce has renewed and strengthened its commitment to serve the American people. It has been given new responsibilities, and it has fulfilled them with distinction.

AMENDMENT TO THE FOOD AND AGRICULTURAL ACT OF 1965—CONFERENCE REPORT

Mr. GATHINGS (on behalf of Mr. POAGE) filed the following conference report and statement on the bill (H.R. 17126), to amend the Food and Agricultural Act of 1965:

CONFERENCE REPORT (H. REPT. NO. 1905)

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 17126), to amend the Food and Agriculture Act of 1965, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

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And the Senate agree to the same.

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ALLEN J. ELLENDER,
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HERMAN E. TALMADGE,
B. EVERETT JORDAN,
GEORGE D. AIKEN,
MILTON R. YOUNG,
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STATEMENT

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U.S. NAVY CHAPLAINS

(Mr. SCHADEBERG asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. SCHADEBERG. Mr. Speaker, it is my privilege to bring to the attention of my colleagues in the House a contribution being made to our country's spiritual and moral welfare by those who have served and are serving as chaplains in the U.S. Navy. These are men who have heard and accepted the "call" to serve God and country. These are men who share the hardship and dangers of battle to bring moral and spiritual ministry to those who by circumstances of our times are separated for extended periods of time from family and loved ones.

Indirectly, but with equal force, my remarks about Navy chaplains serve also to point out the dedication and integrity and moral stature of those who occupy the top positions among line officers within the Military Establishment. While my remarks address themselves to those serving in the U.S. Navy, they reflect equally the high caliber and dedication and moral integrity of those who serve in the Army, the Air Force, the Marines, and the Coast Guard.

Just last week, I was privileged to address several hundred command personnel of the U.S. Army at Camp Ord, Calif., at General Kenan's prayer breakfast, which opened, formally, the Religious Emphasis Week at the camp. I can testify personally that if the fathers and mothers and wives and sweethearts of our men serving in the Armed Forces could have been present with me at that breakfast, they would have no fears about the caliber of those under whose command their loved ones are serving.

Far too much criticism of the members of our Armed Forces is being directed by those whose sole aim is to topple our Government and thus prepare the way for some form of dictatorship. Far too often their irresponsible and inflammatory remarks and their calculated half-truths are given a prominent place in communication media, thus presenting a corrupted view of the situation as it is. The truth is that this is a great country not because some politician says so or because some officeholder claims authorship of legislation that suggests ours is a "Great Society." This is a great country because we are a great people. Those of whom I speak are vivid examples of what makes our Nation a great nation. These men come from the cities and the countryside, the highways and byways of our land. These, Mr. Speaker, are our sons, brothers, and fathers.

Recently I received a letter from my good friend and highly respected chief of chaplains, James W. Kelly, rear admiral, Chaplains Corps, U.S. Navy, in which he speaks of his custom of sending congratulatory notes to those in the Navy who are selected for promotion to rear admiral. The following is his letter which is self-explanatory along with some of the responses he has received to his notes. These unsolicited responses speak loudly and clearly of the dedication and character of the moral and spiritual leadership in our armed services.

The letters follow:

NAVY DEPARTMENT,
BUREAU OF NAVAL PERSONNEL,
Washington, D.C., August 15, 1968.

Hon. HENRY C. SCHADEBERG,
House of Representatives,
Washington, D.C.

DEAR HENRY: In late June of this year thirty-six Navy Captains were selected for promotion to the rank of Rear Admiral. As has been my custom for several years, I wrote brief congratulatory messages to each of them. And, as has been true every year, their responses were inspiring.

It occurred to me that for several years I have received a spiritual blessing from the flag-selectee letters but have never shared with you either the spiritual lift or the very important insights they revealed.

Because I think it is important that you be aware of the impressive moral and spiritual caliber of the men who each year are being promoted to the most senior levels of naval leadership, and because I think you should have some knowledge of the high esteem with which senior naval officers regard the chaplains loaned to the armed forces by America's churches, I am sending you a collection of excerpts from these splendid letters.

I am confident you will agree with me that our nation is indeed fortunate to have men

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
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For actions of September 19, 1968
90th-2nd; No. 153

CONTENTS

HIGHLIGHTS: Senate agreed to conference report recommending 1 year extension of farm program. House received conference report on food stamp bill. Both Houses agreed to conference report on foreign-aid authorization bill. House passed foreign-aid appropriation bill. Senate concurred in House amendment to Wash. wilderness bill. Senate agreed to conference report on trails bill and Redwood Park bill.

HOUSE

1. FOREIGN AID. Both Houses agreed to the conference report on H. R. 15263, the foreign-aid authorization bill. This bill will now be sent to the President. pp. S11108-112, H8965-9

2. APPROPRIATIONS. Passed, 173-139, as reported H. R. 19908, the foreign-aid appropriation bill, which had been reported earlier in the day by the Appropriations Committee (H. Rept. 1906). pp. H8963, H8965, H8976-98
Agreed to the conference report on H. R. 17023, the independent offices and HEW appropriation bill. pp. H8969-75

3. FOOD STAMPS. Received the conference report on S. 3608, to continue authorizations for the Food Stamp Act of 1964 (H. Rept. 1908). The revised bill extends the authorization through Dec. 1970. It authorizes $315 million for 1969, $340 million for 1970, and $170 million for the first half of 1971. It omits the provision making strikers and students ineligible under certain conditions. It includes the House requirement for annual reports from the Department. pp. H8998-9

4. INTERGOVERNMENTAL RELATIONS. Conferees were appointed on S. 698, the proposed Intergovernmental Cooperation Act of 1968. Senate conferees have been appointed. p. H9000

5. FOOD SERVICES. The D. C. Committee reported with amendments S. 2012, to amend the D. C. Public School Food Services Act (H. Rept. 1915). p. H9008

6. PERSONNEL. A subcommittee of the Post Office and Civil Service Committee approved for full committee action S. 1190, relating to computation of surviving spouses' annuities of reemployed annuitants, and postponed action on S. 1507, to include firefighters within hazardous-occupation retirement provisions. p. D851

7. BORDER INSPECTION. Rep. Bob Wilson said inspection personnel on the Mexican border should be increased. pp. H8964-5

8. MEAT IMPORTS. Rep. Kleppe said a recent voluntary reduction in meat exports by Australia and New Zealand "may temporarily take some of the pressure off the domestic cattle market" but that a meat-import control law is still needed. p. H9001

9. INFLATION. Rep. Dorn deplored the Chrysler price increase as inflationary. p. H9003

10. LEGISLATIVE PROGRAM. Rep. Albert announced that the conference reports on the farm and food stamp bills will be considered beginning next Wed. and that the retirement financing bill will be considered Tues. or later in the week. p. H9000

11. ADJOURNED until Mon., Sept. 23. p. H9007

SENATE

12. FARM PROGRAM. Agreed to the conference report on H. R. 17126, the farm bill. The conference substitute extends the Food and Agriculture Act of 1965 for 1 year and omits all other provisions of the House bill and of the Senate amendment. p. S11107

Sen. McGee inserted a paper by a small Wyo. farmer, "Farm Programs in Perspective." pp. S11083-4

13. WILDERNESS. Concurred in the House amendment to S. 1321, to establish the North Cascades National Park and Ross Lake National Recreation Area, to designate the Pasayten Wilderness and to modify the Glacier Peak Wilderness, Wash. This bill will now be sent to the President. p. S11039

with respect to losses incurred in periods beginning on or after January 1, 1963. This latter date was the time when a series of amendments to the insurance company tax provisions made the treatment of all insurance companies substantially alike for purposes of computing loss carryovers.

The Treasury Department does not object to this amendment.

DEVELOPMENT COMPANY TREATED AS REGULATED INVESTMENT COMPANY

The last amendment adopted by the committee relates to the asset diversification requirement for a development company qualifying for regulated investment company tax treatment.

A development company is a company principally engaged in furnishing capital to new, small businesses; that is, a corporation principally engaged in developing or exploiting new products. The advantage to the company of qualifying for regulated investment company tax treatment is that by so doing it pays tax only on the income which it retains and not on the income it distributes to shareholders.

Present law generally requires a regulated investment company to diversify its investments within prescribed limits. A limited exception, however, is provided for development companies. A development company can rely on the exception, however, only if no more than 25 percent of the value of its assets represent securities of issuers in which the company has held an interest for 10 years or more and in which the development company's holdings represent more than 10 percent of the voting stock of the issuer. However, even after this 10-year period the company may retain its "excess holdings," and continue to qualify as a regulated investment company, by relying on a savings provision in present law.

A case has come to the attention of your committee where a development company is relying on the savings provision I have just described to continue to qualify as a regulated investment company. The company is continuing to so qualify, of course, even though it can no longer make "development company" type investments in small, new businesses. This situation frustrates the purpose of the present exception for development companies.

As a result, the committee decided to limit this general savings provision so that it can no longer apply to a development company. The result generally is to require a development company to dispose of its "excess holdings" if it is to continue to qualify for regulated investment company treatment.

Your committee believed that it would be unfair to companies which in good faith are relying on the general savings provision, however, to suddenly withdraw this right. The committee's amendment, therefore, permits a development company a 20-year period, as contrasted to the 10-year period of existing law, in which to dispose of its excess stock holdings. The company must evidence its intent to do so, however—if it wants to retain regulated investment company tax treatment—by disposing of 40 percent of its excess holdings at least by the close of the 15th year. In addition, the company must dispose of all its excess holdings by the close of the 20th year to continue to qualify for regulated investment company treatment.

The Treasury Department does not object to this amendment.

Mr. President, there will be some controversial amendments offered to the bill. And I am well aware of what some of those amendments will be. I have discussed the matter with the sponsors of the amendments. We all agree that at this time of the afternoon, it would be inappropriate to vote on them, because some of them are very controversial. That being the case, any Senator who desires to explain his position in support or opposition to an amendment may do so.

It was agreed between the distinguished majority and minority leaders that we should not vote on the bill at this time because some Senators have been led to believe that we will not have any further rollcall votes today.

Mr. HARTKE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT OF FOOD AND AGRICULTURAL ACT OF 1965—CONFERENCE REPORT

Mr. ELLENDER. Mr. President, I submit a report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 17126) to amend the Food and Agriculture Act of 1965. I ask unanimous consent for the present consideration of the report.

The PRESIDING OFFICER. The report will be read for the information of the Senate.

The assistant legislative clerk read the report.

(For conference report, see House proceedings of September 18, 1968, p. H8952, CONGRESSIONAL RECORD.)

The PRESIDING OFFICER. Is there objection to the present consideration of the report?

There being no objection, the Senate proceeded to consider the report.

Mr. ELLENDER. Mr. President, the House bill would have extended the Food and Agriculture Act of 1965 for 1 year. It would also have limited payments under it to $20,000, and modified the law concerning base plans under milk marketing orders.

The Senate amendment would have extended the Food and Agriculture Act of 1965 for 4 years. It also contained a number of provisions relative to milk, fed grains, cotton, wheat, apples, and cropland adjustment, but these were not absolutely necessary.

The conference substitute extends the Food and Agriculture Act of 1965 for 1 year. It omits all other provisions of the House bill and of the Senate amendment. All it does is continue existing law for 1 additional year without other change. All conferees on the part of the Senate signed the conference report.

Mr. President, I move the adoption of the conference report.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Louisiana.

The motion was agreed to.

Mr. HOLLAND. Mr. President, while I have been glad to work on the conference in reducing this bill to the form in which it is reported from conference, I am opposed to the bill; and I should like the RECORD to show that if a record vote were taken, I would be recorded as voting against the conference report.

COMMITTEE MEETING DURING SENATE SESSION

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Committee on the District of Columbia be authorized to meet during the session of the Senate today.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER OF BUSINESS

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT OF CENTRAL INTELLIGENCE AGENCY RETIREMENT ACT OF 1964 FOR CERTAIN EMPLOYEES

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the pending business be laid aside temporarily and that the Senate proceed to the consideration of Calendar No. 1489, H.R. 18786.

The PRESIDING OFFICER. Without objection, it is so ordered.

The bill will be stated by title.

The ASSISTANT LEGISLATIVE CLERK. A bill (H.R. 18786) to amend the Central Intelligence Agency Retirement Act of 1964 for certain employees, and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the bill was considered, ordered to a third reading, read the third time, and passed.

AMENDMENT OF THE INTERNAL REVENUE CODE OF 1954

The Senate resumed the consideration of the bill (H.R. 2767) to amend the Internal Revenue Code of 1954 to allow a farmer an amortized deduction from gross income for assessments for depreciable property levied by soil or water conservation or drainage districts.

Mr. MANSFIELD. Mr. President, what is the pending business?

The PRESIDING OFFICER. The pending business is H.R. 2767.

Mr. MANSFIELD. I thank the Chair.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT OF FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED—CONFERENCE REPORT

Mr. SPARKMAN. Mr. President, I submit a report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 15263) to amend further the Foreign Assistance Act of 1961, as amended, and for other purposes. I ask unanimous consent for the present consideration of the report.

The PRESIDING OFFICER. The report will be read for the information of the Senate.

The assistant legislative clerk read the report.

(For conference report, see House proceedings of September 10, 1968, pp. H8442–H8444, CONGRESSIONAL RECORD.)

The PRESIDING OFFICER. Is there objection to the present consideration of the report?

There being no objection, the Senate proceeded to consider the report.

Mr. SPARKMAN. Mr. President, the conference report on H.R. 15263, the Foreign Assistance Act of 1968, represents a fair, and I believe generally satisfactory, compromise of the differences between the House and Senate bills. The differences to begin with, were not so great as they have been in past years, either with respect to money or substantive provisions.

The House bill authorized a total of $1,993,850,000; the Senate, $1,945,900,000. The conferees agreed on a total of $1,974,050,000. I ask unanimous consent that a table be printed at this point in the RECORD, giving a detailed breakdown.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

AUTHORIZATION OF FUNDS—FOREIGN ASSISTANCE ACT OF 1968 (FISCAL YEAR 1969)

[In thousands of dollars]

Program	(1) House	(2) Senate	(3) Conference	(4) Difference (H=House; S=Senate)
Development Loan Fund	350,000	350,000	350,000	
Technical cooperation and development grants	200,000	200,000	200,000	
American schools and hospitals abroad	13,000	14,600	14,600	H+1,600
Local currency	5,100	5,100	5,100	
Survey of investment opportunities	1,250			H−1,250
Alliance for Progress	420,000	420,000	420,000	
Loans	(330,000)	(330,000)	(330,000)	
Grants	(90 000)	(90,000)	(90,000)	
Partners of the Alliance	500	200	350	H−150 S+150
International organizations and programs	130 000	135,000	135,000	H+5,000
Children's Fund	1,000	1,000	1,000	
Indus Basin [1]				
Supporting assistance	420,000	400,000	410,000	H−10,000 S+10,000
Contingency fund	10,000	10,000	10,000	
Administrative expenses:				
AID	53,000	50.000	53,000	S+3,000
Department of State	(2)	(2)	(2)	
Total, economic assistance	1,603,850	1,585,900	1,599,050	H−4,800 S+13,150
Military assistance	390,000	360,000	375,000	H−15,000 S+15,000
Total economic and military assistance	1,993,850	1,945,900	1,974,050	H−19,800 S+28,150

[1] The Foreign Assistance Act of 1967 authorized $51,220,000 for use beginning fiscal year 1969 for this purpose. The Executive requests $12,000,000 for fiscal 1969.

[2] Existing law contains permanent authorization.

Mr. SPARKMAN. Mr. President, the following are the more significant substantive provisions adjusted by the conferees:

Interest rates: The Senate bill increased interest rates on development loans and Alliance for Progress loans from 2 percent to 3 percent during the first 10 years and from 2½ percent to 3½ percent thereafter. The House bill did not change interest rates, and the House conferees were strongly opposed to changing them. In the end, it was agreed to leave interest rates at 2 percent during the first 10 years and to increase them from 2½ percent to 3 percent thereafter.

Investment guarantees: the Senate bill made no change in the existing ceilings on the total amounts of various kinds of investment guaranties which can be outstanding at any one time. The House bill increased all of these ceilings. The conferees agreed to raise the ceilings by one-half the amount provided by the House. This means that the new ceilings will be as follows:

Specific risk guarantees: $8.5 billion, compared to $8 billion in the present law.

Extended risk guarantees: $550 million, of which $390 million is for nonhousing guarantees and $1,250,000 is for credit union guaranties, compared to $475 million, $315 million, and $1 million, respectively, in the present law.

Latin American housing guarantees: $550 million, compared to $500 million in the present law.

In addition, under the present law, the authority to issue extended risk guarantees would expire June 30, 1970. The Senate bill left that unchanged; the House bill repealed the expiration date, thereby making the authority permanent. The conferees agreed to extend the authority 1 year to June 30, 1971.

Finally, the conferees accepted language in the Senate bill designed to prevent the issuance of guarantees to cover secondary investments—that is, reinvestments made by foreign financial institutions in which American investors have an interest.

Surveys of investment opportunities: The House bill expanded the authority to finance surveys of investment opportunities and provide a new authorization of $1,250,000 for use beginning in the fiscal year 1969. The Senate bill repealed this title of the act. The conferees agreed to leave the title in the act, but to provide no new money or additional authority. The effect is to permit the program to continue to operate with authorization of $850,000 remaining unappropriated from last year.

Utilization of Democratic institutions in development: The Senate conferees agreed to House language expanding title IX of the act to provide for more research and inservice training with respect to the utilization of democratic institutions in development.

Sophisticated weapons for underdeveloped countries: Both House and Senate bills had similar provisions; first, prohibiting the use of military assistance funds to furnish sophisticated weapons systems, such as missle systems and jet aircraft for military purposes, to certain countries; and, second, requiring the withholding of economic assistance in an equivalent amount from certain countries purchasing such systems. In both cases, provision was made for a Presidential waiver. The conferees agreed to the Senate language in both instances, with two minor changes. First, the Senate bill had referred to "advanced" jet aircraft; the word "advanced" was deleted by the conferees. Second, the Senate bill had referred to "any country"; this was limited by the conferees to "any underdeveloped country."

Military assistance to Latin America: The conferees agreed to a provision of the House bill authorizing the use of $10 million in grant military assistance to Latin America for strengthening coastal patrol activities. This is in addition to the law's limitation of $25 million on grant military assistance, other than training, to Latin America, but it is not in addition to the law's overall limitation of $75 million on military grants and sales to Latin America.

Assistance to countries trading with Cuba: The conferees agreed to delete a provision of the House bill prohibiting aid under the Foreign Assistance Act or sales under Public Law 480 to any developed country exporting to Cuba or permitting its ships or aircraft to trade with Cuba.

Pueblo crew: The conferees agreed to delete a provision of the Senate bill which, pending release of the crew of the

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CONTENTS

HIGHLIGHTS: House agreed to conference report recommending 1 year extension of farm program. House agreed to conference reports on food stamp and scenic rivers bills.

HOUSE

1. FARM PROGRAM. Agreed, 189-172, to the conference report on H. R. 17126, the farm bill. The conference substitute extends the Food and Agriculture Act of 1965 for 1 year and omits all other provisions of the House bill and of the Senate amendment (pp. H9056-7, H9069-80). Rep. Poage explained briefly the measures extended by the conference report (pp. H9069-70). This bill will now be sent to the President.

2. FOOD STAMPS. Agreed, 245-98, to the conference report on S. 3068, to continue authorizations for the Food Stamp Act of 1964. The revised bill extends the authorization through Dec. 1970. It authorizes $315 million for fiscal 1969, $340 million for fiscal 1970, and $170 million for the six months ending Dec. 31, 1970. It omits the provision making strikers and students ineligible under certain conditions and includes the House requirement for annual reports from this Department. pp. H9080-88

3. SCENIC RIVERS. Agreed to the conference report on S. 119, to reserve certain public lands for a national wild and scenic rivers system, to provide a procedure for adding additional public lands and other lands to the system. pp. H9088-90

4. EDUCATION. Received the conference report on S. 3769, the proposed Higher Education Amendments of 1968 (H. Rept. 1919). pp. H9031-55

   The "Daily Digest" states that the conferees on H. R. 18366, the proposed Vocational Education Amendments of 1968, agreed to file a report. p. D869

   Rep. Dorn called on HEW "to release funds to every school district in our country." p. H9094

5. OLDER AMERICANS. The Education and Labor Committee reported H. R. 19747, to strengthen and improve the Older Americans Act of 1965 (H. Rept. 1922). p. H9173

6. HEALTH. Received the conference report on H. R. 15758, to amend the Public Health Service Act to extend and improve the provisions relating to regional medical programs, to extend the authorization of grants for health of migratory agricultural workers, and to provide for specialized facilities for alcoholics and narcotic addicts (H. Rept. 1924). p. H9065-69

7. PARKING FACILITIES. Passed with amendment (to substitute the language of H. R. 17854) S. 944, the proposed District of Columbia Parking Facility Act. H. R. 17854, a similar bill, passed earlier was tabled. pp. H9058-65

8. HIDE IMPORTS. Rep. Nelsen stated farmers "are being booted by record imports of leather footwear, depriving them of their domestic hides market." p. H9095

9. SMALL BUSINESS; LOANS. Rep. Gross spoke in support of his bill which "would prevent Federal officials, especially those within the Small Business Administration, from drawing the curtain of secrecy over certain of their loans which, of course, are made with the public's money." pp. H9095-6

10. REDWOOD NATIONAL PARK. Rep. Clausen inserted a speech on the importance of the Redwood National Park to southern Oreg. pp. H9153-4

11. CONGRESSIONAL REFORM. Several members discussed the congressional reorganization bills and Rep. Cleveland stated there is still plenty of time to consider these bills. pp. H9126-49

12. REPORT. Rep. Evins, Tenn., inserted a summary of the major projects and accomplishments achieved during his tenure of office. pp. H9117-21

The House bill contained no provision on this subject.

The conference substitute authorizes an increase in appropriations of $500,000 for the fiscal year ending June 30, 1970, for the work of the Laboratory, and the managers on the part of the House expect that a further review of this subject will be made in the future.

SOLID WASTE DISPOSAL

The Senate amendment provided a 1-year extension, at the current authorization level of $32.5 million, for the program of research and demonstrations into disposal of solid wastes. The House bill contained no provision on this subject.

The conference substitute authorizes $32 million for this purpose for the fiscal year ending June 30, 1970.

HARLEY O. STAGGERS,
JOHN JARMAN,
PAUL G. ROGERS,
DAVID E. SATTERFIELD,
PETER KYROS,
WILLIAM L. SPRINGER,
ANCHER NELSEN,
TIM LEE CARTER,
JOE SKUBITZ,
Managers on the Part of the House.

CONFERENCE REPORT ON H.R. 17126, AMENDING FOOD AND AGRICULTURE ACT OF 1965

Mr. POAGE. Mr. Speaker, I call up the conference report on the bill (H.R. 17126) to amend the Food and Agriculture Act of 1965, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the the gentleman from Texas?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of September 18, 1968.)

The SPEAKER. The gentleman from Texas [Mr. POAGE] is recognized for 1 hour.

Mr. POAGE. Mr. Speaker, I yield 30 minutes to the gentleman from Oklahoma [Mr. BELCHER], and pending that I yield myself such time as I may consume.

Mr. Speaker, I am pleased to report that the conference report just read complies exactly with the instruction given the managers on the part of the House on the 17th of this month to sustain the House as far as possible. Though the other body had 14 amendments to the act in their bill and the House had only two, the House managers were successful in deleting all 14 Senate amendments, and conceded only two House amendments and obtained agreement to a simple 1-year extension of the existing law omitting all amendments by either body.

Certainly I do not believe that anyone could expect your managers to make a better trade from the standpoint of sustaining the position of this House as compared with sustaining the position of the other House.

No changes whatever would be made by the report in any provision of the 1965 act save the date of its termination. It would simply be extended by the conference substitute to expire after the harvest of the 1970 crops. In this manner, farmers throughout the country would to some degree be able to plan during the calendar year 1969 for an additional year. During such an interim, the Congress, together with the new administration, including a new Secretary of Agriculture, would have a reasonable time and opportunity in which to chart the direction of a new farm program. The next administration, with this report adopted, is committed to no particular plan or direction.

Briefly the following measures are extended by the conference report:

Title I of the 1965 act provided authority for a class I dairymen's base plan in the Federal milk marketing areas. It encouraged a reduction in surplus milk production. At the same time, it protected dairy producers' incomes. They no longer were forced to maintain maximum production merely to preserve their individual participation in the market for fluid milk for human consumption. Through the assignment of a fluid milk base on which a supported price was paid and the establishment of penalties against the dumping of surplus production, uneconomic and excessive production was curtailed.

These would be extended for 1 year under the conference report. As was pointed out during the consideration of H.R. 17126 on July 30 of this year, some changes are desirable but these should, and it is my hope that they would, be handled as separate legislation. Our committee held hearings on this matter this very morning.

Our committee held hearings this morning on this very matter and will meet again tomorrow morning on this same subject. We are taking prompt action.

Title II of the 1965 act continued the National Wool Act of 1954, as amended, fixed the support level for wool at a level of 62 cents per pound increased by the same percentage as the percentage changes in the parity index. Without the 1-year extension proposed by the conference report, authority for incentive payments would expire on both wool and mohair. Continuation of the present wool program appears to be the best way in which income assistance to domestic producers can be provided and keep domestic wool competitive with imported wool and synthetics.

Price support loans, purchases, and in-kind payments for feed grains would be continued for 1 additional year by the extension of title III of the 1965 act. The support and loan levels would still be set by the Secretary at 65 to 90 percent of parity for feed grains. The continued diversion of acreage would entitle participants to receive payments in kind and thereby maintain income. As in the past, these payments would be on a percentage of price support payments computed on normal per acre yields.

Without extension of the protection, there would be no production adjustment program in corn, for example, save the program of the 1950's. Under that earlier legislation, to which the farmers would then return, prices would be supported between 50 to 90 percent of parity. There would be no protection against a surplus accumulation because the Department is obliged only to support prices at "such levels as will result in not increasing CCC stock."

One-price cotton, as established by the 1965 act, would be extended under the conference report for 1 year. The national allotment would be unchanged. All other provisions of the current program would continue in effect.

Without the extension of title IV of the 1965 act, cotton producers will return in 1970 to the situation established by the 1958 act. Marketing quotas would have to be proclaimed. Under the quotas, if they were approved, farmers who complied with the acreage allotments could receive loans of 65 to 90 percent of parity, just as costly to the Government as is the present program. No diversion or price support payments would be made. If quotas were rejected, loans would be 50 percent of parity. No diversion or price support payments would be made. If quotas were rejected, loans would be 50 percent of parity. This kind of reversion in the Government cotton program would cause increases in the domestic price of cotton and further displacement of that commodity in the mills in favor of other materials. The resulting surpluses could be expected to increase the costs to Government of the cotton programs.

Our present wheat program, title V of the 1965 act, is extended 1 year by the conference report. At present, the wheat program provides price supports, acreage allotments and marketing certificates that tend to stabilize farm prices. A return is assured the farmer on the share of the crop used for domestic food of at or near 100 percent of parity. Price supports for all wheat through loans at a level based on competitive world market prices and the feeding value of wheat is currently provided to the producer. Diversion payments are authorized.

If the wheat producers had to return to a mandatory program, marketing quotas would be proclaimed and a vote for the 1970 crop would be held in May or June of 1969, not later than August 1, 1969. If quotas were not accepted by the farmers, loans at 50 percent of parity would again be provided.

If quotas are imposed price supports would be made available in the form of loans. I would call to the attention of the House the fact that these loans inevitably increase the price to the consumer, without any reduction in the cost to the Government. What our program has done, in spite of what many people have supposed, has been to subsidize the consumers of America and keep their their cost of food lower than the cost of food in any nation in the world today, or at any time in history.

We are paying about 18 percent of our disposable income for food in the United States. In Western Europe they spend approximately 25 percent. In the Soviet Union approximately 50 percent. In the Far East, from 75 to 80 percent. Can anyone say in good conscience that the present farm program is not working to the aid of the consumers of America? To go to what they have in Europe and in Asia you will see the cost that is now 18

percent of your constituents' income rise to 25 to 50 percent. It is inevitable because the costs of production are there. They must be paid either by the Government, the consumer, or the farmer. The farmer's total income at present prices is not enough to pay them. The present program is subsidizing consumers, and I believe that it would be well for us to consider that when we are passing on this.

Under title VI of the 1965 act the Secretary has authority to convert unneeded croplands into tracts for use for conservation purposes. Without the extension of this measure after next year all the cropland adjustment programs will lapse. No alternative will be available to the owner except to return his property to production. In many cases this will be uneconomical production, but it will be production that will increase surpluses of commodities where no such problems presently exist.

Titles VII and VIII of the act if extended encompass provisions permitting the leasing of tobacco allotments and all the miscellaneous provisions of the act. The conference report merely extends these for 1 additional year.

While the conference report if adopted would not do for farmers what in all fairness should be done, that is to give them permanent legislation upon which to plan for the future, it will enable them to take another year to look around as to what they are going to do.

Farming, contrary to public opinion, is a long-term proposition. Investments made today do not amortize in a single year, nor in a few years. All we seek to do here is to give farmers adequate time to prepare for what they must surely do under a new farm program under any administration.

To all of those within this body whose fears were that this bill would become more than a 1-year bill, this conference report must come as a form of reassurance. Its term is such that all of you can support it.

To all of those who are keenly disappointed that it is only a 1-year extension, when in your judgment a longer term is needed, I repeat my personal conviction that now we have the only chance to continue a farm program, and that is to accept a 1-year extension of the present program. In the interest of continuity I believe you can all support it.

To those here who feel that a limitation of payments should be a part of any farm measure that is passed here, I would say once again that the only successful program is one in which the most efficient producers are provided an alternative in which they can participate together with the least efficient. To remove a given amount of production from our total production is the goal of any control program, regardless of the size of the increments removed.

Without participation by the larger farms, no production control program in agriculture would be effective. In the same manner as the Navy mothballed many of its World War II vessels for use at a later date and more urgent time, we are holding in reserve the land which is not needed now. The land so taken out of total production removes the capacity to produce in excess. The larger the unit retired to the shelf, the more effect is derived from its retirement, the greater the reduction in Government costs to accumulate surplus in inventory, and the wider are spread the benefits of supported prices of the commodities raised on the family farms.

To the many who point out shortcomings in the present farm programs, I, as Chairman of the House Committee on Agriculture, extend an invitation which will surely be repeated by me or the next holder of the chair, whoever he might be, to come before our committee and describe in detail any effective method of improving these programs in the months ahead when the next administration will surely be seeking a better way. We will welcome your help and suggestions just as we now tell you that this is the best possible choice within the time and the money available for American consumers and the farmers alike.

The Senate has passed this measure. The conferees from both Houses are agreed that this is the only report which can be passed during this Congress. It is the only sort of program that can be enacted early enough to be of benefit to the farmers of this country. As this Congress closes and a new one begins, the attempt to incorporate the many changes and amendments that have been offered and proposed can but serve to delay and defeat enactment of a bill in this Congress or the next until after the dates on which farmers must begin their preparations for the following crop year.

I, therefore, urge you as a practical matter and as a sound matter to approve this conference report. You cannot get a better conference report and you cannot pass any other legislation in the next few days.

This report was signed by all the members save one, of the conference.

This report is in keeping with the expressed views of many of the political leaders of both great parties. This is not a partisan report. This is not the report of one small faction. This is a report that will enable us to maintain a farm program and to avoid the seeds of the kind of depression that always follows any reduction in the income of agriculture.

I, therefore, urge you to adopt this conference report.

The SPEAKER. The gentleman from Texas [Mr. POAGE] has consumed 17 minutes.

CALL OF THE HOUSE

Mr. FINDLEY. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER pro tempore (Mr. ALBERT). Evidently a quorum is not present.

Mr. POAGE. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 350]

Addabbo
Ashley
Ashmore
Aspinall
Baring
Bell
Biester
Blackburn
Blanton
Bolling
Broomfield
Brown, Calif.
Brown, Ohio
Broyhill, Va.
Burton, Utah
Celler
Chamberlain
Clancy
Clark
Cohelan
Conyers
Cowger
Daddario
Davis, Ga.
Dawson
Dickinson
Dow
Farbstein
Feighan
Fisher
Flood
Flynt
Ford,
William D.
Gallagher
Garmatz
Gibbons
Gilbert
Halleck
Halpern
Hansen, Idaho
Hansen, Wash.
Harrison
Hawkins
Hébert
Heckler, Mass.
Herlong
Hosmer
Jacobs
Karsten
King, Calif.
Kirwan
Laird
Landrum
Long, La.
Long, Md.
McClure
McCulloch
McDonald,
Mich.
Mailliard
Minish
Minshall
Moorhead
Morgan
Murphy, N.Y.
O'Hara, Ill.
O'Hara, Mich.
Ottinger
Pettis
Pollock
Rarick
Resnick
Rostenkowski
Roudebush
Ryan
Sandman
Scheuer
Schweiker
Shriver
Sisk
Smith, Calif.
Snyder
Stafford
Staggers
Steiger, Ariz.
Stratton
Stubblefield
Teague, Tex.
Thompson, N.J.
Thomson, Wis.
Tunney
Ullman
Waldie
Walker
Watts
Willis
Wilson, Bob
Wilson,
Charles H.
Wright

The SPEAKER pro tempore. On this rollcall 332 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

CONFERENCE REPORT ON H.R. 17126, AMENDING FOOD AND AGRICULTURE ACT OF 1965

The SPEAKER pro tempore. The Chair recognizes the gentleman from Oklahoma [Mr. BELCHER].

Mr. BELCHER. Mr. Speaker, I yield 3 minutes to the gentleman from South Carolina [Mr. RIVERS].

(By unanimous consent, Mr. RIVERS was permitted to speak out of order.)

NATO GIVEN WRONG IMPRESSION BY SYSTEMS ANALYSIS

Mr. RIVERS. Mr. Speaker, I have just returned from a very brief but most informative field trip to our bases in England and Europe. I attended the Farnborough Air Show and also talked with many of our military leaders on the continent and in England.

I was particularly concerned, as we all are, with developments in the Warsaw Pact nations and the readiness and ability of NATO forces to deal with contingencies which are becoming more apparent every day.

I was distressed to find that, in spite of the Russian saber rattling which should have dispelled any notion of détente, there still exists a most lethargic attitude on the part of some of our NATO partners with respect to the NATO force structure. Regrettably, much of the present complacent attitude by our allies is attributable to an Assistant Secretary of Defense, Dr. Alain Enthoven, the Department of Defense's leading systems analyst. In February of 1968, he delivered a paper entitled "Methodology for Evaluating Conventional Forces" to a NATO group in which he compared the NATO force structure with the Warsaw Pact forces. No matter what his purpose may

have been in making his presentation, the fact is, he painted a picture of comparability of NATO-Warsaw Pact forces and there is no doubt that he has convinced many of our allies that they need not fully meet their NATO force commitments.

From the conversations I have had with many of our leading military experts, it appears to me that no one has ever given a greater rationale to our allies for reducing their defense expenditures than that made by Dr. Enthoven.

The House Armed Services Special Subcommittee on National Defense Posture, in a report issued 2 weeks ago, entitled "Review of a Systems Analysis Evaluation of NATO v. Warsaw Pact Conventional Forces," addressed themselves to this particular problem. This subcommittee is chaired by the distinguished gentleman from Virginia, PORTER HARDY, serving with the equally distinguished gentleman from Indiana [Mr. HALLECK] and the other knowledgeable members of the subcommittee, the gentleman from Louisiana [Mr. HÉBERT], the gentleman from New York [Mr. STRATTON], and the gentleman from Alabama [Mr. DICKINSON]. Mr. BATES and I are ex officio members. I would like to commend them for this outstanding contribution.

The report, among other things, says that there has been a concerted effort by radical and leftist elements in some countries to press for further reduction of their country's participation in the NATO force structure.

Dr. Enthoven appeared in Europe before this NATO group to deliver his presentation ,which is based upon the systems analysis technique. As our subcommittee report so correctly states, the effect could hardly be described as helpful.

As a matter of fact, during the hearings held by the subcommittee it was stated that his presentation had an "extremely harmful effect."

I would remind this House that Dr. Enthoven told the NATO group that there was no reason to increase their currently planned military budgets or the size of their existing forces. He assured them that the present NATO forces are at least equal to Warsaw Pact forces.

The basic fault with Dr. Enthoven's analysis, as we view it, is that it is absolutely wrong.

Mr. Speaker, I think it is time we realized that there are civilians who have been calling the shots in the Department of Defense and constantly overruling the Joint Chiefs of Staff, despite the fact that they have no business making military decisions.

I, for one, am getting tired of the civilian command as opposed to civilian control.

I will defend the concept of civilian control of our Armed Forces from the President on down with all of the force at my disposal. But I think the American people and the Congress must distinguish between civilian control and civilian command of our military forces.

We need not look beyond certain civilians in the Department of Defense to find the cause of the most critical deficiencies in our military structure. The lagging submarine program, the lack of electronic warfare aircraft, and the delay in developing an advanced manning strategic aircraft are but a few of these serious deficiencies.

I am in full agreement with Admiral Rickover, who recently said that in the last 8 years the civilian general staff of the Office of the Secretary of Defense has "become so vast that it has gone out of control of its own leaders." Admiral Rickover summarized this situation by stating that by virtue of sheer power and blinded by their own propaganda "those in charge consider themselves competent to engage in actual design of complex technical equipment and in the detailed direction of military operations."

If there are those here who do not share my convictions that the Department of Defense is overstaffed with civilians engaged in systems analysis exercises who constantly overrule the Joint Chiefs of Staff, they should examine our subcommittee's report, "Review of the Vietnam Conflict and Its Impact on U.S. Military Commitments Abroad."

If there are those here who do not agree that the presentation by Dr. Enthoven before the NATO group has had a most harmful effect on our NATO efforts, I urge them to read the report on NATO conventional forces.

If there is one of you who disagrees with me, I strongly urge that you proceed to Europe and discuss the matter with our military leaders and the military leaders of our NATO partners.

Mr. Speaker, the technique of systems analysis can play a proper role and can be a useful tool, but only if it is based on objective data and treated and analyzed in a most scrupulous and precise manner. To be reliable, a systems analysis must not be managed to produce a predetermined result. Only if properly employed can this computerized approach preclude the tail from wagging the dog.

I submit to this House that it has become a most dangerous method of arriving at military decisions and must be harnessed. As stated in the report of our subcommittee, "There remains a substantial place for military experience, judgment, and professional expertise in military decisionmaking and in military consultation with our allies."

Mrs. KELLY. Mr. Speaker, will the gentleman yield?

Mr. RIVERS. I yield to the gentlewoman from New York.

Mrs. KELLY. I am deeply concerned over your report, having been chairman of the Subcommittee on Europe for many years.

However, I would like to know at this time if the gentleman does not think the long-range program of Russia is far more desperate in the Middle East than the subject to which the gentleman is now addressing himself.

Mr. RIVERS. Of course, the Middle East and Europe is where they want to take over. They are determined to take over the Middle East, along with trying to frighten the Israeli forces for Nasser. They have two objectives. Their objective is to take over the Middle East and certainly continental Europe, and Czechoslovakia is only one step in that direction.

Mrs. KELLY. Is that covered in the report, too?

Mr. RIVERS. Mr. Hardy has a big report out and it covers a lot of subjects. I commend it to the Members, along with a smaller one that is available to any of the Members of the House.

Mr. SIKES. Mr. Speaker, will the gentleman yield?

Mr. RIVERS. I yield to the gentleman.

Mr. SIKES. Mr. Speaker, I want to thank the gentleman for his remarks.

The distinguished gentleman from South Carolina is giving the House some sound counsel that is seriously needed.

We are in immediate danger of becoming obsolescent in many important aspects of our defense because we are not spending enough money to develop and produce fully modern weapons systems. We must catch up and we are not doing so under present procedures. The situation will worsen if we do not act now to correct it.

Mr. RIVERS. Certainly I want to bring you any information I have. I will tell you when I get any information, I am going to give it to you.

Of course, this new carrier is not classified. But you should know that the way our forces and NATO have been approached has not been in the best interests of NATO or this country in the opinion of our great leader, Lemnitzer. He has reason to be worried, and you had better be worried, too, about a confrontation with these people. They have good material. Let no one kid you. They have a first-class military.

Mr. PEPPER. Mr. Speaker, will the gentleman yield?

Mr. RIVERS. I yield to the gentleman from Florida.

Mr. PEPPER. I thank the able gentleman. The gentleman must also be concerned about the recent event of what appears to be another "first" on the part of the Russians in space. Does not the gentleman share the concern that many of us have that we are very dangerously saving money and risking the survival of our country?

Mr. RIVERS. We are. Our committee, at least in this House, has the figures showing that Russia is keeping up with us in missiles. They are right alongside of us. They make good equipment, and do not let anyone kid you. This crowd is moving. They are not disarming. Somebody will try to tell you to quit the bombing in Vietnam, North Vietnam. Of course, we have quit the bombing of North Veitnam. We bomb only on the perimeter. If we stopped all the bombing, we could forget the airplane.

Mr. KEITH. Mr. Speaker, will the gentleman yield?

Mr. RIVERS. I yield to the gentleman from Massachusetts.

Mr. KEITH. In 1960 we heard charges of a missile gap. I wonder if the crisis to which you are refering today can in any way be compared with that.

Mr. RIVERS. I do not see any missile gap. These people are gaining on us fast. We had better wake up. We are talking about economies in the military as time is fast moving.

Mr. KEITH. The missile gap turned out not to be a missile gap.

Mr. RIVERS. I do not want to get

mixed up in a discussion of missile gap. I do not think there is a missile gap. This crowd has pretty good missiles. Of course, we have, too. They are working pretty hard on them.

I wish to thank the distinguished gentleman for yielding.

The SPEAKER pro tempore (Mr. ALBERT). The Chair recognizes the gentleman from Oklahoma.

Mr. BELCHER. Mr. Speaker, I yield to the gentlewoman from Washington [Mrs. MAY].

(Mrs. MAY asked and was given permission to revise and extend her remarks.)

Mrs. MAY. Mr. Speaker, as a member of the conference committee on this legislation, I feel I should again point out to my colleagues in the House just how important it is that the bill be enacted.

As I have stated many times before, I am certainly far from satisfied with the operation of our current farm programs. Just take a look at the current price of wheat, for example, and you will see what I mean. However, for the moment, they are the only programs we have, and if this legislation is not approved, U.S. farmers and ranchers could soon find themselves in an even worse position than they are now.

In order to hope for any degree of success in their business, farmers must plan their operations well in advance. They must be able to know what they can expect in the way of Federal programs in order to plan effectively. With the farm programs expiring next year, farmers will simply be left high and dry unless we extend them.

Next year, a new Congress, a new President, and a new Secretary of Agriculture will face the extremely difficult task of working out new farm policy. This will take time, and unless the present programs are continued beyond next year, farmers will be facing a new crop year not knowing what to do in relation to Federal farm policies and programs.

The 1-year extension agreed upon by our conference committee will provide this needed leadtime for effective farm planning while Congress and the new administration are hammering out new and hopefully more effective farm policy.

I would hope, now, that the issue of farm payment limitations could also be put to rest for this session of Congress. This can be done by accepting the conference report as it is, for it was necessary in order to reach agreement with the Senate conferees, to strip the bill of all amendments, including the payment limitation provision.

The current farm programs were never designed to be welfare programs. Federal payments to farmers represent remuneration for bringing their crop production into line with national production objectives, and payments are made not on the basis of need, but on the basis of income farmers have had to forego in order to comply with production goals of the programs. Even though the farm programs have many faults at present, they would be made even weaker and less effective if payments were limited. Next year, when the entire scope of farm policy will likely come under review and reconsideration, the question of Federal farm payments can be gone into in depth. For now, I urge my colleagues to accept the conference report and extend the current programs for 1 more year. In terms of the national interest, this will be the most responsible action we can take at this time.

Mr. BELCHER. Mr. Speaker, I yield 3 minutes to the gentleman from Illinois [Mr. FINDLEY].

(Mr. FINDLEY asked and was given permission to revise and extend his remarks.)

Mr. FINDLEY. Mr. Speaker, I appreciate this opportunity. I hope all Members are acquainted with the fact that the conference report does not include the $20,000 limitation on payments. The millionaire farmers are well protected under this conference report, just as they have been since the act was first enacted back in 1965.

Second, I hope all Members are acquainted with the parliamentary situation. Disapproval of this report does not defeat the farm bill. It puts it in a position for further conference. It does not defeat the farm bill. If the action of this body should be disapproval, there would then be in order, as I understand the parliamentary situation, a motion to go to conference so that there would not be any undue delay in further consideration of this bill, and obviously with the other body involved in a long debate over Justice Fortas, we have some time in which to do it.

The gentleman from Texas says we cannot get a better conference report. I am sure he is pleased with it just as it is. It is precisely the legislation that he pledged to defend in every detail before the bill even got to the House floor. So I can understand why he does say it is the best conference report we can get. But the House spoke to this question of payment limitation very clearly on July 31. In a vote of 230 to 160 the Members of this body placed in the House bill a $20,000 limitation on payments, and I think the fact is very plain that there was not much effort in behalf of the limitation in the House-Senate conference.

As modified in conference, this bill, in my view, is an outrage against the farmers, as well as all other taxpayers, partly because it does assure that millionaire farmers, mostly in the cotton States, can continue to get their fill at the Federal trough the year after next year. It is an open-ended authorization. It is backdoor financing through CCC. There is no limit. There is no belt-tightening on this.

In fact, just yesterday, the other body passed a resolution which will exempt the CCC from the budget restrictions which were part of the surtax bill package earlier this year.

So what we are doing here really is passing an open-ended no-limit authorization, not for this year, it is already authorized for next year, but for year after next. There is no need for this legislation.

Under this program, surpluses of wheat and corn are going up. They are higher than in 1965. Prices of corn are down to about 90 cents a bushel in my district, and wheat is down to $1.10. Wheat and feed grains are alltime record high this year. Cotton was such a boondoggle last year that the program cost taxpayers—believe it or not—more than the entire market value of the crop. It is no wonder. Over 1,000 farmers in the State of Texas alone got payments exceeding $20,000. Hale County, Tex., alone had over 200 farmers in this category. The entire State of Illinois had 18 by contrast. The State of Iowa had about 15. The State of Indiana had about 15. Yet in one county in Texas, over 200 farmers each were paid over $200,000. I say to accept this report is to admit failure on the part of the Congress. To vote yes is to admit this costly monstrosity is the best we could do for the taxpayers, to admit that 90-cent corn and $1.10 wheat is the best we could do for the farmers, and to admit big payments to millionaire farmers is the best we can do, and to admit 74 percent of parity is the best we can do—this is shameful failure.

The question that comes to my mind is why today we are not here in a parliamentary situation permitting the House once again to speak to the question of a $20,000 limitation on payments. According to the House Calendar, printed yesterday morning, I saw under the listing for this conference report the words "House acts first"—and from this one concludes the House would have the first shot at this conference report. I wonder if anyone can shed any light on why this unusual situation prevails?

According to the Jefferson Manual, the ordinary procedure would be for the papers to come first to the House, and the House would have an opportunity to have a recommittal with instructions. But, no, recommittal is not possible today. Papers went first to the Senate. I wonder why that happened? Will the question just echo around without any answer?

Mr. POAGE. Mr. Speaker, will the gentleman yield?

Mr. FINDLEY. I yield to the gentleman from Texas.

Mr. POAGE. Mr. Speaker, the Senate had to go into executive session. The Senate could not consider this action on this date—nor on tomorrow or on any foreseeable tomorrow. The Senate could consider it at a time when the gentleman was keeping the House from considering it. The House could not take this up first, because of the objections of the gentleman from Illinois and the Senate, knowing they were going into executive session, did act first.

Mr. FINDLEY. Mr. Speaker, I am sure the gentleman from Texas is acquainted with the fact that the conference report and statement were filed in the House last Wednesday night, which made this report in order last Thursday noon—several hours before the Senate acted. So it seems to me it is not a matter or a problem of timing that causes the House today to be denied the opportunity to act first.

Mr. POAGE. Mr. Speaker, will the gentleman yield?

Mr. FINDLEY. I yield to the gentleman from Texas.

Mr. POAGE. Mr. Speaker, the gentleman suggested on the floor of this House last week that it might be a good idea for the Senate to get the papers. Members of the Senate thought it was a good idea, in view of the filibuster, the gentleman was conducting on the floor of the House and Members of the Senate did get the papers. The gentleman from Illinois had previously specifically pointed out on the floor of this House that it was in keeping with the rules of this House to do this and the gentleman from Texas had given assurance that we would follow the rules and we did follow the rules.

Mr. FINDLEY. Mr. Speaker, I made no such suggestion. I viewed that possibility with alarm and had some assurance from the gentleman there would not be any such chicanery, and it looks like chicanery is exactly what happened.

Mr. BELCHER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, before this session of Congress started, I talked to the chairman, and tried to get him not to take up the farm bill this year for any kind of extension. Apparently, enough pressure was brought to bear on the chairman, so he felt the bill had to be taken up.

A bill was introduced which would have made the present farm program permanent. In addition to that, many other bills were introduced which were very, very objectionable to me.

In order to get rid of the other bills and to not saddle this present program permanently upon the farmers of this country, I suggested a 1-year extension as a compromise.

After I did that, and the House passed the 1-year extension, the Senate passed a 4-year extension, with 17 amendments. I realized that if I went to conference with a 1-year extension from here and a 4-year extension from over there I was not going to be able to get a 1-year bill. For that reason I opposed the 1-year extension here on the floor of the House.

The House did, however, pass the bill. We went to conference. We were able to get a 1-year bill.

If any set of conferees in the history of this Congress ever out-traded the Senate better than this group did, I have never read about it.

We went to conference with two amendments. The Senate had 17. We traded two for 17. We traded the 1-year bill for a 4-year bill. We sustained the House in every extent except those two amendments. The Senate practically had to saw its bill in two in order to get an agreement.

For that reason I am today supporting the conference report. I hope that it will be passed.

I did not vote for the 1965 act. I do not want the present farm program to become permanent. I believe the expenditure of $63 billion in a period of 8 years in order to support the Department of Agriculture is entitled to better results than $1.17 wheat.

Regardless of the outcome of this election, regardless of who is the chairman of the committee, and regardless of who is the Secretary of Agriculture, I hope we are going to be able to get better prices for the farmers at a whole lot less cost than $63 billion.

That is the reason why I am supporting the 1-year extension, because I do not believe that next year we will have time to pass a new farm bill in time for the wheat farmers to start preparing their land. The 1-year extension, regardless of whether one likes the present program, regardless of whether one believes Congress ought to do better with the present program, is time which is going to be needed in order to work out a satisfactory amendment.

Now, as to the shouting match between my colleague on this side and my colleague on that side, I do not care to enter into it. I do not know why the Senate took the papers first. I had nothing to do with it. The fact of the matter is I did not know they were going to do it until it had already been approved over there.

Therefore, it is not possible today to do anything but to vote this bill up or to vote it down.

My good friend from Illinois said this will not be the end of the farm bill, that we can still get a farm bill by a whole lot of different maneuvers. I am telling you, you have an opportunity today to extend this program for 1 year or to kill this bill, and there will not be any further action taken, because it would require the Senate to appoint a new set of conferees. It would mean a whole lot of further action here.

I have some duties back in Tulsa which are causing me a little trouble, and I am not going to stay here to do anything to get another farm bill out, and I do not believe the gentleman from Texas will, either.

Therefore, regardless of whether you are for the present farm program or against the present farm program, and regardless of what your position was on the last bill, I still believe the best thing that can be done today is to pass this 1-year extension. Therefore, I am endorsing it.

Mr. Speaker, I yield 3 minutes to the gentleman from Massachusetts [Mr. CONTE].

(Mr. CONTE asked and was given permission to revise and extend his remarks.)

Mr. DOLE. Mr. Speaker, will the gentleman yield?

Mr. CONTE. I am glad to yield to the gentleman.

(Mr. DOLE asked and was given permission to revise and extend his remarks.)

Mr. DOLE. Mr. Speaker, I share the view expressed by the gentleman from Oklahoma [Mr. BELCHER] and support the conference report which would extend the 1965 Farm Act for 1 year.

Let me emphasize the necessity of a 1-year extension particularly in the wheat-producing areas of Texas, Oklahoma, Colorado, and Kansas. If the 1965 Farm Act is not extended there is little likelihood a new farm bill would be passed next year before wheat sowing time. Therefore, as too often in the past, the farmer would be sowing wheat not even knowing what the program might be. For this reason alone, the conference report should be adopted.

There is an additional reason, perhaps of equal importance, and this is simply to give a new administration 1 year in which to devise a new program to improve farm income. A new administration must have time to improve the 1965 Farm Act or devise a better program.

Wheat and other grain prices are at record lows in Kansas and the Midwest while at the same time, prices paid by farmers, his production costs, and his interest costs continue to soar. I have said many times that farmers must keep the pressure on leaders of both political parties for rural America cannot continue under present conditions and if rural America declines and more and more farmers leave the farm the ultimate result will be increased food prices for consumers. The 1-year extension is just as much a consumer bill as a farm bill and, therefore, I urge my urban and suburban colleagues to support the conference report along with those of us from rural areas.

Mr. CONTE. Mr. Speaker, the gentleman from Oklahoma, my good friend, has done such an outstanding job on the Committee on Agriculture, but let me say that if he has any opposition in Oklahoma, it will only be token. I am sure that he will take good care of it and be back with us soon.

The gentleman says they made a good trade. The Senate had 17 amendments and the House only had two amendments, and they traded the two for the 17. Well, that is just like trading a thoroughbred house for 17 mangy rabbits, because that amendment tacked on here by a vote of 230 to 160 was the amendment I offered on the floor of the House. It would have limited subsidies to $20,000 to each farmer or farm operation. That was worth 100 amendments that they had over there, for we could have saved over $300 million by the adoption of my amendment.

There is $3 billion here in the agriculture bill. There is over $330 million that is going for subsidies for 6,579 farmers. One farmer is getting over $4 million a year. Five farmers are getting over $1 million each. You have a total of over $10 million in subsidies for five farmers or operations. If I may use that old, worn-out cliche, the poor are getting poorer and the rich are getting richer. I think it behooves this House here today to stand up on this issue. The American taxpayers are fed up with these subsidies. I am talking not only of subsidies in this bill but the sugar subsidies, the REA subsidies, and all of the other subsidies here. Here we can stand up today and vote this bill down. This will not mean the end of the farm bill. They will be debating the Judge Fortas issue for many days. They can appoint a new conference committee, and if some of the gentlemen in the House cannot afford the time to sit on a new conference committee, there are plenty here who will gladly take their place and meet with the Senate and try to bring back a bill with a $20,000 limitation.

Let me repeat once again that the House in August of this year when I offered this amendment voted 230 in favor to 160 opposed. I am going to demand a rollcall vote on this bill, and it

can be interpreted in only one way; that is, if you vote for the farm bill, you are voting for more subsidies for the farmers throughout the United States. If you vote against the compromise bill, then you are for limiting subsidies to $20,000 to the farmers of the United States.

Mr. WAGGONNER. Mr. Speaker, will the gentleman yield?

Mr. CONTE. I am glad to yield to the gentleman.

Mr. WAGGONNER. Would it not be more accurate to say that you are voting for a continued subsidy rather than more subsidy?

Mr. CONTE. I wish the gentleman would explain himself. The limitation is a $20,000 limitation on subsidies. It would cut back the big subsidy grabbers that we have now who are getting over $20,000, some of whom are getting $50,000, $100,-000, $1 million, and even $4 million.

Mr. WAGGONNER. Will the gentleman yield further?

Mr. CONTE. I am glad to yield.

Mr. WAGGONNER. The gentleman said he would like me to explain myself. I think it suffices to say that the present bill under which the farm program operates requires and calls for and provides for exactly the same subsidy that this 1-year extension provides for. The gentleman's proposal is only a proposal that has never been signed into law.

Mr. CONTE. No. It has never been signed into law, but it has passed this House, on a rollcall vote. This is the only way that the taxpayers of this country can interpret this vote.

Mr. Speaker, on August 1 this body approved an amendment which I had offered to the Food and Agriculture Act of 1965 to limit total farm subsidy payments to a maximum of $20,000 for any one farmer or farm operation.

The vote on my amendment, which came in the form of a motion to recommit, was 230 in favor to 160 opposed. This represented a substantial statement of support on the part of this body for a payment limitation.

The conference report before us today has ignored this mandate.

Our conferees went to conference with a clear expression of this body's will—this body's desires—and they proceeded to drop the limitation—and I would imagine they did not take very long in giving it up.

Not only, however, has the will of this body been ignored by the conferees; they then proceeded to take extraordinary steps to make sure that this body would never have the opportunity to reaffirm the position it had so strongly taken when it adopted my amendment.

This conference was requested by the Senate. Everyone knows that under regular procedures the Senate, as the body requesting the conference, should have voted after the house on the report.

But we also know that if this report had come to the House first it would have been subject to a motion to return it to conference and insist on my amendment, whereas with the Senate acting first we could only vote it up or down.

What happened—well, our conferees allowed the Senate to act outside the normal rules and vote first on the bill in order to prevent this House from once more expressing its will in favor of a payment limitation.

Mr. Speaker, this never should have happened. Our conferees should have insisted on this payment limitations amendment, and they certainly should have insisted on this House acting first on the report as is our prerogative.

Without this $20,000 payment limitation, any extension of the 1965 act would merely serve to perpetuate a wasteful, unfair, and inequitable subsidy program.

I urge all of my colleagues who support a payment limitation to vote against this conference report and make clear that without a payment limitation this farm bill cannot be justified.

Mr. BELCHER. Mr. Speaker, I yield myself such time as I may consume.

(Mr. BELCHER asked and was given permission to revise and extend his remarks.)

Mr. BELCHER. Mr. Speaker, the gentleman from Massachusetts was always high on any subject he might have, but I did not know that he woulld call it a thoroughbred.

Mr. Speaker, there were 17 amendments over in the Senate and the gentleman has characterized them as just a bunch of trash. But nevertheless I know that over there the entire Senate that passed those 17 amendments probably would not today think so much of the gentleman's "thoroughbred" remarks. I can understand why the gentleman who lives in a district which does not even have a flower pot in it would feel this way.

Mr. CONTE. Mr. Speaker, will the gentleman yield?

Mr. BELCHER. Just a moment. I did not ask the gentleman to yield during his time.

Mr. Speaker, various enterprises which are conducted in the district which the gentleman represents have received subsidies for almost everything you can imagine throughout the years, almost since we discovered America, and I can understand why he would not want a group of farmers to stay afloat. But I might say to the gentleman from Massachusetts that if he breaks the farmers, there will not be anything to buy those subsidized products which are produced by high-priced workers.

Mr. CONTE. Now, Mr. Speaker, will the gentleman yield?

Mr. BELCHER. I yield to the gentleman from Massachusetts.

(Mr. CONTE asked and was given permission to revise and extend his remarks.)

Mr. CONTE. I would like to inform the gentleman that I have more dairy farmers in my district than he has in his Oklahoma district and that they are not collecting any Government subsidy, they do not want any subsidy. They want to put an end to this subsidy business.

Mr. BELCHER. I would say if the gentleman has dairy farmers in his district, they are subject to the same subsidies that any other dairy farmer is in America. That shows how little the gentleman knows about the farm bill.

Mr. CONTE. Mr. Speaker, will the gentleman yield further?

Mr. BELCHER. Yes, I yield.

Mr. CONTE. Mr. Speaker, I do repeat that I have a great group of dairy farmers in my district who do not collect any subsidies from the Federal Government.

Mr. POAGE. Mr. Speaker, I yield 3 minutes to the gentleman from Missouri [Mr. JONES].

(Mr. JONES of Missouri asked and was given permission to revise and extend his remarks.)

Mr. JONES of Missouri. Mr. Speaker, I was intending to say something about the statement of the gentleman from Massachusetts but I think the gentleman from Oklahoma took care of him very well. However, while the gentleman from Illinois was speaking I was wondering whose views he was reflecting.

Mr. Speaker, I had an interesting experience a few days ago when I read the Wall Street Journal. A front page headline stated "Capital Newsmen Often Play a Role in Creating the Events They Cover." For the benefit of those who did not read it in the September 11 issue—I read a portion and to the best of my knowledge it has never been challenged—it says:

> Charles Nicodemus of the Chicago Daily News is among those who have climbed "inside the horse's mouth"—

I do not know how he got inside the horse. He might have come in through the mouth—

> helping to draft speech material and then reporting the ideas as those of the officeholder he aided. He played just such a duet with Republican Representative Paul Findley of home-state Illinois during the 1967 dispute over the Government-authorized sale of M–16 rifles to Singapore while the weapons were in short supply for Vietnam troops—a story Mr. Nicodemus uncovered.

The article goes on to say quoting Mr. Nicodemus:

> "When I first got word of what was cooking, I wanted someone to raise hell in public about it," he says. "So I got in touch with FINDLEY, who I had worked with before. I fed him stuff and he sounded off about it, and he asked the State Department or Defense about other things." Mr. Nicodemus won a distinguished service award from Sigma Delta Chi, the professional journalism society, for these and related stories.

But the thing I would like to know today is whether the gentleman from Illinois was speaking for his farmers. And I will say this—and I will put up any amount of money and leave it to any kind of poll—and I am not talking about my friends from Chicago and other places, but the polls about the people wanting to get rid of the farm program. They do not want to get rid of the farm program until we can get something better than what we have. We are, asking for a little time there.

I do not believe that the gentleman from Illinois would have the nerve to get up here and tell this House that he is representing the people of Illinois when he says that he is oposed to continuing this present farm program for another year. Now, until I get some reason to believe that he is not reflecting the views of Mr. Nicodemus, and if Mr. Nicodemus has crawled inside or found some way or other to get inside, I want to know whose views the gentleman from Illinois has been reflecting—his own, or those of

Mr. Nicodemus. When the gentleman is down in the well here telling us that the farmers of America do not want this program to continue, until they can get something better, he is just not reflecting the views of his farmers.

I believe we are asking for the minimum now for a year until we can do it.

I do not like everything about the farm program. I did give the gentleman from Illinois credit for having more information and knowing more about the program than the gentleman from Massachusetts who does not know the difference between a subsidy and a payment for taking land out of production in order to bring supply and demand into balance.

Mr. FINDLEY. Mr. Speaker, will the gentleman yield?

The SPEAKER. The time of the gentleman from Missouri has expired.

Mr. FINDLEY. Mr. Speaker, will somebody yield to me?

The SPEAKER. Does the gentleman from Oklahoma yield to the gentleman from Illinois?

Mr. FINDLEY. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman from Illinois has made a parliamentary inquiry. Does the gentleman from Oklahoma yield to the gentleman from Illinois for that purpose?

Mr. BELCHER. Mr. Speaker, I will yield 1 additional minute to the gentleman from Illinois.

The SPEAKER. The gentleman from Illinois [Mr. FINDLEY] is recognized for 1 minute.

Mr. FINDLEY. Mr. Speaker, I thank the gentleman. I believe my good friend from Missouri is a former newspaperman himself, as I am—and I suspect that back of his comments might have been just a little bit of envy that I have been working with a prizewinner like Charlie Nicodemus. I have no apologies for that. I do suggest that maybe the comments of the gentleman from Missouri do not go straight to the heart of the question, and I doubt if they deal with the merits of this bill that is before us today.

It really comes down to what we are inflicting upon the taxpayers of the United States and what we are inflicting upon the farmers of the United States.

I can tell the gentleman from Missouri that while the conventions were going on I spent almost the entire month of August going from country town to country town in my district talking to farmers and, believe me, they are behind this amendment to establish a $20,000 limitation on payments. And you had better believe that.

Mr. JONES of Missouri. If the gentleman will yield, let me ask the gentleman one question: Does the gentleman deny that he has been sounding off for Mr. Nicodemus?

Mr. FINDLEY. Oh, of course I do. I write my own speeches. And I am sure the gentleman would not want to take unfair advantage in this parliamentary situation, where we have no real chance to discuss what the gentleman has brought up. The time is not adequate to discuss it. It looks to me like a red herring which maybe ought to be a part of a farm bill after all.

The SPEAKER. The time of the gentleman from Illinois has expired.

Mr. CONTE. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. The gentleman from Massachusetts makes the point of order that a quorum is not present.

The Chair will count.

Mr. CONTE. Mr. Speaker, I withdraw my point of order.

The SPEAKER. The gentleman from Massachusetts withdraws his point of order that a quorum is not present.

The Chair recognizes the gentleman from Texas [Mr. POAGE].

Mr. POAGE. Mr. Speaker, I yield 3 minutes to the gentleman from Indiana [Mr. MADDEN].

(Mr. MADDEN asked and was given permission to revise and extend his remarks, and to include an editorial from the New York Times.)

Mr. MADDEN. Mr. Speaker, this conference report on the annual, approximately $3.5 billion farm subsidy, calls for an extension of an additional year during 1970. The rule for this legislation was rejected by a 6-to-6 vote in the Rules Committee 4 or 5 months ago. Finally, the bill H.R. 17126, after 4 or 5 weeks delay, was reported out of the Rules Committee. During the debate on the floor of the House figures and statistics were presented revealing large corporate farms were receiving fabulous, annual checks from the American taxpayers for idle land.

During the House debate 2 months ago I held in my hand a 1,240-page volume from the Senate hearings, which contained the names, addresses, counties, and States of all recipients reeciving over $5,000 annually from the Government for idle lands. That volume revealed that the great bulk of recipients were large corporate farms receiving payments from $100,000, $500,000, $800,000, and up as high as $4 million from the American taxpayers for idle land.

Of the various counties listed over the Nation several southern and western counties received payments between $16 and $20 million annually. Remember, I am referring to counties, not States. A half dozen individual farm corporations received over $1 million each, but I believe the champion recipient of all was J. G. Boswell Co., Litchfield Park, Ariz., Kings County, Calif., who received $4,091,818 from the American taxpayers in the year 1967 for its idle land. Close behind was Rancho San Antonio, Gila Bend, Ariz., Fresno County, Calif., who received $2,863,668 in the year 1967. The runnerup was Giffen Farms, Inc., of Huron, Calif., who received $2,397,073 from the American taxpayers in the year 1966 for its idle land.

In the CONGRESSIONAL RECORD of July 18, 1968, page E6642, I listed the names and addresses of 25 large-farm recipients whose individual payments run from $442,327 up to $4,091,818, I also submitted on that page of the CONGRESSIONAL RECORD where 10 farming operations received a total of $14,785,760, which is more than the total of $13,409,756 received by all farmers in 10 States—Alaska, Rhode Island, Massachusetts, New Hampshire, Connecticut, Delaware, Nevada, Vermont, Maine, and West Virginia—plus the Virgin Islands.

I could go on indefinitely revealing the scandalous operations of this program which, if thoroughly investigated, would rival the "teapot dome scandal" of the 1920's. Many instances were related whereby farmers would buy additional nonproductive land in some of the Southern and Western States, which they could pay off the first year from checks received from the Government for allowing it to remain idle.

This 1965 act has 1 year and 3 months to run before it expires. The new Congress, in January and February, will have plenty of time to legislate on agriculture subsidies in the 91st Congress. In the last few months I have received copies of dozens of daily newspaper editorials opposing this subsidy bonanza of $3.5 billion. I wish to incorporate with my remarks an editorial from the New York Times of last Thursday, September 19, which winds up by saying:

> Since 1961 the Federal Government has paid farmers $12 billion for not growing wheat, feed grains and cotton. Surely the money could have been better spent in a determined effort to alleviate rural poverty. Improved educational facilities and greater employment opportunities in now impoverished rural areas would help diminish the migration of hopeless people to the urban slums.

By a 70-vote margin, this body placed an annual $20,000 limitation to any farmer or farm operation but the conference committee saw fit to remove the limitation. Our Members should insist on the limitation by rejecting this conference report and let the 91st Congress decide this controversial farm problem in January and February.

The article from New York Times follows:

THAT BIPARTISAN FARM POLICY

There are many issues on which bipartisan cooperation is in the public interest, but the farm-price support policy is not one of them. For 35 years efforts to stabilize farm prices through Government control of production have failed, and they cannot possibly succeed in the future. Yet Republicans and Democrats in the House-Senate conference voted to extend the programs for another year and voted down a provision of the bill which would have sensibly limited individual subsidy payments to $20,000.

Both parties—as their election platforms make clear—are committed to the perpetuation of policies that burden the urban poor with higher food prices, benefit commercial farmers who don't need help and create shortages and gluts of commodities that would not occur in free markets.

Mr. Nixon's recent swing through Iowa provides an excellent example of the obeisance to myth that politicians make in grappling with the farm price issue. He deplored the decline in the parity ratio to 74 per cent of the 1910–14 average, and described it as "the lowest since the dark days of the Depression."

What Mr. Nixon didn't say is that the parity ratio—the relation between prices farmers receive for their products and their costs of production—is a defective measure of farm welfare. It fails to take into account Federal subsidy payments, productivity gains and income earned off the farm. Net income per farm is a much better gauge, and this year's figure will not fall very far below the peak level of 1967. Real farm incomes, to be sure, are being eroded by inflation, but so are all others.

Debates between the parties turn on the issue of who can best administer farm-price supports. The truth of the matter is that most commercial farmers would be better off if they could return to free commodity markets through the relaxation and eventual abandonment of Government controls.

Since 1961 the Federal Government has paid farmers $12 billion for not growing wheat, feed grains and cotton. Surely that money could have been better spent in a determined effort to alleviate rural poverty. Improved educational facilities and greater employment opportunities in now impoverished rural areas could help diminish the migration of hopeless people to the urban slums.

Mr. BELCHER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, confession is always good for the soul, and I was very proud of the gentleman from Indiana, there, when he stood up and confessed that he voted for this $12 billion. I did not. I voted against this.

I might just say one thing: I wonder if he has taken notice of some of the polls taken in his district that show Wallace leading.

Mr. MADDEN. Mr. Speaker, will the gentleman yield?

Mr. BELCHER. I yield to the gentleman.

Mr. MADDEN. Do not try to get Wallace into this thing, because Wallace has farmers down there in Alabama where you could not raise a chicken on swamp and sagebrush land who are getting all the way from $10,000 up to $50,000 a year for leaving a lot of prairie sand and hardtop acres idle.

Many people in the South and West bought additional swamp and sagebrush land and paid for the acres the first year and never raised a nickel's worth of anything on the land.

Yet, the taxpayers of America paid nearly $3½ billion of which three-fourths of the money went to large corporation farms.

The American Farm Bureau states that over 400,000 small farmers annually leave their farms and move into the urban centers. Many are evicted by large farm operations who allow the land to remain idle and collect from the taxpayers.

I voted for this legislation 3½ years ago when we had large surpluses of grain, et cetera, but it did not take the large "fat cat" corporation farmers long to make a multimillion-dollar racket out of the program.

Three weeks ago I voted for the $20,000 annual limitation to any one farm operation but the Senators helped to remove the $20,000 annual limitation from the bill in the conference report.

Mr. BELCHER. Mr. Speaker, I would say to the gentleman from Indiana that he voted for it and I did not. Undoubtedly when those people out in his district find out how Wallace is getting along and the people down in his area are getting all that money they will think differently. I cannot understand why the union members in the gentleman's district have indicated that they will vote for Wallace. They must be disconcerted about something.

Mr. POAGE. Mr. Speaker, will the gentleman yield?

Mr. BELCHER. I yield to the gentleman from Texas.

Mr. POAGE. The law we are extending now provides that no one can get payments under the cropland adjustment program for land which has been purchased during the last 3 years, and if someone told the gentleman from Indiana that he did this after buying the land, he was mistaken because there is no way of getting those payments, under the existing program. I am afraid that the gentleman from Indiana has simply failed to distinguish between the law and what some ill-informed critic of the bill says is the law.

Mr. MADDEN. Mr. Speaker, will the gentleman yield?

Mr. POAGE. I do not have the floor.

Mr. MADDEN. There are many farmers or land speculators who are clever enough to buy farms in a name other than their own name.

Mr. BELCHER. Mr. Speaker, I yield 1 minute to the gentleman from California [Mr. TEAGUE].

Mr. TEAGUE of California. Mr. Speaker, I was a member of the conference and I did not sign the conference report. My colleagues on both sides of the aisle know I have always been opposed to this farm program. It has not worked. It is not in the interests, certainly, of the taxpayers nor of the majority of the farmers in this country. It is bad enough to be stuck with this program through 1969. We would be if we did nothing. But it is even worse if we should extend it through 1970.

Mr. Speaker, I urge a vote against adoption of the conference report.

(Mr. BELCHER asked and was given permission to revise and extend his remarks.)

Mr. BELCHER. Mr. Speaker, I yield 3 minutes to the gentleman from Montana [Mr. BATTIN].

(Mr. BATTIN asked and was given permission to revise and extend his remarks.)

Mr. BATTIN. Mr. Speaker, first, I wish it very distinctly understood that I do not have any interests, personal or financial, in any farm any place in the United States. However, I do represent a rather large rural farming area of the country. I am a little bit surprised that people will start out by saying, "If you pass this bill, we are stuck with it for another year." There is no one in this body who does not know that if we come up with new legislation at any point in 1969 that at the point a new bill becomes effective the present law is repealed. We do not wait until the expiration of the old bill.

It was stated by the chairman of the committee that both political parties agree that a 1-year basic extension is what is needed in order to try to straighten things out.

The gentleman from Illinois has said that farmers in his area are getting $1.10 for wheat. They are lucky. Mine are getting only 94 cents, and they have a long ways to go to the marketplace in order even to receive that price.

Mr. FINDLEY. Are you satisfied with that price of wheat?

Mr. BATTIN. No, I am certainly not satisfied with that price of wheat. Perhaps we represent different kinds of farmers. Mine do not think a $20,000 limitation is worth a darn, and for one basic reason. If I am opposed to a farm bill, I will have courage enough to get up and say that I am opposed to it and fight it right down to the end. But I think the gentleman will have to agree that if the amendment to require a $20,000 prevailed, in effect he would be killing the farm program. The people you are trying to control in a farm program are the big producers. I have heard a great deal said about the millionaire farmer. Are we against people being able to make a living in this country? Are we going to set up a ceiling prescribed by the Government to limit what they can make? I hope not. If you are against the program, fine, vote against it. But to attack it in this way seems to me to not be a very fair or proper approach. We will have an opportunity in 1969, in what I hope will be a different administration, to work our will as we do every year on the problems dealing with rural America. But to do it in this way just does not seem to me to be in the best interests of either the farmers or the consumers.

Mr. Speaker, I urge the adoption of the conference report for a simple 1-year extension of the farm bill.

Mr. POAGE. Mr. Speaker, I yield such time as he may consume to the gentleman from Arkansas [Mr. GATHINGS].

Mr. GATHINGS. Mr. Speaker, I rise in support of the conference report.

THE FARMER IS A VITAL MEMBER OF OUR SOCIETY

Mr. Speaker, so many times the general public erroneously looks upon the farmer as a subsidy-hungry feeder at the public trough. That agriculture and the upkeep of the farmer is a lavish and extravagant operation. They point to the appropriation of funds for agriculture with scorn and contempt. So many of the Nation's people look upon the Department of Agriculture and the funds required to run it as being beneficial to the farmer and farmer alone. This attitude is misleading. It can be corrected by a look at the facts.

A sizable part of the money spent by the Department of Agriculture is enjoyed by the consuming public, it goes to aid people, and American business as well as the farmer. Let us take a look at the 1968 fiscal year estimated expenditures for agriculture so that we can see where the money was used:

	Million
Public Law 480 sales of agricultural commodities for currencies of the recipient countries plus sales on credit totaled (this money should be charged up to foreign relations—not the farmer)	$890
Title II, Public Law 480:	
Donations abroad	425
Transfer of bartered goods to stockpile (clearly defense)	24
Donations dairy products to armed services	1
Total foreign and defense	1,339

Other phases of food programs for the needy or the poor include:

	Million
Domestic food distribution	$424
Food stamp program	178
School lunch (builds strong bodies in our young people)	220
Milk program (special plan to drink more milk)	102
For the needy—total	924
Farmers Home and REA:	
Repayable loans (investment that will come back through payments)	150
Forestry (benefits everyone)	217
Agriculture research—forestry	263
Plant disease—pest control	73
Agriculture conservation program soil and water resources	257
Protection and development—all other	277
Co-op extension work	90
Inspection of commodities, meats	100
Other kindred outlays, expenses	97
Total	1,388

These benefits are for the future of America—long-range programs for improvement of agricultural and natural resources. These expenditures here largely went to the stabilization of farm income to our producers, but they also benefit others such as storage concerns, warehousemen, river and rail transportation facilities as well.

Agriculture expenditures help the farmer, and at the same time the general consuming public—our schoolchildren—the needy or poor people. These funds go to our defense establishment and to build good will with our neighbors overseas. We should not overlook the fact that these appropriations build up our land and water resources for future generations.

It has been estimated by Department of Agriculture sources that during fiscal 1968 funds spent for programs that assisted and aided consumers—the general business concerns represented nearly two-thirds of the total expenditures made by the Department of Agriculture that year.

The people who supply the Nation with the basic necessities of livelihood food and fiber need to be praised—encouraged not denounced. The farmer receives only a small part of the consumer dollar spent for food.

There are fewer people farming but the capital investment for each farm has gone up from $6,158 in 1940 to $16,979 in 1950. In 1966 the average capital outlay per farm was $65,960, the farmer is entitled to a fair return on his investment.

Most people of the world spend half of their income or more for food. The American family spends only 18 percent of its earnings for the highest type balanced diet of nutritious foods. It is a real blessing that our people are so well fed and healthy on such a small part of their incomes.

If our farmers used the methods that were customary in 1940 the cost of the Nation's food and fiber would be added an extra $13 billion a year. This would mean each family would pay an additional sum of a little more than $5 per week for its market basket.

Two hundred million people live in the United States. They have to be fed, clothed, and housed. In underdeveloped areas in Asia, South American, and Africa the population explosion is resulting in food shortages, malnutrition, undernutrition, and hunger. These nations for many years will have to get supplemental food from other countries. These people make less wages and they cannot buy our products at prices paid in this country. A farmer who receives $1.60 an hour for his work is finding it most difficult to buy all the machinery and chemicals he wants to buy from industry that is paying $2.71 for labor.

The farmer is not asking preferential treatment but he is entitled to fair play or reasonable returns on his investment of capital and labor. He will not produce the increased requirements of commodities without the assurance of a profit—a reasonable profit. That is not asking too much of anyone. The farmer is a vital and essential member of our society.

I urge the adoption of the conference report.

(Mr. GATHINGS asked and was given permission to revise and extend his remarks.)

Mr. POAGE. Mr. Speaker, I yield 2 minutes to the gentleman from Texas [Mr. MAHON].

Mr. MAHON. Mr. Speaker, I commend the gentleman from Texas [Mr. POAGE] and the gentleman from Oklahoma [Mr. BELCHER] for bringing to the House a conference report which I believe most of the Members of the House who have a deep understanding and interest in agriculture, can support. This is a bipartisan effort to resolve a problem. This 1-year extension with limitations is a reasonable compromise.

It is true that some of our agricultural prices are very low, much too low. Under these circumstances the farmer could not survive economically except for Government payments. Actually in the true sense the payment to the producer is in effect a subsidy to the consumer. Except for the farm programs the price of food and fiber to the consumer would be markedly higher.

The present program which this bill extends for 1 year is not the perfect answer to the question.

I would say further, Mr. Speaker, that in our capacities here in the House, there is a responsibility to try to represent the interests of agriculture and also to represent the interest of the urban areas. We have to work together for the common interest if we are to move forward as a people.

I commend the committee for what it has done in regard to the pending problem. I likewise commend the committee for its effort to improve the food stamp program, a proposal we are scheduled to consider during the further proceedings of the day.

I join with others in urging adoption of the conference report now before us.

Mr. GOODLING. Mr. Speaker, the 1965 Agricultural Act does not expire for 15 more months. The act has not succeeded in helping the average farmer. The lowest parity ratio in many years is sufficient evidence.

We will have a new President and hopefully a new Secretary of Agriculture. A new administration should have a voice in writing a new farm bill.

If it becomes necessary to extend this act it could be done during the early months of the 91st Congress.

Why continue a very costly program that simply has not worked?

Mr. OLSEN. Mr. Speaker, wheat farmers are watching with great interest our final decision to extend the Food and Agriculture Act for 1 year or more.

It is of the utmost importance to them that the Congress take affirmative action now.

If the legislation we are now considering is not enacted, wheat farmers face the prospect of returning to the old program that pushed them into their serious surplus problem. With no action, the Secretary of Agriculture would be required to proclaim marketing quotas, thus compulsory controls, not later than next April 15 for the 1970 crop.

Thus, no action now means that the new Congress would have to consider legislation early next year to keep a voluntary program in effect for wheat. Any delay then in congressional action would keep wheat farmers on the hot seat—not knowing whether they would be operating under the old program or whether Congress later in the year would take some action to modify this program.

Wheat legislation which is now in effect and which would be extended if the act we are now considering is approved has brought the surplus of wheat down to reasonable levels. It embodies two-price principle in that it sets price supports at levels nearer those of world market prices and supplements incomes through direct certificate payments for wheat consumed as food here in the United States.

Under this program, dollar sales of wheat have averaged higher than in previous years—greatly helping our balance-of-payments problem.

It has brought total returns to wheat farmers to higher levels than at anytime since the post-World War II years.

It provides the means, more than any other previous legislation, to deal with agriculture's basic problem—that of excess productive capacity.

The basic principles in the 1965 farm act have proven without doubt to be successful. It has been effective in its aim to increase farm income. I urge Members to consider its record of success and accomplishment and vote for its extension.

Mr. CULVER. Mr. Speaker, I support the conference report on the Food and Agriculture Act which the House is considering today, and will vote for it as I did for the original bill and for the extension which passed the House in July.

But I am deeply disturbed that, in doing nothing more than to extend present programs for 1 additional year, the Congress is exercising only its most minimal responsibility in this area, while ignoring the need for a much more critical examination and revision of the farm program and an extension of workable programs over a longer period of time.

When farmers are facing the most

critical cost-price squeeze of this decade, with farm income down significantly from the record highs of 1966 and 1967, Congress should be assuming vigorous leadership in an area which affects not just agriculture, but every section and sector of our interdependent economy.

When the 89th Congress passed the Food and Agriculture Act of 1965, it was hailed as the best we had ever established. For the first time, a program had been set for 4 years, so that the American farmer would be assured of continuity, instead of wondering from one planting season to the next whether Congress, in its annual struggle over the program, would maintain or cancel it, and in what form.

But while we carried out that responsibility to bring some kind of stability to the farm program, we ignored the opportunity which this 4-year period gave us for a critical examination and analysis so that meaningful changes could be made when the expiration date approached.

Instead, we are doing nothing more than extending the program, because we have no real evidence of how it can best be improved.

At least, in doing this we are insuring that farmers will know what to expect for the 1970 crop year, and giving Congress an extra year to exercise its responsibility for revision and reform. It is for that reason that I am supporting this conference report today.

In passing this legislation, however, we should make perfectly clear that the first priority task of the new administration and the new Congress next year must be the development of a new long-range farm program, taking the best of the present one which is, after all, the most successful we have ever had, and making changes to eliminate the problems and make it more relevant to agriculture for the 1970's.

There is perhaps no clearer indication of the manner in which the Congress has overlooked its responsibility on the farm program than the debate on limitation of payments.

There is widespread concern in this country and this Congress—a valid concern which I share—about the trend toward corporate farming. I feel strongly that the farm program should be designed to protect the individual family farmer against what one farm organization president has described as "the factory in the field."

That is why I introduced legislation to eliminate the tax loopholes which benefit hobby farmers and corporations in competition with legitimate family farmers. That legislation has received bipartisan support in the Congress, and has been endorsed by both the Department of Treasury and the Secretary of Agriculture.

If there was convincing evidence that an arbitrary limitation of payments would help the family farmer and reverse the trend toward corporate farming, then I would have supported it, as I am sure would have my four colleagues from Iowa who also opposed it, and I think the conference would have included it in the legislation before us today.

But on the contrary, all of the evidence suggests that, appealing as the concept of such limitations might be, in actual fact as proposed during the debate on this legislation, they would do more damage to the family farmer than they would help him. For example, a $10,000 limit on payments would put 1.5 million acres back into production and add 3 million tons of feed grains to the market. It is not the large wealthy farmer who is going to suffer from the lower prices of the resulting glutted market—it will be the small farmer, who is already selling his corn at a dollar a bushel or less.

I want to emphasize that I do support adjustments in the present program which would put an end to windfalls to corporate farmers, without endangering the family farmer. And I am particularly concerned that steps be taken to insure that no payments are made to keep land out of production which would not have been planted in any case.

It is unfortunate that, after 4 years with the program, we did not have the information and knowledge to make those adjustments this year, and this is one aspect of the program which must have immediate consideration in the 91st Congress.

Mr. Speaker, the need for a sound voluntary farm commodity program is clear. Right now, the American farmer is capable of producing 12 percent more than we can effectively use in the marketplace and in commodity distribution programs both in this country and abroad. And historically, it has been demonstrated that farmers, because they are independent and dispersed, cannot avoid overproduction without some kind of farm program.

During the hearings on this legislation, testimony was received from farm organization representatives suggesting that without the feed grains program, net farm income would decline by $5 billion.

The Secretary of Agriculture contended that net farm income would drop from 20 percent to 40 percent within 5 years, and the only ones left to benefit from the free market then would be the corporations who were large enough to withstand those kind of losses.

The Economic Research Service has conducted studies which indicate that without the farm program, net income would be 36 percent lower, feed grains production would be 17 percent higher, and prices down 34 percent, with a parallel decline in livestock prices at the rate of 5 to 6 percent for every 10 percent decline in grain prices.

And at the same time, we would be building up the kind of price-depressing surpluses which were so devastating to the farmer during the last decade. Those surpluses have been reduced now from the all-time high of $5.5 billion in 1960 to less than $1 billion today.

If we refuse to extend the farm program, we insure a return to those difficult years.

But just by passing this legislation today, we will not automatically guarantee the strength and stability of agriculture. If we are going to accomplish that objective, then we must not only set out to reform the feed grains program, we must act on complimentary legislation in the areas of corporate farming, strategic reserves, and farm bargaining rights.

I urge the House to approve this conference report today, but in doing so we must not delude ourselves that we have therefore fulfilled our responsibility to the American farmer. In a very real sense, we are doing little more than conducting a holding action by extending the Food and Agriculture Act through 1970, and we must commit ourselves to much more positive and thorough action in the early days of the 91st Congress.

Mr. MONAGAN. Mr. Speaker, I have consistently opposed the Food and Agriculture Act of 1965 and this year I opposed its extension. I regard the programs it establishes as extravagantly wasteful, unduly burdensome to the Nation's taxpayers, and ineffective in aiding those farm families who are most in need.

Perhaps the most outrageous aspect of the act's programs is that exorbitant payments are permitted to be made to large farming enterprises—payments running sometimes into the millions of dollars. I was therefore very gratified that the House adopted an amendment to H.R. 17126, limiting to $20,000 the amount that any individual may be paid. I am correspondingly disappointed that the conferees have deleted this important limitation from the bill.

I certainly intend to oppose adoption of a conference report that will continue to permit such huge sums to be paid to single farming entities, and I hope that other Members will join me in numbers sufficient to insure its defeat.

Mr. BOLAND. Mr. Speaker, I urge the rejection of this conference report seeking an extension of the 1965 Food and Agriculture Act—an act that has fallen far short of the goals its advocates had envisioned 3 years ago.

The record shows, of course, that I voted for this act when it was put before the Congress in 1965. Assured that the legislation would spur agricultural prosperity, that it would stabilize mounting food costs, that it would give the Agriculture Department an economical way of untangling the knotty agricultural difficulties collectively termed the "farm problem," I supported the act in the hope that it would lead to at least a partial achievement of these goals. The evidence accumulated over the past several years, however, demonstrates that the act has failed. The Federal Government is spending almost $3.5 billion each year to carry out the act's provisions—a sum that hardly constitutes the spartan brand of "governmental economy" predicted by the act's spokesmen in 1965. The act, moreover, has not even generated significant farm prosperity. The farm parity index now stands at 73—a figure that, on an annual basis, is no better than the index recorded in the depths of the great depression. And high food costs, another problem the act was drafted to help solve, are continuing to spiral upward.

I am fully aware, Mr. Speaker, that opponents of the bill proposing an extension of the 1965 Food and Agriculture Act are outnumbered by its proponents.

The bill's passage, it seems, is assured. By rejecting the conference report now before us, however, we can temporarily send the bill back to conference for revisions that could clear away some of the most startling abuses of the taxpayers' money. The conferees, for example, could restore the House amendment passed July 31 to limit to $20,000 the maximum subsidy payments granted to individual farmers or individual farm operations.

Initially developed in the depression years to help small farmers wrest a living from the soil, the farm subsidy program now lavishes money on giant farm operations that are quite capable of surviving—indeed, of flourishing—without subsidies. Studies carried out over the past few years make this fact amply clear. One study, for example, showed that fully 20 percent of all farm subsidies go to the 2 percent of American farmers who gross more than $100,000 annually. Another study—this one just as alarming—pointed out that 6,579 individual farm operations received payments averaging $50,000 and totaling $333 million during fiscal 1967 alone.

The Congress has a responsibility—a clear responsibility—to end this misuse of Government funds.

Again, Mr. Speaker, I urge the rejection of this conference report so that the extension bill can go back to conference for revision.

Mr. RUMSFELD. Mr. Speaker, since the gentleman from Missouri has injected into this discussion of the agriculture subsidy program the work of the gentleman from Illinois [Mr. FINDLEY] on the procurement of M–16 rifles, I would like to commend the gentleman from Illinois for his contribution in this area.

There can be no question but that without the fine investigative work of the gentleman from Illinois and the excellent reporting in the Chicago Daily News the unfortunate situation surrounding the procurement of M–16 rifles would not have come to light. Nor is it likely that the U.S. Government would have moved to correct what has to be described as a scandalously handled procurement. I commend the gentleman from Illinois for the contribution he has made, and for the energy, diligence, and dedication which has characterized his work in the House.

Mr. POAGE. Mr. Speaker, we have no further requests for time.

Mr. Speaker, I move the previous question on the conference report.

The SPEAKER. The question is on the previous question.

The previous question was ordered.

Mr. FINDLEY. Mr. Speaker, a parliamentary question.

The SPEAKER. The gentleman from Illinois will state his parliamentary inquiry.

Mr. FINDLEY. Mr. Speaker, am I correct that in the event the House votes disagreement with the conference report, the status of the bill is restored to the position it occupied before conference was asked?

The SPEAKER. The Senate amendment would then be before the House for further action.

Mr. FINDLEY. Mr. Speaker, under that circumstance, a motion would then be immediately in order to send it to conference with or without instructions?

The SPEAKER. At that point, if it arrives, such a motion would be in order.

Mr. FINDLEY. And therefore disagreement with the pending motion to accept the conference report would not defeat the bill but rather place it in a position for the House to act?

The SPEAKER. The Chair is not going to rule on that. The Chair has already answered two parliamentary inquiries for the gentleman. And the gentleman understands the situation.

The question is on the conference report.

The question was taken; and the Speaker announced that the ayes appeared to have it.

Mr. CONTE. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 189, nays 172, not voting 70, as follows:

[Roll No. 351]

YEAS—189

Abbitt
Abernethy
Albert
Anderson, Tenn.
Andrews, Ala.
Andrews, N. Dak.
Annunzio
Arends
Ayres
Barrett
Battin
Belcher
Berry
Betts
Bevill
Bingham
Blatnik
Boggs
Bow
Brademas
Brasco
Brinkley
Brock
Brooks
Brotzman
Broyhill, N.C.
Burke, Mass.
Burleson
Burton, Calif.
Burton, Utah
Bush
Byrne, Pa.
Byrnes, Wis.
Cabell
Carter
Casey
Clark
Colmer
Culver
Cunningham
Curtis
Davis, Wis.
de la Garza
Dellenback
Denney
Devine
Dingell
Dole
Dorn
Dowdy
Downing
Duncan
Eckhardt
Edmondson
Edwards, La.
Eilberg
Evans, Colo.
Everett
Evins, Tenn.
Fascell
Feighan
Flood
Foley
Ford, Gerald R.
Fountain
Fulton, Tenn.
Fuqua
Galifianakis
Gardner
Gathings
Gettys
Gonzalez
Green, Pa.
Griffin
Gross
Hagan
Hall
Hamilton
Hammerschmidt
Hardy
Harsha
Hathaway
Hays
Henderson
Hull
Hungate
Ichord
Jarman
Johnson, Calif.
Jonas
Jones, Ala.
Jones, Mo.
Jones, N.C.
Kastenmeier
Kazen
Kee
Kelly
Kleppe
Kluczynski
Kornegay
Kuykendall
Kyl
Langen
Latta
Leggett
Lennon
Lloyd
Lukens
McCulloch
McFall
McMillan
MacGregor
Mahon
Mathias, Calif.
Matsunaga
May
Mayne
Meeds
Miller, Ohio
Mills
Mink
Mize
Montgomery
Moorhead
Morgan
Murphy, N.Y.
Myers
Natcher
Nelsen
Nichols
Nix
O'Hara, Mich.
O'Konski
Olsen
O'Neal, Ga.
O'Neill, Mass.
Passman
Patman
Patten
Pepper
Perkins
Pickle
Poage
Price, Tex.
Pryor
Purcell
Quie
Quillen
Randall
Reifel
Rhodes, Ariz.
Rivers
Roberts
Rogers, Colo.
Ronan
Rooney, N.Y.
Roush
Saylor
Schadeberg
Scherle
Schwengel
Selden
Sikes
Skubitz
Smith, Iowa
Smith, Okla.
Springer
Stanton
Steed
Stephens
Stubblefield
Stuckey
Sullivan
Talcott
Taylor
Teague, Tex.
Thompson, N.J.
Tuck
Udall
Vigorito
Waggonner
Watson
White
Whitener
Whitten
Winn
Wylie
Young
Zwach

NAYS—172

Adair
Adams
Addabbo
Ashbrook
Bates
Bennett
Boland
Bolton
Bray
Brown, Mich.
Broyhill, Va.
Buchanan
Burke, Fla.
Button
Cahill
Carey
Cederberg
Celler
Chamberlain
Clausen, Don H.
Clawson, Del
Cleveland
Collier
Collins
Conable
Conte
Corbett
Corman
Cramer
Daniels
Delaney
Dent
Derwinski
Diggs
Donohue
Dulski
Dwyer
Edwards, Ala.
Edwards, Calif.
Erlenborn
Esch
Eshleman
Fallon
Findley
Fino
Frelinghuysen
Friedel
Fulton, Pa.
Garmatz
Giaimo
Gibbons
Gilbert
Goodling
Gray
Green, Oreg.
Griffiths
Grover
Gubser
Gude
Haley
Halpern
Hanley
Hanna
Harvey
Hechler, W. Va.
Helstoski
Hicks
Holifield
Horton
Howard
Hunt
Hutchinson
Irwin
Joelson
Johnson, Pa.
Karth
Keith
King, N.Y.
Kirwan
Kupferman
Kyros
Lipscomb
McCarthy
McClory
McCloskey
McDade
McEwen
Macdonald, Mass.
Machen
Madden
Marsh
Martin
Mathias, Md.
Meskill
Michel
Miller, Calif.
Minshall
Monagan
Moore
Morris, N. Mex.
Morse, Mass.
Morton
Mosher
Moss
Murphy, Ill.
O'Hara, Ill.
Ottinger
Pelly
Philbin
Pike
Pirnie
Podell
Poff
Price, Ill.
Pucinski
Railsback
Rees
Reid, Ill.
Reid, N.Y.
Reinecke
Reuss
Rhodes, Pa.
Riegle
Robison
Rodino
Rogers, Fla.
Rooney, Pa.
Rosenthal
Roth
Roybal
Rumsfeld
Ruppe
St Germain
St. Onge
Sandman
Satterfield
Schneebeli
Scott
Shipley
Slack
Smith, Calif.
Smith, N.Y.
Stafford
Staggers
Steiger, Ariz.
Steiger, Wis.
Taft
Teague, Calif.
Tenzer
Thompson, Ga.
Tiernan
Utt
Van Deerlin
Vander Jagt
Vanik
Waldie
Wampler
Watkins
Whalen
Whalley
Widnall
Wiggins
Williams, Pa.
Wilson, Bob
Wolff
Wyatt
Wydler
Wyman
Yates
Zablocki
Zion

NOT VOTING—70

Anderson, Ill.
Ashley
Ashmore
Aspinall
Baring
Bell
Biester
Blackburn
Blanton
Bolling
Broomfield
Brown, Calif.
Brown, Ohio
Clancy
Cohelan
Conyers
Cowger
Daddario
Davis, Ga.
Dawson
Dickinson
Dow
Farbstein
Fisher
Flynt
Ford, William D.
Fraser
Gallagher
Gurney
Halleck
Hansen, Idaho
Hansen, Wash.
Harrison
Hawkins
Hébert
Heckler, Mass.
Herlong
Hosmer
Jacobs
Karsten
King, Calif.
Laird
Landrum
Long, La.
Long, Md.
McClure
McDonald, Mich.
Mailliard
Minish
Nedzi
Pettis
Pollock
Rarick
Resnick
Rostenkowski
Roudebush
Ryan
Scheuer
Schweiker
Shriver
Sisk
Snyder
Stratton
Thomson, Wis.
Tunney
Ullman
Walker
Watts
Willis
Wilson, Charles H.
Wright

So the conference report was agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. Hebert for, with Mr. Minish against.

Mr. Blanton for, with Mr. Cohelan against.

Mr. Aspinall for, with Mr. Conyers against.

Mr. Ashmore for, with Mr. Farbstein against.
Mrs. Hansen of Washington for, with Mr. Nedzi against.
Mr. Fisher for, with Mr. Gallagher against.
Mr. Long of Louisiana for, with Mr. Brown of California against.
Mr. Dow for, with Mr. Ryan against.
Mr. Davis of Georgia for, with Mr. Scheuer against.
Mr. Flynt for, with Mr. Resnick against.
Mr. Rostenkowski for, with William D. Ford against.
Mr. Sisk for, with Mr. Dawson against.
Mr. Wright for, with Mr. Hawkins against.
Mr. Watts for, with Mr. Macdonald of Massachusetts against.
Mr. Willis for, with Mr. Jacobs against.
Mr. Walker for, with Mr. Cowger against.
Mr. Laird for, with Mr. Stratton against.
Mr. Tunney for, with Charles H. Wilson against.
Mr. Brown of Ohio for, with Mr. Biester against.
Mr. Dickinson for, with Mr. Broomfield against.
Mr. Hansen of Idaho for, with Mr. Clancy against.
Mr. McClure for, with Mr. Gurney against.
Mr. Blackburn for, with Mr. Halleck against.
Mr. Pollock for, with Mrs. Heckler of Massachusetts against.
Mr. Shriver for, with Mr. Hosmer against.
Mr. Thomson of Wisconsin for, with Mr. Mailliard against.
Mr. Hansen of Idaho for, with Mr. Pettis against.
Mr. Landrum for, with Mr. Bell against.
Mr. Rarick for, with Mr. Karsten against.
Mr. Ullman for, with Mr. King of California against.
Mr. Snyder for, with Mr. Long of Maryland against.

Until further notice:

Mr. Ashley with Mr. Harrison.
Mr. Daddario with Mr. Schweiker.
Mr. Fraser with Mr. Roudebush.

Mr. NIX and Mr. EVINS of Tennessee changed their votes from "nay" to "yea."

The result of the vote was announced as above recorded.

The doors were opened.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. POAGE. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks and include extraneous matter on the conference report just adopted.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

APPOINTMENT OF CONFEREES ON H.R. 7735, DUTIABLE STATUS OF ALUMINUM HYDROXIDE AND OXIDE, CALCINED BAUXITE, AND BAUXITE ORE

Mr. BOGGS. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 7735) relating to the dutiable status of aluminum hydroxide and oxide, calcined bauxite, and bauxite ore, with a Senate amendment thereto, disagree to the Senate amendment, and request a conference with the Senate.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana? The Chair hears none, and appoints the following conferees: Messrs. MILLS, BOGGS, KARSTEN, BYRNES OF Wisconsin, and CURTIS.

APPOINTMENT OF CONFEREES ON H.R. 653, RATE OF DUTY ON CERTAIN NONMALLEABLE IRON CASTINGS

Mr. BOGGS. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 653) to amend the Tariff Schedules of the United States with respect to the rate of duty on certain nonmalleable iron castings, with Senate amendments thereto, disagree to the Senate amendments, and request a conference with the Senate.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana? The Chair hears none, and appoints the following conferees: Messrs. MILLS, BOGGS, KARSTEN, BYRNES of Wisconsin, and CURTIS.

CONFERENCE REPORT ON S. 3068, FOOD STAMP PROGRAM

Mr. POAGE. Mr. Speaker, I call up the conference report on the bill (S. 3068) to amend the Food Stamp Act of 1964, as amended, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of September 19, 1968).

Mr. POAGE (during the reading). Mr. Speaker, I ask unanimous consent that further reading of the statement of the managers on the part of the House be dispensed with.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The SPEAKER. The gentleman from Texas is recognized for 1 hour.

Mr. POAGE. Mr. Speaker, I yield 30 minutes to the gentleman from Oklahoma, pending which I yield myself such time as I may consume.

Mr. Speaker, a majority of the conferees on the part of the House submit a conference report which was signed by only four of the managers on the part of the House. All of the conferees on the part of the Senate signed the report.

Those of us who signed this report feel that the report embodies those provisions which are most important to the future of the food stamp program.

Members will recall that the other body reported and passed in May 1968, a bill which would increase the appropriation authorization for fiscal year 1969 for the food stamp program by $20 million. This increase raised the appropriation authorization from $225 million to $245 million for the fiscal year 1969.

There were no other amendments, changes, or extensions in the Senate measure.

On the 2d of July 1968, after 3 days of hearings before the House committee, a bill incorporating the same dollar amount increase was reported. In addition, the bill as reported to the House included amendments which were designed and intended to prevent the use of food stamps in furtherance of industrial disputes or their issuance to students in institutions of higher learning.

These amendments expressly provided that no person eligible to receive stamps prior to becoming a student or striker would be rendered ineligible solely because of the change of this single condition. Further, it was felt that funding should be utilized only for the welfare of persons genuinely in need through no fault of their own or through cirumstances over which they had no control.

There was considerable debate of this measure on the floor of this House on the 29th and 30th days of July last. Upon passage on the 30th, the bill had been amended to provide for funding amounts of "such sums as may be necessary for each of the fiscal years ending June 30, 1969, 1970, 1971, and 1972." A reporting provision which would require the Secretary of Agriculture by January 20 of each year to set forth in a report to the Congress the operations under the act during the preceding calendar year and projecting needs for the ensuing calendar year was added. The so-called striker and student amendment was retained as reported. The effect of the House bill was to extend appropriation authorization for an additional 3 years, a 4-year period in all, and to remove the ceiling from the money to be spent on this program.

It will be recalled that the Secretary in his original communique to the Committee on Agriculture had asked only for the $20 million increase granted by H.R. 18249. In his appearance before the committee on June 12, 1968, the Secretary requested unlimited funding authority.

Considerable testimony was given about the scope and extent to which this program should be carried: That is, its philosophy, the number of persons to be covered, the best agency to determine eligibility, and so forth. There are on this floor almost as many versions of answers to those questions as there are Members.

The conference committee first met with quite a disparity of opinion as to a solution. The Senate was not amenable to the retention of the striker and student prohibition. There was a difference of 3 years in the appropriation authority of the two bills. There was a vast difference in the funds which the respective Houses sought to authorize, the House had no limit and the Senate increased the existing authority by only $20 million.

The ultimate outcome, the report signed by four of the managers on the part of the House, deleted the amendment which would have made strikers and students ineligible. It was felt by many of the conferees that the present language of the act limiting participation to those households whose income is a substantial limiting factor in attainment of an adequate diet should remain unchanged. In any event there has been no record vote on such a question in this

court of record of any crime which was committed after the date of enactment of this act and which involved the use of (or assistance to others in the use of) force, disruption, or the seizure of property under control of any institution of higher education to prevent officials or students in such institution from engaging in their duties or pursuing their studies, and that such crime was of a serious nature and contributed to a substantial disruption of the administration of the institution was respect to which such crime was committed, then the institution which such individual attends, or is employed by, shall deny for a period of 2 years any further payment to, or for the direct benefit of, such individual under any of a number of specified programs; that if an institution denies an individual assistance under the authority of the preceding clause then any institution which such individual subsequently attends shall deny for the remainder of the two-year period any further payment to, or for the direct benefit of, such individual under any of the specified programs; and

That, if an institution of higher education determines, after affording notice and opportunity for hearing to an individual attending, or employed by, such institution, that such individual has willfully refused to obey a lawful regulation or order of such institution after the date of enactment of this act, and that such refusal was of a serious nature and contributed to a substantial disruption of the administration of such institution, then such institution shall deny, for a period of 2 years, any further payment to, or for the direct benefit of, such individual under any of the specified programs. The programs specified in the conference report are as follows:

(1) The student loan program under title II of the National Defense Education Act of 1958.

(2) The educational opportunity grant program under part A of title IV of the Higher Education Act of 1965.

(3) The student loan insurance program under part B of title IV of the Higher Education Act of 1965.

(4) The college work-study program under part C of title IV of the Higher Education Act of 1965.

(5) Any fellowship program carried on under title II, III, or V of the Higher Education Act of 1965 or title IV or VI of the National Defense Education Act of 1958. The conference report further provides that nothing in the bill or any act amended by the bill, shall be construed to prohibit any institution of higher education from refusing to award, continue, or extend any financial assistance under any such act to any individual because of any misconduct which in its judgment bears adversely on his fitness for such assistance; that nothing in the student unrest section shall be construed as limiting or prejudicing the rights and prerogatives of any institution of higher education to institute and carry out an independent, disciplinary proceeding pursuant to existing authority, practice, and law; and that nothing in the student unrest section shall be construed to limit the freedom of any student to verbal expression of individual views or opinions.

Enforcement of compulsory attendance laws.—The Senate bill, effective for fiscal years beginning after the enactment of the bill, provided that no local educational agency may receive financial assistance under the 1968 amendments or any act amended by the 1968 amendments unless such agency has certified that it is taking all appropriate steps to enforce laws relating to compulsory school attendance in the district of such agency. The Senate bill further required the Secretary of Health, Education, and Welfare to make an investigation of State laws relating to compulsory school attendance for the purpose of determining what Federal action, if any, should be taken, to promote minimum attendance requirements throughout the Nation. The Secretary would be required to report the results of his investigation not later than July 1, 1969. The House amendment contained no comparable provision. The Senate recedes.

College of Guam.—The Senate bill provided that the College of Guam should be deemed a land-grant college, and that Guam should be deemed a "State" in the administration of the Second Morrill Act. The Senate amendment further authorized an appropriation of $890,995 for the territory of Guam in lieu of extending to the territory certain provisions of the First Morrill Act. The Senate provision would take effect with respect to appropriations beginning with fiscal year 1970. The House amendment contained no comparable provision. The Senate recedes.

Rules, regulations, and guidelines.—The House amendment requires that standards, rules, regulations, or requirements of general applicability prescribed for the administration of the 1968 amendments or any act amended by the 1968 amendments not take effect (1) until 30 days after such standards, rules, regulations, or requirements are published in the Federal Register, and (2) unless interested persons are given an opportunity to participate in the formulation of such standards, rules, and so forth, through the submission of views or arguments. The Senate bill contained no comparable provision. The conference report requires that standards, rules, regulations, or requirements of general applicability prescribed for the administration of the amendments or any act amended by the 1968 amendments shall not take effect until 30 days after such standards, rules, regulations, or requirements are published in the Federal Register.

Development of new means of testing secondary school students for capability for postsecondary education.—The Senate bill authorized the Commissioner of Education to provide by grant or contract with institutions of higher education or other public or private organizations for the development of improved testing and other procedures to determine the capabilities of students with varying social and economic backgrounds for postsecondary education. The House amendment contained no such provision. The Senate provision is not included in the conference substitute because the conference committee did not feel it was necessary to create a special program as any research needed to accomplish this could be supported under title IV of the Cooperative Research Act, and because information brought to the conferees' attention indicated that experimentation in this area was already being undertaken by colleges and universities. In lieu of the establishment of a special program, it is the intention of the conference committee that the Office of Education collect available information regarding colleges and universities studies on admission policies and specifically, the criteria utilized in selection standards. If, after this information is compiled, there appears to be a need for further and more comprehensive research, the conferees agree that consideration should be given to funding this type of activity under the Cooperative Research Act.

Treatment of certain financial aid to students.—The Senate bill provided that no grant or loan to any undergraduate student for educational purposes made or insured under any program administered by the Commissioner of Education shall be considered as income or resources under those programs authorized by the Social Security Act in which participation is on the basis of annual income. The House amendment contained no comparable provision. The House recedes.

Duplication of benefits.—Under the cold war GI bill veterans are precluded from receiving veterans' benefits if they are receiving grant assistance under other Federal education programs. The Senate bill exempted all student assistance programs authorized or amended by the bill from the nonduplication provisions of the Veterans Act. The House amendment contained no comparable provision. The House recedes.

Presidential recommendation with respect to postsecondary education.—The Senate bill proposed the establishment of an 11-member commission to be known as the Universal Educational Opportunity Commission which would conduct a study of the availability of higher education; financing higher education and alternative plans for providing financial assistance to institutions of higher education and to students. The Commission would be directed to report to Congress within 18 months after the effective date of the act, the results of its study and a plan or alternative plans for providing universal educational opportunity at the postsecondary level. The House amendment contained no comparable provision.

The conference report provides in lieu of the Senate provision that on or before December 31, 1969, the President shall submit to the Congress proposals relative to the feasibility of making available a postsecondary education to all young Americans who qualify and seek it.

CARL D. PERKINS,
EDITH GREEN,
JOHN BRADEMAS,
SAM M. GIBBONS,
HUGH L. CAREY,
WILLIAM D. HATHAWAY,
PHILLIP BURTON,
WILLIAM AYRES,
ALBERT H. QUIE,
OGDEN REID,
JOHN N. ERLENBORN,
MARVIN L. ESCH,
Managers on the Part of the House.

ONE NATION, INDIVISIBLE

(Mr. BRINKLEY asked and was given permission to address the House for 1 minutes and to revise and extend his remarks.)

Mr. BRINKLEY. Mr. Speaker, framed in an oval band of 50 stars on the ceiling of this House Chamber, there is the outline of an eagle. It seems to stand guard over a banner bearing the words "E Pluribus Unum"—one composed of many.

The ceiling near the eagle bears the mark of a ricocheting bullet. Some would say it is a prophecy of violence for this Nation.

However, to me, the message speaks to the enduring bonds between the States of our Union. Sustained by courage, fortified by adversity, the eagle still flies in the hearts of the men who are sheltered by her wings.

CURBING OBSCENE MATERIAL

(Mr. DERWINSKI asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DERWINSKI. Mr. Speaker, I am pleased to note that GOP congressional efforts have so far helped put two strong antismut bills on the books and I believe that we must have even tougher legislation to drive smut peddlers out of business.

May I point out that a bill which I cosponsored provides authority for parents to protest the receipt of obscene literature to the Post Office Department and have their home addresses removed from

questionable mailing lists. Another Republican-inspired measure which I energetically support would curb obscene telephone calls by making it a Federal offense to transmit such messages over interstate phone systems.

Although these two bills are a start toward cleaning up the tide of obscenity which threatens the moral welfare of many families in the land, we still have a long way to go. I support legislation which will define the term "obscene." Amazingly, present law fails to spell out exactly what is meant by obscene material, which makes it difficult to curb its dissemination. After we have spelled out this definition, we can then move ahead with workable legislation to drive smut peddlers out of business.

Mr. Speaker, I also urge support of the recommendation by a Presidential commission that a public utility type of corporation be created to improve mail delivery and expand facilities to serve the public. Since we will have a new Postmaster General in January, it would be my hope that steps to modernize the Post Office Department be steadily implemented since the deterioration of mail service is too obvious a problem to sweep under the rug.

REPREHENSIBLE, ADOLESCENT, AND IMMATURE CONDUCT

(Mr. WATSON asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WATSON. Mr. Speaker, the only polite language that I can use in describing the conduct of two of our Members last Thursday afternoon is "reprehensible, adolescent, and immature." Perhaps some of the Members are not aware of the fact that last Thursday, through the generosity of my neighbor, the one in the next-door office to mine, the distinguished gentleman from California [Mr. MATHIAS], we were recipients of some delicious grapes.

Later that afternoon at 4 o'clock, with the design, instigation, and participation on the part of two Members of the New York delegation, identified in the press, a demonstration was staged against this man who was so kind to us.

Mr. Speaker, down my way ingratitude is, I believe, the lowest of all our vices; contemptible ingratitude is despised by every responsible individual.

Let me remind these Members who led the demonstration that we passed a bill last year making it illegal under penalty of $500 fine or 6 months' imprisonment to stage a demonstration or engage in any disorderly or disruptive conduct in or about the Capitol Buildings. Yet we have two Members from New York defying the law and helping to stage a demonstration outside the office of one of our colleagues.

Undoubtedly this is one of, if not the most reprehensible, acts that anyone could possibly engage in; common decency condemns it and the law forbids it. How can we expect the people to obey and comply with the laws that we pass when our membership refuses to do so? Frankly, I believe that it is ground for censure on the part of this House against these two particular Members.

I believe that every Member of this House, no matter his party affiliation, who is mindful of a sense of justice and decency and honor, will certainly condemn the conduct of these two Members who helped stage a demonstration against a fellow colleague of this House of Representatives.

CORRECTION OF THE RECORD

Mr. FINDLEY. Mr. Speaker, on September 9, 1968, I inserted in the CONGRESSIONAL RECORD the names of those who receive more than $20,000 a year in agricultural payments. Several typographical mistakes were made in the printing of this list and I ask unanimous consent that the permanent RECORD correct these errors.

The counties of the State of Arkansas were included under the heading of Arizona. All counties begining with Ashley on page H8367 and ending with Yell County on page H8371 should be included under the heading "Arkansas."

All entries for the State of Hawaii were included under Worth County, Fla. The names of all those following Cecil L. James in Worth County, Fla., should be entered under the State of Hawaii.

In the State of Mississippi on page H8385 the entries for Sunflower County are included in those for Smith County. The names appearing after Clint Phipps, of Smith County, should properly be recorded under Sunflower County through the entire listing for Smith County as it appears in the daily issue.

The list for Georgia also appeared under the Florida heading. Beginning with Baker County on page H8376 and ending with Cecil James of Worth County on page H8377, the heading should reflect that these counties are in the State of Georgia.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

ELECTED SCHOOL BOARD FOR DISTRICT OF COLUMBIA

(Mr. GUDE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GUDE. Mr. Speaker, as one who supported and was most pleased with the enactment of legislation last year to provide the District of Columbia with an elected school board, I am shocked at the announcement that the District of Columbia Democratic State Central Committee is going to endorse and financially support candidates for the District of Columbia School Board election in November. The legislation specifies that the elections be conducted on a nonpartisan basis.

The action of the Democratic Party would appear to me to be certainly a violation of the spirit of the law, if not a violation of the law itself.

I would hope the District Democratic leaders would observe the election process and the successful functioning of an elected school board in Montgomery County where the public school system is of an outstanding quality.

I am pleased that in my own Eighth Congressional District, Montgomery County was the first in the State of Maryland to establish the elected school board system. For the past 20 years Montgomery County has preserved the nonpartisan principle of school board elections in a county which has at the same time a very high degree of partisan political activity for all of the other local, State, and Federal offices.

FARM BILL CONFERENCE REPORT

(Mr. CONTE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. CONTE. Mr. Speaker, later today the Members of this body will be asked to act upon the conference report concerning amendments to the Food and Agriculture Act of 1965.

Mr. Speaker, I call upon all of my colleagues to reject this conference report which certainly fails to express the will of this body.

On August 1 this House approved an amendment which I offered to limit total farm subsidy payments under the Food and Agriculture Act of 1965 to a maximum of $20,000 for any one farmer or farm operation.

This amendment was approved by a record vote of 230 to 160—a 70-vote margin certainly represents to my way of thinking a substantial statement of support.

Our conferees, however, ignored this mandate from the Members of this House—they went to conference with a clear expression of this body's will and proceeded to drop my limitation. I would imagine it did not take very long, either, for them to give up on it.

But not only did the conferees ignore the will of this body, they proceeded to take extraordinary steps to make sure that this body would never have the opportunity to reaffirm the position it had so strongly set forth in adopting my amendment.

This conference was requested by the Senate. Now everyone knows that under regular procedures the Senate as the body requesting the conference should have voted after the House on the report.

But everyone also knows that if this report had come to the House first it would have been subject to a motion to return it to conference and insist on my amendment, whereas with the Senate acting first we could only vote it up or down.

What happened—well, our conferees allowed the Senate to act outside the normal rules and vote first on the bill in order to prevent this House from once more expressing its will in favor of a payment limitation.

Mr. Speaker, this never should have happened. Our conferees should have insisted on this payment limitation amendment and they certainly should have insisted on this House acting first on the report as is our prerogative.

I urge all of my colleagues who support a payment limitation to vote

against this conference report and make clear that without a payment limitation this farm bill cannot be justified.

Mr. TEAGUE of California. Mr. Speaker, will the gentleman yield?

Mr. CONTE. I am glad to yield to the gentleman from California.

Mr. TEAGUE of California. I fully agree with the gentleman. I was one of the conferees and I did not sign the conference report. I commend the gentleman for his position.

REQUEST FOR PERMISSION TO CONSIDER DISTRICT OF COLUMBIA BILLS ON MONDAY, SEPTEMBER 30

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that on Monday next it may be in order to consider District of Columbia bills.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

Mr. GROSS. Mr. Speaker, reserving the right to object, what will those District bills be that are to be considered? Will they be the carryover of bills from the past week?

Mr. ALBERT. Mr. Speaker, those are the only ones I know of.

I see the distinguished gentleman from South Carolina sitting here, and he says those are the only ones.

Mr. GROSS. Mr. Speaker, there are no additions to the list?

Mr. ALBERT. Mr. Speaker, will the gentleman yield to the distinguished gentleman from South Carolina?

Mr. GROSS. Mr. Speaker, I yield to the gentleman from South Carolina [Mr. McMILLAN].

Mr. McMILLAN. Mr. Speaker, those are all we have at the present time. I do not think by Monday we can clear any other bills.

Mr. GROSS. Mr. Speaker, we will not have adjourned sine die by Monday?

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

Mr. SAYLOR. Mr. Speaker, I object.

The SPEAKER. Objection is heard.

CORRECTION OF THE RECORD

Mr. O'HARA of Illinois. Mr. Speaker, I ask unanimous consent to change the word "Gossip" to the word "Gospel" in the heading of my remarks on page E8130 of the CONGRESSIONAL RECORD of September 19, 1968.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

THE LATE ROY L. WHITMAN, FORMER OFFICIAL REPORTER OF DEBATES OF THE HOUSE OF REPRESENTATIVES

(Mr. ALBERT asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include extraneous matter.)

Mr. ALBERT. Mr. Speaker, Roy L. Whitman, who retired from the position of Dean of Official Reporters of Debates a little over 5 years ago, died this past Monday, September 23, 1968. Mr. Whitman was 76 years of age to the very day, having been born on September 23, 1892, in Marlboro, Mass. Coincidentally, this day was also his wife's 76th birthday and their 54th wedding anniversary.

Roy Whitman had served 31 years in our corps of official reporters at the time of his retirement and was one of the most loved and respected members of the group. Always thoughtful, kind, and considerate, he was most highly thought of by his colleagues and the Members. His untimely death must be a great shock to his family and his wife, Erie. I know the membership of the House who were familiar with this really fine and gentle man will join his former colleagues on the corps in mourning his passing and in expressing our condolences to the members of his family.

Friends may call at Joseph Gawler's Sons Funeral Home, Wisconsin Avenue at Harrison Street, Northwest, Wednesday, 2 to 4 and 6 to 8 p.m. Services will be held at the Metropolitan Memorial Methodist Church, Nebraska and New Mexico Avenues, Northwest, Thursday, September 26, at 2 p.m. Interment private.

BRIEF STATEMENT ABOUT THE LIFE AND SERVICE OF MR. ROY L. WHITMAN

Roy L. Whitman was appointed as Official Reporter of Debates of the House of Representatives in 1932. Mr. Whitman served the Congress since shortly after World War I. The business he recorded over more than 40 years ranged from committee hearings on the League of Nations during President Wilson's day to the legislative debates of the space age. The names and utterances of many of the immortals of American political history have been entered in his shorthand book.

Mr. Whitman was a working witness to congressional action and reaction through some of the most momentous days of the House and the Nation. His career took its form and substance from the daily work of the House. He recorded the talk and temper of this body as it dealt with the issues of war and peace, depression and prosperity. He recorded the words of our last four Presidents and of many distinguished visitors from abroad. He set down for the benefit of this House and future generations the words of poets, statesmen, and military heroes.

Roy was born September 23, 1892, in Marlboro, Mass. He was educated in the public schools of Massachusetts and Maine, and in Maine attended grade school in Auburn and Lewiston. He graduated in 1912 from the Clark Business School of Tremont Temple, Boston, Mass., and in his studies there he specialized in shorthand.

He did his first reporting in February 1912, before the Committee on Medicine of the Massachusetts State Legislature.

Mr. Whitman came to Washington in February 1913, through a civil service appointment to the Post Office Department. In that Department he served nearly 6 years, 2 of them as secretary to the Solicitor of the Department, Mr. Lamar. He was also the official reporter in the Fraud and Lottery Section of the Department during his service there.

In 1918 he resigned from the Post Office Department and opened his own reporting business. In December of that year he reported his first committee in the House of Representatives, the Committee on the District of Columbia, and many committees of the House and Senate. He reported many proceedings of the Senate Committee on Foreign Relations when Senators Lodge of Massachusetts, Borah of Idaho, and Johnson of California constituted the great triumvirate of that committee during the days when the League of Nations was one of the prime matters of this country's foreign policy under President Wilson.

During the operation of his private reporting business Roy was one of the reporters on the famous Teapot Dome oil cases tried after World War I, following these proceedings from the hearings before the Senate committee to the conviction of Secretary Fall and the acquittal of Mr. Doheny. He also participated in reporting other large wartime conspiracy cases involving lumber and shipbuilding.

In 1914 he married Erie M. Turnbull of Delhi, Ontario, who was Roy's constant companion. Mr. Whitman leaves two children and six grandchildren. A son, Dr. Benaiah L. Whitman, is a physician in Philadelphia, Pa., while a daughter, Mrs. Wayne K. Hill, is a portrait artist in Silver Spring, Md.

GENERAL LEAVE

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that other Members desiring to do so may extend their remarks at this point in the RECORD.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

APPOINTMENT OF CONFEREES ON H.R. 17735, STATE FIREARMS CONTROL ASSISTANCE ACT OF 1968

Mr. CELLER. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 17735) to amend title 18, United States Code, to provide for better control of the interstate traffic in firearms, with a Senate amendment thereto, disagree to the Senate amendment, and ask for a conference with the Senate.

The SPEAKER. Is there objection to the request of the gentleman from New York?

Mr. DINGELL. Mr. Speaker, reserving the right to object, it is not my purpose to object but I should like to discuss this legislation very briefly with the chairman of the committee, the gentleman who has just made the request, to find out what his intentoins are with regard to the conference, to the appointment of conferees, and whether or not it is the purpose of the conferees to sustain the House position. I should also like to have him enunciate for the benefit of Members here the differences which happen to exist between the Senate and House versions of the bill.

Mr. CELLER. I will answer the second question first:

Mr. Speaker, a tabulation of the differences between the House and Senate versions of H.R. 17735, the pending Federal firearms control legislation, reveals approximately 50 respects in which the measure differ.

Of course, some of these differences are technical and clerical in nature. On the other hand, there are a substantial number of significant substantive differences between the House and Senate versions which have to be resolved.

Significant among these differences is the treatment of: First, ammunition; second, collectors of firearms and ammunition; third, additional penalties for carrying firearms during the commission of Federal felonies; fourth, the classes of persons who are prohibited from transporting, shipping, or receiving a firearm or ammunition; fifth, a revision of the National Firearms Act relating to machineguns, destructive devices, and certain other firearms; and sixth, exemptions and import restrictions.

These substantive differences as well as numerous other disparities between the House and Senate versions require resolution in a free and open House-Senate conference.

As to the intention of the conferees, and I as a conferee, with reference to the coming conference, I will say that my experience has always been, and the experience will be in the coming conference, to hold fast as far as possible to the House position on the gun bill.

Mr. DINGELL. I should like also to know what is the purpose of the chairman of the committee with regard to the appointment of conferees. It is my understanding that the rules of the House and the precedents, as well as customs long established, require that conferees be appointed who are sympathetic to the position of this body as opposed to the position of the other body. Am I correct on that?

Mr. CELLER. I am not certain whether the gentleman is correct on that.

Mr. DINGELL. That is my understanding.

Mr. CELLER. The conferees were selected from the subcommittee which labored long and most dedicatedly to the fashioning of the bill. All the conferees supported the House version.

Mr. DINGELL. I should like to ask about the findings. There are extensive findings of fact made in the Senate bill, all of which were rejected in the House committee. What is the intention of the chairman of the committee with regard to that?

Mr. CELLER. I may say, as far as the House conferees' duties are concerned, it is to follow the position taken by the House, subject of course to the exigencies which may arise in the conference. The House bill eliminated all findings and recommendations.

Mr. DINGELL. I note that the gentleman indicated it is his feeling that these are technical differences. I note there are some very substantial differences. For example, in the collectors amendment there is considerable difference, in the definition of what constitutes interstate commerce; there is a difference in regard to transactions which took place before and after the effective date of the act involving firearms sales and involving acquisition of firearms by persons outside of their State of residence.

Mr. CELLER. I will say that there are a substantial number of significant substantive differences between the House and Senate versions. I did not cover all of the differences. I do not propose at this juncture to hold a conference on this bill with the gentleman from Michigan. I do not think that is practical.

Mr. DINGELL. I am much troubled, because I do not want the committee or this body to have the feeling that these are simply technical or minor amendments. They are differences of substance that go to whether or not an innocent act might otherwise be criminal and involve the whole question of the right of citizen of this Nation to own firearms for lawful sporting or defense purposes.

Mr. CELLER. All I can say is there are very many technical differences and there are a number of substantive differences.

The SPEAKER. Is there objection to the request of the gentleman from New York? The Chair hears none and appoints the following conferees: Messrs. CELLER, RODINO, DONOHUE, KASTENMEIER, MCCULLOCH, MATHIAS of Maryland, and MACGREGOR.

CALL OF THE HOUSE

Mr. HALL. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 348]

Abbitt	Ford, William D.	Nedzi
Addabbo	Gallagher	O'Hara, Mich.
Ashley	Gurney	Ottinger
Ashmore	Halleck	Pettis
Aspinall	Hansen, Idaho	Pollock
Baring	Hansen, Wash.	Rarick
Barrett	Harrison	Reid, N.Y.
Bell	Hathaway	Resnick
Biester	Hawkins	Rostenkowski
Blanton	Hébert	Roudebush
Bolling	Heckler, Mass.	Roybal
Brown, Calif.	Herlong	Ryan
Brown, Ohio	Hosmer	Sandman
Clancy	Jacobs	Schweiker
Cohelan	Karsten	Shriver
Conyers	King, Calif.	Sisk
Cowger	Kirwan	Snyder
Daddario	Kuykendall	Stafford
Davis, Ga.	Laird	Stratton
Dawson	Landrum	Stubblefield
de la Garza	Long, La.	Thomson, Wis.
Dickinson	Long, Md.	Tunney
Diggs	McClure	Ullman
Dow	McDonald, Mich.	Waggonner
Eilberg	Mailliard	Walker
Farbstein	Minish	Watts
Fascell	Morgan	Willis
Fisher		Wright
Flynt		

The SPEAKER. On this rollcall 347 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

AUTHORIZING CONSTRUCTION OF PARKING FACILITIES FOR GOVERNMENT EMPLOYEES AND VISITORS TO DISTRICT OF COLUMBIA

The SPEAKER. The unfinished business is the vote on the motion of the gentleman from California [Mr. UTT] to recommit the bill (H.R. 17854) to authorize the Commissioner of the District of Columbia to administer a program to provide for the construction of parking facilities in the District of Columbia for Government employees and visitors to the District of Columbia.

Mr. NELSEN. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state his parliamentary inquiry.

Mr. NELSEN. I am wondering if there is no opportunity for debate. I am opposed to the motion to recommit. Will there be any opportunity for any discussion?

The SPEAKER. The previous question has been ordered on the motion to recommit.

Without objection, the Clerk will again report the motion to recommit.

There was no objection.

The Clerk read as follows:

Mr. UTT moves to recommit the bill H.R. 17854 to the Committee on the District of Columbia.

The SPEAKER. The question is on the motion to recommit.

The question was taken; and the Speaker announced that the noes appeared to have it.

Mr. ADAMS. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 127, nays 225, not voting 79, as follows:

[Roll No. 349]

YEAS—127

Adams	Foley	Macdonald, Mass.
Anderson, Ill.	Fraser	Machen
Anderson, Tenn.	Friedel	Madden
Annunzio	Garmatz	Matsunaga
Bingham	Gilbert	Meeds
Blatnik	Gonzalez	Miller, Calif.
Boland	Green, Pa.	Mills
Brademas	Griffiths	Mink
Brasco	Grover	Morse, Mass.
Brooks	Hamilton	Morton
Burton, Calif.	Hanley	Moss
Burton, Utah	Hanna	Murphy, Ill.
Carey	Harvey	Murphy, N.Y.
Celler	Hathaway	Nedzi
Clark	Hays	O'Hara, Ill.
Corman	Hechler, W. Va.	Olsen
Culver	Helstoski	O'Neill, Mass.
Cunningham	Hicks	Ottinger
Daniels	Holifield	Patman
Delaney	Horton	Patten
Dent	Howard	Pepper
Devine	Hungate	Pike
Diggs	Joelson	Podell
Dingell	Johnson, Calif.	Price, Ill.
Dulski	Karth	Pryor
Eckhardt	Kastenmeier	Pucinski
Edmondson	Kazen	Randall
Edwards, Calif.	Kelly	Rees
Evans, Colo.	Kluczynski	Reid, N.Y.
Evins, Tenn.	Kyros	Reuss
Fallon	Leggett	Rhodes, Pa.
Feighan	McCarthy	Rodino
	McFall	

Public Law 90-559
90th Congress, H. R. 17126
October 11, 1968

An Act

82 STAT. 996

To amend the Food and Agriculture Act of 1965.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Food and Agriculture Act of 1965 is extended— Food and Agriculture Act of 1965, extension. 79 Stat. 1187. 7 USC 608c note.

(1) by striking out "through 1969" wherever it appears and substituting "through 1970";

(2) by striking out "1966, 1967, 1968, and 1969" wherever it appears and substituting "1966 through 1970";

(3) by striking out "1969" in sections 103 and 201 and substituting "1970"; 7 USC 1782.

(4) by striking out "1967, 1968, and 1969" in section 402(b) and substituting "1967 through 1970"; 7 USC 1428.

(5) by striking out "1970" in section 404 and substituting "1971"; 7 USC 1427.

(6) by striking out "1966 through the 1969" in section 516 and substituting "1966 through the 1970"; 7 USC 1379e.

(7) by striking out "1968" and "1969" wherever they appear in section 602(k) and substituting "1969" and "1970", respectively; and 7 USC 1838.

(8) by striking out "or 1969" in section 801 and substituting "1969, or 1970". 7 USC 1353.

Approved October 11, 1968, 8:25 p.m. C.D.T.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 1374 (Comm. on Agriculture) and No. 1905 (Comm. of Conference).
SENATE REPORT No. 1378 accompanying S. 3590 (Comm. on Agriculture and Forestry).
CONGRESSIONAL RECORD, Vol. 114 (1968):
July 18-20, Aug. 1, Sept. 19: Considered and passed Senate.
July 30, 31, Sept. 25: Considered and passed House.